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EDITORIAL

As We See It

"Do-Nothingism" vs. "Forward-Looking Action"

Another Jefferson-Jackson Day dinner has passed into history. This time something more than 5,300 champions of the poor gathered to regale themselves at $100 per plate. If their palates suffered somewhat from a meagre fare at that figure, their morale must have been given a lift upon hearing (but not for the first time) how constructive their party's plans and programs are — and, of course, how vacuous are those strange things which pass as policies or platforms of the opposing party. It was all according to plan, naturally, and the diners went home or back to their hotel suites doubtless feeling that their evening had been well spent. As to the great rank and file of the people—well, that is an aspect of the matter about which possibly the less said the better.

But it does seem appropriate at this time to give some quiet thought to this idea so ardently again expounded that the Democratic party and only the Democratic party has any really constructive plans, programs or policies, and that the Republican party has of late decades been repeatedly and emphatically rejected for the chief reason that it either has nothing to offer but "scare" words and phrases, or else only some slightly modified form of the New Deal or the Fair Deal. We shall not place ourselves in the position of appearing to defend the Republican party as a whole or its lines of strategy during the past decade or two. It, as our readers are well aware, has often seemed to us to be divided,

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How 'Good' Will 1950 Be?

By MURRAY SHIELDS*
Vice-President and Economist,
Bank of the Manhattan Co., New York

Prominent bank economist states despite inevitable uncertainties, stage is slowly being set for period of major expansion, because of (1) improved psychological position; (2) population rise; (3) technological progress; and (4) trend from radicalism. Asserts an era of unprecedented industrial expansion is within our grasp; but depends on curtailment of expenses and taxes, modification of labor laws, and abrogation of present monetary and fiscal policies.

In almost all of the year-end forecasts it appears to be taken for granted that the year 1950 will be a "good" one and that, even if the last half turns out to be less "good" than the first, production and income for the year as a whole will be fairly close to that of 1949.

Murray Shields

It should be emphasized, however, that this does not mean that most observers are prepared to assume that the year 1950 will be "good" in the sense that underlying economic conditions will be sound. On the other hand, there is much to support the view that whether the level of business is "good" or not the year will be a *difficult* one, for several reasons:

(1) The not-so-cold sequel to World War II promises to keep everyone in a state of continuous anxiety as to the fate of the world.

(2) In the pre-election months political considerations are likely to generate concern as to whether the course to be taken in the nation's economic development will be toward the new objective of economic expansion as expressed in the Presidential Messages or toward welfare Socialism.

(3) Many industries are probably going to be con-

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*An address by Mr. Shields before the Sulphite Paper Manufacturers Association, New York City, Feb. 20, 1950.

Economic Aspects of The Pension Problem

By LUDWIG von MISES
Professor of Economics, New York University;
Leader of the so-called Austrian School of Economists;
Author "Human Action," Etc.

In over-all analysis of the current pension movement, eminent economist maintains incidence of all "social gains," similar to wage rises, hits the wage-earner, and furthers unemployment. States such plans for security are self-defeating if causing long-term deterioration of the monetary unit. Notes great psychological dangers in all pension plans in obscuring fundamental economic needs, as for increased capital investment; and thus restricting unions to Pyrrhic victories.

I

On Whom Does the Incidence Fall?

Whenever a law or labor union pressure burdens the employers with an additional expenditure for the benefit of the employees, people talk of "social gains." The idea implied is that such benefits confer on the employees a boon beyond the salaries or wages paid to them and that they are receiving a grant which they would have missed in the absence of such a law or such a clause in the contract. It is assumed that the workers are getting something for nothing.

Ludwig von Mises

This view is entirely fallacious. What the employer takes into account in considering the employment of additional hands or in discharging a number of those already in his service, is always the value of the services rendered or to be rendered by them. He asks himself: How much does the employment of the man concerned add to the output? Is it reasonable to expect that the expenditure caused by his employment will at least be recovered by the sale of the additional product produced by his employment? If the an-

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BOSTON SECURITY TRADERS' PICTURES—Candid shots taken at the Annual Winter Dinner of the Boston Securities Traders Association at the Copley-Plaza Hotel in Boston, appear on pages 25, 26, 27 and 28.

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.

This Week's Forum Participants and Their Selections

Phillips Petroleum—Paul S. Ames, New York City.

American Telephone and Telegraph 3⅛% Convertible Debentures of 1959—Thomas H. Jones, Jr., T. H. Jones & Co., Cleveland, Ohio.

West Point Manufacturing Co.—Charles A. Taggart, Charles A. Taggart & Co., Inc., Philadelphia, Pa.

Aircraft Company Stocks—George Weiss, Bache & Co., N. Y. City.

Boston & Albany (guaranteed by New York Central)—Hazel Zimmerman, Los Angeles, Calif.

THOMAS H. JONES, Jr.

T. H. Jones & Co., Cleveland, Ohio

My favorite security recommendation at present is the American Telephone and Telegraph 3⅛ convertible debentures of 1959, now selling on the New York Stock Exchange at 117¼. I believe that this security offers two of the most sought after and seldom discovered qualifications of sound defensive position with excellent opportunity for capital gain.

Thomas H. Jones, Jr.

The bonds are selling at approximately 10 points above their money rate basis and that, I believe, is the extent of the downside risk, assuming that no fundamental change occurs in this country's basic money rates.

On the appreciation side of the ledger I believe that A. T. & T. common into which the bonds are convertible is underpriced both in regard to its potentialities and in consideration to the fact that it is now at one of the lowest levels in years in relation to the Dow-Jones averages.

At the present price—just under $150 per share—the return of 6% is very attractive, and is higher than the yield on many other high grade public utility stocks. The $9 dividend has been paid without interruption since 1922, and in our opinion will be maintained at this level.

Fundamentally, the strength of the stock is based on a sound financial structure; the essential service which the company provides; relative stability of revenues; and limited competition from other methods of communication. Actually we think the basic qualities of American Telephone and Telegraph Co. are far stronger than they were a few years ago.

(1) A great deal of new and improved equipment has been put into operation since the end of the war, and operating savings should start to show up in the near future.

(2) Some 11,000,000 new telephones have been installed, which is an increase of over 50%.

(3) The regulatory commissions have tended to recognize that earnings of utilities should be sufficient to uphold the credit of operating companies and attract equity capital.

(4) In relation to a generally accepted rate of return of 6% on investment for rate purposes, total present financial requirements including interest and the $9 dividend are only 4.6% of estimated investment.

(5) Rate increases granted in the last year, together with those applied for but not yet granted, total over $250,000,000.

Expansion and improvements of some $4,500,000,000 since 1946 have been financed in part by means of convertible debentures and sale of stock to employees. The additional common stock and that resulting from conversion of debentures has undoubtedly been a factor in keeping the price of the stock below the high prices reached in each of the last seven years. With the $9 dividend assured and earnings probably around the $10 level, I consider the stock a sound 6% investment with good prospects of selling at prices comparable to levels reached in recent years.

PAUL S. AMES

Investment Adviser
New York City

At the present time, it would seem rather out of place to suggest the purchase of an oil stock. Most statisticians and investment advisers are advising the sale of oil securities which are held as investments by individuals due to the probability of substantial reductions in crude oil and gasoline prices, which would result in lower earnings for the industry in general. Inasmuch as in times of declining prices there is a greater safety in purchasing sound securities than following the easier course of buying securities in a rising market, I particularly suggest the purchase of Phillips Petroleum.

Paul S. Ames

Phillips Petroleum is one of the most complete and low cost producers in the oil industry. Aside from its huge reserves of crude oil and natural gasoline amounting to approximately 1,200,000,000 barrels, this company has one of the largest natural gas reserves in the United States (14.4 trillion cubic ft.). For this reason in particular, I feel that one could safely view the future of Phillips Petroleum with much optimism inasmuch as the natural gas industry is a relatively new medium in this country for supplying the needs of the people with a much cheaper fuel for the purpose of cooking and heating. Therefore, it is logical to feel that the company's tremendous reserves of natural gas provide an important reason for the ownership of this stock, as it is safe to assume that Phillips Petroleum will play an important part in supplying this new industry. With the ever increasing consumption of this new and cheaper fuel over the coming years, this company will be in a position to satisfy the demands made upon it and its earnings likewise should benefit materially.

In the purchase of Phillips Petroleum, one might see a lower level in the price of the stock in the immediate future, but bought with the idea of an investment in a company whose future prospects are extremely bright, I feel that a stockholder will be well rewarded.

CHARLES A. TAGGART

President, Charles A. Taggart & Co., Inc., Philadelphia, Pa.

"The Security I Like Best" is not an easy subject since there are many I could write about without consulting the crystal ball. Because I have no confidence in the occult, I prefer to select mine from those which have done well in the past.

Charles A. Taggart

While common stocks cannot be purchased with any assurance of liquidity, it is possible, with careful selection, to purchase industrial stocks with a reasonable belief that the principal will remain intact over a period of years with an excellent chance of appreciation.

One such stock, I believe, is that of West Point Manufacturing Co. The company has demonstrated good management through more than one generation. It has progressed over the years through natural growth and acquisition. It is a unit in an industry which caters to all people. At an early date its management concluded more profit could be made through establishing cotton textile plants close to sources of raw material supplies and where labor costs were, and still are, lower than in the New England States.

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Oil Industry in Transition

By THOMAS D. SEARS
Investment Counsel, Santa Barbara, Calif.

Mr. Sears maintains petroleum industry faces deteriorating profit outlook. States pressure on price structure will ensue from backing-up of foreign oil into American markets on top of normally growing domestic production. Concludes stockmarketwise leading companies are relatively unattractive, with their current high dividend rates vulnerable.

The oil industry is in the early stages of transition from a position of dominance and control by American capital into a fully international status. This transition has been the product of several basic forces, some of recent origin, and some almost as old as the oil industry itself. Enlarged consumption in the United States and the even more sharply rising consumption of oil products in Europe have placed demands upon the industry exceeding any previously experienced. Concurrently the recent terrific expansion in oil production, particularly in the Middle East and in Venezuela, has been even larger and has brought about an altered supply and demand relationship throughout the world. A shift in world markets is in process, accentuated by the devaluation of the pound sterling and further and more extensive shifts seem to be in prospect.


Thomas D. Sears

It is a paradox that the oil industry has almost always lived in a condition of potential current over-supply and of potential future shortage. The use of petroleum products has broadened and increased over the past half century at a rate probably eclipsing that of any other commodity. The steady rise in oil consumption led long ago to the development of long-range programs of exploration and development by the major oil companies, as well as to greater activity on the part of independent wild-catters. In this way, the industry has been able to keep several years ahead of its consumptive requirements but, from time to time, the opening up of flush new fields has resulted in acute over-supply with consequent demoralization of markets. The recurring problems of overproduction led logically to the development of various systems for prorating production, some entirely voluntary and some imposed by state authority. Because restrictions upon the output of small marginal producers have been practically impossible, voluntary proration has never been conspicuously successful. The major oil companies have been interested in maintaining orderly markets and in conserving oil reserves but quite naturally the independent producers have always been more interested in getting their oil out of the ground and maintaining current income. Control of production by legal processes has been more successful, particularly in the state of Texas, but Texas has frequently been forced into the position of holding an umbrella over the entire industry and that, to a considerable degree, is the current situation. Approximately a year ago, the Railroad Commission in Texas reduced production allowables per well by about 25%. Even at that early date, surpluses were beginning to be apparent. Since then there have been nine additional cutbacks to compensate for new fields brought into production. This fact more than any other has made it possible for the price of crude oil to remain at a high level in the presence of increasing importations, important new discoveries and reduced demand for certain oil products.

Natural Gas

The industry has been thrown further off balance by the rapid introduction of natural gas into the Middle West and Eastern markets to the detriment of anticipated growth in the use of heating oil. The full impact of this will not be felt for another year or two. During 1949, the price of heavy fuel oil dropped about 40% on the Eastern Coast and the price of distillate dropped about 26%. The retail price for gasoline has been, in general, well maintained but in recent months gasoline price wars have broken out in several major consuming areas. The heavy consumptive season for gasoline ends in early autumn. Since that time, inventories of gasoline have been mounting each week and now stand at the highest figures on record. There is every prospect that this total will continue to grow until early spring. This condition does not augur well for the maintenance of gasoline prices in months to come and, since gasoline has always been the "money" product in the industry, any reduction in its price will be foreshadowed by a drop in the price of crude.

If the foregoing condition were purely the product of domestic factors, a somewhat more constructive attitude toward the industry might be taken. The fact of the matter is, however, that considerations involving national and international policy have intruded and give every indication of continuing in force. The increased and manifold uses for oil throughout the world and the lack of it as a national resource, particularly in Europe, have served to make oil strategically one of the most important commodities. During the most recent quarter century, the War and Navy Departments, as well as the State Department, have become increasingly concerned with the continuing drain upon the Western

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Nothing Exotic or Unique In Selling Securities

By PHILIP J. JACOBY*

Vice-President and Sales Manager, American Direct Mail Company

Mr. Jacoby, asserting first job of security salesman is to determine what his prospect wants, stresses importance of proper factual presentation along with emotional appeal. Holds successful salesman, regardless of personality, must have thorough knowledge of product or service and must create confidence and respect. Lists as three major problems: (1) locating prospects; (2) getting in touch with people who wield influence over individuals; and (3) create proper relationship with your customers. Warns against becoming smug and self-satisfied.

I'm going to direct my talk, so far as I can, to selling, in general, and so far as I see it, as it may pertain to your own type of selling. However, in that connection, I should start with a story. That's the orthodox way to start a talk, anyhow. It's about this fellow who came into a bar, and he goes up to the bartender and says, "If you'll give me a drink, I'll show you the most wonderful act you ever saw in your life."

Philip J. Jacoby

The bartender said, "Go away. If I gave out drinks to everybody who comes in and has a bright idea, I'd go broke."

But a man standing at the bar said, "Go ahead, give him a drink. Let's see what he's talking about." So the bartender poured out a drink and with that the fellow put his hand into his pocket and took out a little piano, a very small one. And out of the other pocket he drew a little mouse.

The mouse stood up, bowed, went to the piano, arranged the stool, sat down and played a Chopin concerto. Really, you couldn't have heard it played better. He had his audience spellbound.

When he finished everyone applauded the mouse. He bowed again, and the bartender says, "Say, this is wonderful. This is just terrific. I'll give you $5,000 for that mouse and piano."

The fellow said, "Oh, that's nothing. Let me have another drink and I'll really show you something." So the bartender poured out another drink without hesitation. This time he takes out a little canary and puts it down on the bar. The canary bowed, turned to the mouse, and the mouse started playing some beautiful aria, and the bird sings to the accompaniment.

The effect was really enthralling. Well, by now, they were all aghast. The bartender said, "Let me have this, and I'll give you my whole bar. You can have everything I own, but I must have that."

The fellow said, "Well, first of all, I wouldn't part with it. Secondly, I couldn't sell it to you because I have to be honest. That canary can't sing. The mouse is a ventriloquist."

So I have to be perfectly honest with you, to begin with. I don't think there is any real distinction, there is nothing exotic or unique in selling securities. The general rules of selling that pertain to suspension bridges or rubber boots, or anything that you can conceive of, hold equal effect in the case of selling securities.

*Stenographic report of lecture by Mr. Jacoby, 19th in a series on Investment Salesmanship sponsored by Investment Association of New York, New York City, Feb. 9, 1950.

There are certain general principles that prevail, and in selling securities, actually, it would be no different than selling any consumer product. It may call for a little different type of application of these principles but, in general, in the sale of securities you have to recognize what it is that the people want, in securities, as a basis for selling.

We try to analyze our particular market, regardless of what it may be selling, whether it is a product or a service. In the sale of securities, you probably will encounter three types of individuals—there will be the fellow who is looking for a quick buck, the fellow who wants rapid appreciation. You will find, at the other extreme, a man who is ultra-conservative, who is interested substantially in safety, and will, for that, take a small return on his investment.

Now, of course, you have, in between, a large area of individuals who want both safety and appreciation. I guess, actually, that is the average person that you encounter. But in each one of these people, to a varying degree, their prime interest will be either in quick appreciation or conservative investment.

First Job: Find Out What Your Prospect Wants

The first job, as I see it, therefore, for a security salesman, would be to determine what it is that this prospect wants and, naturally, to appeal to those wants. This calls for a combination of factors in presentation:

First of all, in selling securities, I assume that the average individual is interested in facts, regardless of whether he is the fellow who wants to make a rapid dollar, or the fellow who wants to think in terms of his heirs and successors. Regardless of that, a factual presentation would be very compelling. In the one instance, of course, you would try to show a basis for anticipating a quick return on the investment, factually, and in the second case, you would try to show, historically, the soundness of management, the history of interest payments and other considerations which may reflect upon the stability of the company.

Factual presentations, I think, are essential. However, what I strongly recommend, what I strongly urge, would be that we do not lose sight of the emotional appeal of your securities. If you can translate these facts that you have presented in terms which have an emotional appeal, you have substantially fulfilled that obligation which I have represented as an appeal to a want, or a desire on the part of a prospect.

Very often you will find that it is the emotional appeals which securities offer to individuals which may be the controlling reason to buy. What I mean is that money, *per se*, doesn't mean anything. It is always what you can do with that money.

Therefore this, of course, would be predicated not only on knowing what the customer wants, in terms of his securities, but what the ultimate objective may be for the funds, or the profits that he may realize, by virtue of his investments.

The fellow may want to think in terms of a fund to send his children through college. That would fit in with the fellow who was of a more conservative nature. It may be that he would like to think in terms of leisure and travel. That, also, would be something of a conservative nature.

And there may be somebody who wants to take advantage of an offer that may be presented, whereby he can acquire additional property, additional equipment, or a business, in which case he is thinking of hoping to defray the cost of meeting that obligation on the basis of what he may get immediately.

Whatever it may be, a factual presentation will, alone, not do the complete job. You have to translate that into terms which he accepts, because they represent an ambition or a goal.

Now, it seems almost axiomatic that if you can show profit, that the man may in turn—the prospect may in turn be able to assume what that profit may mean to him. But very often your prospect is sluggish, and he won't take that step. You as a salesman certainly cannot depend upon his taking that step. Since you always want to keep control of a sales situation, you will lead him there.

I say that this is predicated on a foundation which represents an understanding of the personality of the individual, his aims and objectives, all of which is open to you if you conscientiously address yourself to this prospect as an individual. Having done so, by translating the profit into terms of ambition on his part, you have made a very strong case for yourself.

Personality and Salesmanship

Now, speaking in terms of personality. So far as the salesman is concerned, very often someone will say, "What type of a salesman is a successful salesman?", and that is something that practically escapes definition. I have seen successful salesmen not only selling securities but selling everything, and they run the entire spectrum of individual characteristics, with extreme individual differences.

I have seen successful salesmen, to be perfectly honest with you, who are a little careless about how they dress. I have seen successful salesmen with a back-slapping, happy-go-lucky, story-telling type of approach. I will say that he is in the descendency. There are less and less of those apparent.

But there are some who do succeed with these tactics. I have seen dignified, reserved individuals, who make successful salesmen.

And so, what is it that they have in common, if anything? Now, certainly, they have in common effectiveness, an ability to sell. Now, what is it that they do have?

I thought that for a few moments I would direct myself to that formula, and in some way that may be helpful. First of all, I have found that these successful salesmen have in common a complete understanding, or a thorough knowledge of their proposition, or their product. They understand the fundamentals. They have a firm grasp of what it is that they are attempting to sell.

Now, I assume that most of the men who are present here have a good, sound knowledge of what it is that they are attempting to sell, from technical considerations.

I would assume that that would be indispensable. In that connection, I would also say that you can not acquire that knowledge and relax, and that you would be obliged constantly to be alerted to changes, to whatever in the financial world may reflect upon preconceived ideas in securities in general, and in investments in particular. That, I know, is something which is common among all successful salesmen.

Second of all, I found that regardless of what may be their physical appearance, whatever may be the type of impression that they create, it is fundamentally one which creates confidence and respect. Of course, you can see where a prerequisite of that would be the understanding of the proposition which you are offering, but this would go somewhat beyond that. Confidence and respect are something that are

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
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Commodity Price Index
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Business Failures

A moderate decline again marked total industrial production last week. This was due in some measure to the continuation of the soft coal strike which has now entered its seventh week. Output was also noticeably below the high level for the comparable week in 1949. Industrial employment showed a mild upward trend in the week, but was counterbalanced by a rise in agricultural layoffs which attained a seasonal high point.

The lack of compliance on the part of the soft coal miners to John L. Lewis' United Mine Workers Union President, to his latest back-to-work order and present indications that the strike would continue, poses a serious threat to the nation's health and economic well-being.

For example, in the steel industry, continued high-level steelmaking belies the precarious situation the industry faces because of the coal strike, "Steel," national metalworking magazine, declares in its current issue. Additional blast furnaces have been banked and more are scheduled to go down this week. Severe curtailment in ingot production by March 1 is indicated unless the coal supply improves quickly. Some curtailments in open-hearth and bessemer converter operations have been effected, but hope that the coal strike will begin to break up this week has encouraged producers to maintain ingot operations in the face of the alarming supply outlook.

To illustrate further, the soft coal strike's effects on carloadings, in the week ended Feb. 11, a decrease of 43,683 cars, or 7.1% below the week previous, resulted from a further reduction in that week in coal shipments.

It was reported that miners present at meetings of union locals in the soft coal fields stated that they intend to remain on strike until a contract is won. Reports circulated in Washington were to the effect that President Truman had drawn up a message to Congress seeking powers to seize the struck mines. Meanwhile, Federal Judge Richmond B. Keech on Monday of this week extended, at the government attorney's request, until March 3 his temporary no-strike order against John L. Lewis' striking soft coal miners. The original order was scheduled to expire on Tuesday of the current week.

Complying with a request of the Department of Justice, Judge Keech on the same day found the union in civil and criminal contempt of court for disregarding his back-to-work order issued a week ago Saturday. The union is required to answer the government's charge in writing by Friday and to appear in court next Monday for a full hearing. John L. Lewis, head of the United Mine Workers' Union, was not named in the contempt citation.

* * *

January television set output exceeded all months of 1949 except November, the Radio Manufacturers Association reported. Members of this association produced 335,588 receivers last month.

Average weekly television production in January was 15% above the figure for December, the association stated.

Radio production totaled 660,195 sets last month, about the same as the monthly average for the fourth quarter of 1949, the association noted.

* * *

One-third of the total United States exports in the period of the first three postwar years were financed by the Federal Government, the Department of Commerce declared. Of a total of $51,500,000,000 in American goods and services furnished foreign countries from 1946 to 1948, inclusive, government cash or credit provided $15,400,000,000.

Foreign nations were able to pay for $33,400,000,000, or 65% of imports from their own resourcee, including $26,100,000,000 derived by selling goods and services to the United States, the department noted. Payment was accomplished by the use of newly-mined gold or gold and dollar balances for the remainder.

STEEL PRODUCTION AT LOWEST LEVEL SINCE WEEK OF NOVEMBER 28, 1949

The major steel producers have about reached the bottom of their coal piles, "The Iron Age," national metalworking weekly, states in its current summary of the iron and steel trade. Plans for drastic cutbacks in production have already been laid. They will be announced late this week if coal is not on its way from the mines. Some of these plans include curtailment of blast furnace operations by as much as 75%.

The situation is critical for steel consuming industries, too, the magazine adds. They are being pinched from four directions: (1) Interruption of vital steel shipments, as steel suppliers are forced to curtail output for lack of coal; (2) exhaustion of their own coal stocks; (3) loss of production from industrial power curtailments; and (4) lack of strategic parts from suppliers who have been forced to shut down or curtail their production.

Cuts in steel output are going to be felt immediately by some industries. Those which use sheets and strips, and some of those which use bars, haven't had a chance to build up their inventories since the steel strike. In some cases these inventories are critically low now. Their efforts to assure themselves of an operating supply of steel and rebuild their inventories are adding strong pressure to demand for steel items which were already in short supply, this trade authority points out.

Users of heavy plate and structural steel are in better shape. Most of them report their inventories will carry them for from three weeks to two months at present rates of production.

Auto companies which had been piddling in conversion are now going into it on a larger scale. One car producer is buying 50,000 tons of semi-finished steel per month for conversion purposes, "The Iron Age" reveals. It has booked such orders with at least one steel company into April. Another auto maker has enough steel lined up for its own needs into June. Other manu-

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Observations . . .

By A. WILFRED MAY

The Real Issue in the British Election

Midst all the variegated discussion being foisted on Britain's 34½ million voters, there is actually one basically significant issue —long-term and worldwide—which this week's polling will decide. The $64 question facing the Democracies at mid-century is just how strong is the "Santa Claus-Security" appeal to the electorate—following the politician's technique which has grown from "Let 'em have bread" to "They must have cake."

A. Wilfred May

Personality Versus Cake

In this framework the present British results will have proved particularly significant because of the overwhelmingly greater strength of the individual *personalities* in the Labor party. The kindly, beneficent and honest Mr. Attlee presents a good analogy to the 1948 Truman; but there is no doubt that Mr. Churchill et al. possess infinitely greater glamor and other personal attractiveness than did candidates Dewey and Dulles. While necessarily not up to the wartime Prime Minister's "Blood and Sweat and Tears" inspirational effort, a passage like the following from Mr. Churchill's foreword to a recent Conservative Party manifesto must have exerted a popular appeal connoting strength and courage:

> "As Leader of the Conservative Party, I feel that in so doing, we are not only reviving the Tory democracy of Lord Beaconsfield and after him of Lord Randolph Churchill, but are giving expression to the spirit of liberalism with its sense of progress, tolerance and humanity which has spread so widely *throughout our Island and indeed throughout the world.* We earnestly hope that what is written here may be a help to those who wish to make a right decision for *the future of their country,* and may strengthen their confidence that we have *a glorious future* and their resolve that we do not cast it away." [Italics mine.]

And in contrast to the seemingly-fatiguing Foreign Minister Ernest Bevin is the "dashing Sir Gallahad" Anthony Eden with his traditional record of fearless independence on the international scene. And further down the line the Conservative Party has such colorful personalities as M. P. David Eccles, a counterpart of our Harold Stassen, the two of them discovering much common agreement in London last September.

Campaign Difficulties—"Gland" vs. Facts

It is the objectivity of the issues available to them that has made their popular appeal so difficult for even these personalities. Reading his daily newspaper's account of his country's dollar-exchange difficulties, while basking in the sun at Worthing-by-the-Sea and—more significantly—in the glow of his highest pay check for the least work in history, the worker-voter yawningly remarks: **"If this be crisis, by all means let's have more of it."** Such facts as that 14% of the national product is going into "welfare" expenditures, as contrasted with 5% in the United States; that there would be 2 million unemployed but for the grace of American charity, and the crucial sterling-balance problem; all tend to be regarded as merely "theoretical" and academic.

The vote tabulation will show whether the personality of a Churchill can in the pubs give effect and meaning to the dialectics over the dangers of State deficit-spending; whether he can make the evils of nationalization more important to the pub-er than the size of his paycheck and his social security.

On the one hand, it is pointed out to the voter that free monocles, free toupees, free scholarships, and the multiple helpings of social security from a bankrupt State must in the long run mean

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Cinti. Municipal Men's Spring Party

CINCINNATI, OHIO.—The Municipal Bond Dealers Group of Cincinnati will hold its Annual Spring Party and Outing at the Kenwood Country Club on May 26. There will be a cocktail party and dinner for members and out-of-town guests on May 25. Invitations will be mailed during the month of April.

Malcolm Irving With Albert de Jong Co.

Albert de Jong & Co., 37 Wall Street, New York City, dealers in foreign securities, announce that Malcolm D. W. Irving has become associated with the firm's trading department. Mr. Irving was formerly with Goodbody & Co.

Joins A. C. Allyn Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Allen Logan has become associated with A. C. Allyn & Co., 1016 Baltimore Avenue. He was formerly with Straus & Blosser.

United Nations Experts Propose Nationally Planned Economies Subsidized by U. S. A.

By PHILIP CORTNEY*
Member, NAM's International Relations Committee

Prominent industrialist terms plan drafted by five economists under UN's aegis, over-ambitious, unrealistic, fantastic, and sure road to ruin for free competitive system. Maintains recommendations are aimed at U. S., requiring us to make sacrifices so that other countries can isolate themselves in socialism.

The Report on National and International Measures for Full Employment published by the United Nations overstresses full employment and stability to the detriment of economic progress and higher standards of living. The National Association of Manufacturers fully agrees on the importance of a high level of productive employment, but must insist that the means used for maintaining employment should not undermine or destroy the individual competitive system, and should not make impossible the restoration of a well-knit world economy. This report speaks of full employment as the "over-all objective" of public policy to which governments should relate all their activities. We leave undisputed the definition of full employment given by the report. (Mr. Truman does not agree either with the definition of full employment proposed by the experts, according to an interview with Arthur Krock published in the "New York Times" of Feb. 15. Mr. Truman states that: "A certain amount of unemployment, say from three to five millions, is supportable. It is a good thing that job-seeking should go on at all times; this is healthy for the economic body."). It ought to be obvious, however, that employment cannot be an aim in itself, or we would consider that an army camp or a prison is the most desirable prototype of society.

Philip Cortney

Dr. Alexander Loveday, former Director of the Economic Intelligence Department of the League of Nations, has expressed himself on employment in a free society as follows:

"In a free society: there is the rub. Many governments have since the war formally assumed the responsibility for securing and maintaining what at San Francisco they felt emotionally impelled to call full employment. Now, government can, I believe, secure and assume full employment under certain conditions. If it is in a position to tell every man and woman — entrepreneur or wage-earner — what he shall produce and what consume, how many hours he shall work a day, what remuneration he shall receive, what portion of his remuneration he shall save or spend, and if it can cast those who do not carry out its instructions into a concentration camp, it can, I believe, guarantee full employment—inside the camp or outside. But if that is done, you sacrifice human liberties. This question of employment is, therefore, a question immediately affecting the daily lives of us all."

What do we mean by a free society? By a free society we mean not only one in which the individual enjoys the rights and freedoms with which we are familiar, but also the right to work or not to work, the right to get the best job he possibly can, the right of the consumer to use the product of his work in purchasing whatever he wants. Moreover, in a free society the individual is free to leave a country provisionally or permanently, as he wishes.

The Overriding Objectives

We submit that in analyzing the problem of employment and the proposals to remedy unemployment, we must give paramount consideration to two overriding objectives:

(1) That in the process we do not destroy human rights and human liberties which the individual enjoys in a free society. We hold that our civil and political rights are dependent on the preservation of an individualistic competitive system.

(2) The second overriding objective is that national policies for full employment should be devised so as to suit the requirements of a well-knit world economy. Each country should pay due regard to the effects of its national policies on the well-being of other countries, and particularly on international economic relations.

We regret to have to say that the report does not meet the test of these two fundamental overriding objectives.

The Keynesian Influence

The report is imbued with intellectual prepossessions and ideas stemming from what is known as "Keynesian" or "New" economics. Our main objections to the thinking which has prevailed in the making of the report are the following:

(1) The intellectual approach to the problem is incompatible with the preservation of the individualistic competitive system. It deals with the economic problems of our society by using the notion of "effective demand," which is the economist's idiom of the popular remark: "to buy you need money." Economic thinking which starts its chain of reasoning with "effective demand" is attacking only symptoms of economic disorders but never the causes. As a result of this kind of thinking we may get full employment by means of chronic monetary inflation, but in the process we would destroy the individualistic free enterprise system. We cannot accept deficit spending as a way of life, because it would disrupt our social economic system and would lead us into a totalitarian form of society.

It is symptomatic of the way of thinking of the economists who have written the report published by the U. N. that not once the words "costs of production" even mentioned except in a note by Professor J. M. Clarke. It is well known that those who accept deficit spending as a way of life are not concerned either with the volume of national debt or with the costs of their experiments. Obviously the authors of the report believe that we can lift ourselves by our bootstraps. The lack of concern with the matter of costs becomes particularly significant when we think of what a depression really is. A depression means that the volume of goods that can be produced at prevailing costs of production with the available factors of production cannot be sold at a profit at prevailing prices. Economic depressions are usually characterized by a fall in prices, which is necessary to reestablish the balance between production and consumption and thereby permit economic activity to resume its pre-depression or a higher level. But the economists who have written the report are not concerned with costs. They even argue that we should attempt in our economic policy the impossible task of stabilizing prices, about which recommenaton we shall say a few words later.

(2) The report starts from the assumption that government can

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*Statement made by Mr. Cortney on behalf of the National Association of Manufacturers before the Economic and Social Council, N. G. O. Committee, of the United Nations, on Feb. 15, 1950.

Contentions of Advocates Of Irredeemable Currency

By WALTER E. SPAHR
Executive Vice-President, Economists' National Committee on Monetary Policy; Professor of Economics, New York University

PART II

Dr. Spahr lists as chief contentions of advocates of our irredeemable currency: (1) insufficiency of gold stock for convertibility; (2) current scarcity of gold; (3) danger of stampede for gold; (4) danger of gold hoarding; (5) ease of managing paper currency contrasted with gold; and (6) conditions are not favorable for return to gold standard. Maintains these contentions are either false or ineffective or are outweighed by benefits of gold redeemable currency.

The question of the ratio of our gold stock to our non-gold money and deposits

One of the current arguments against the resumption of redeemability is that our gold stock is inadequate considering the great expansion in recent years of our non-gold money and deposits. The following are pertinent factual data which should dispose of that frequent contention.

Walter E. Spahr

The United States fought through World War I without domestic suspension of redeemability on gold ratios ranging (as yearly averages) from 8.1 to 10.9%. That low range compares with a ratio of 13% as of October, 1949. When the ratio was at its peak of 24.6 in 1941 and at 23.2 in 1942, Congress could not be persuaded to institute redeemability "because," so the common reply was, "we are at war." The fact that we fought World War I on ratios ranging from less than half to less than one-third as high as that of 1941 was not regarded as worthy of serious consideration. Now that the ratio in recent months has been in the range, roughly, of 13 to 15%, the argument is often advanced that our gold supply is inadequate in the face of the fact that the range of ratios for the years 1915-1932, when redeemability was maintained, was from 6.7 to 10.9, the average being 8.6%.

The fact that the ratio has fallen from 24.6 in 1941 to 13 in October, 1949, indicates the importance of instituting redeemability while it is safe to do so and before an expansion in money and deposits and a withdrawal of gold by foreign banks and governments reduce the ratio to a point that would make the institution of redeemability unsafe. With the return to deficit financing by the Federal Government, delay in instituting redeemability invites a situation in which redeemability without devaluation may become impossible. Should that occur, it should be expected that thereafter the approach of the day of reckoning will be hastened.

Opponents of redeemability, when confronted with conclusive evidence on the adequacy of the gold ratio, sometimes attempt to build a better case for themselves by contending that Federal and state debts should be added to non-gold money and deposits as claims on our gold stock. The office of The Gold Standard League (1 Lloyd Ave., Latrobe, Pa.) published in *The Washington Bulletin* of the League, Sept. 3, 1949, the following data in respect to that contention:

Ratio of Gold Reserve to Dollars and Their Equivalents

(Billions of Dollars)

Year	Total Deposits, Currency, Net Federal & State Debt	Gold Research	Ratio of Gold to Dollars and Their Equivalents
1916	29.6	2.4	8.0%
1917	40.1	3.2	7.9%
1918	57.3	3.2	5.6%
1919	66.4	3.1	4.6%
1920	69.4	2.9	4.2%
1921	67.3	3.3	4.9%
1922	69.4	3.8	5.5%
1923	72.7	4.0	5.5%
1924	74.5	4.5	6.0%
1925	78.6	4.4	5.6%
1926	80.4	4.4	5.5%
1927	81.9	4.6	5.6%
1928	84.4	4.1	4.8%
1929	84.8	4.3	5.1%
1930	84.9	4.5	5.3%

Year	(Billions of Dollars) Total Deposits, Currency, Net Federal & State Debt	Gold Research	Ratio of Gold to Dollars and Their Equivalents
1931	86.8	5.0	5.7%
1932	83.3	3.9	4.6%
1933	82.6	4.3	5.2%
1934	92.2	7.9	8.6%
1935	100.3	9.1	9.1%
1936	108.9	10.6	9.7%
1937	112.5	12.3	10.9%
1938	113.0	13.0	11.5%
1939	119.6	16.1	13.4%
1940	128.2	20.0	15.6%
1941	146.7	22.6	15.4%
1942	199.4	22.7	11.4%
1943	279.4	22.4	8.0%
1944	362.1	21.2	5.6%
1945	429.2	20.2	4.7%
1946	414.5	20.3	4.9%
1947	403.1	21.3	5.3%
1948	400.9	23.5	5.8%
1949	398.6	24.5	6.1%

Average ratio from 1916 to 1949 is ____________ 7.0%
Average ratio from 1916 to 1934 is ____________ 5.4%

Silver and asset currency ratios

In practice all our circulating currency is convertible into the Treasury's stock of silver. On Oct. 31, that stock, held as reserve chiefly against silver certificates, was $2,301,000,000. The ratio of that stock to non-silver money and deposits was 1.2%. No one has been concerned over the smallness of that ratio. Because the people believe they can get the silver upon demand, there is no unusual demand for it.

But, when it is recommended that provision be made for redeemability in gold having a ratio of 13%, the contention is often promptly advanced by opponents of redeemability that our gold stock is inadequate.

Another commentary on our lack of understanding of, and on our reactions to, the reserve ratios is the fact that our people are not disturbed in the least by the very small percentage of asset cash which the Federal Reserve banks usually have to pay out against their liabilities in the form of Federal Reserve notes and deposits. For example, on Nov. 30, 1949, their liabilities were, in Federal Reserve notes, $23,373,496,000, and in deposits, $17,792,864,000. Against this combined liability of $41,166,360,000, the only cash the Federal Reserve banks held as an asset which they could pay out was $227,434,000. This amounted to a little over ½ of 1% of their note and deposit liabilities. This is the common ratio of the asset currency, which can be paid out, held by the Federal Reserve banks against their Federal Reserve notes and deposits.[3]

The people are not disturbed by this extraordinarily low ratio of asset cash to the notes and deposits of Federal Reserve banks, doubtless because they are not aware of it.

Had the Federal Reserve banks been authorized to pay out gold or gold certificates on that date against their Federal Reserve note and deposit liabilities, they could have paid out $23,231,916,000 (ignoring penalties for going below the minimum required ratio of 25%). This gold certificate reserve amounted to 56.4% of their note and deposit liabilities. It was almost 100 times larger in amount than the only asset cash held which they could pay out domestically.

The people of this country are told by leading Federal Reserve officials that, despite this situation which they do not describe nor explain to the interested public, it is unwise to pass a law which would require the Federal Reserve banks to meet their liabilities in terms of a reserve which is nearly 100

3 A noteworthy aspect of this picture is the fact that the only asset cash which Federal Reserve banks hold and can pay out domestically against their Federal Reserve note and deposit liabilities is not lawful money for purposes of reserve, and that the only money that is lawful for reserve purposes—gold certificates—cannot be paid out domestically—merely to foreign central banks and governments in the form of gold.

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Anti-Trust Suits and Investment Values

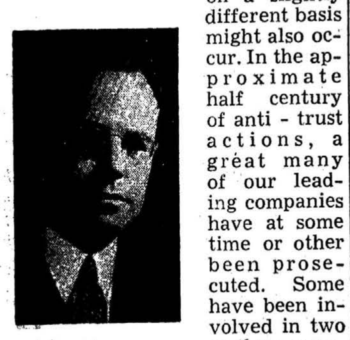
By HOWARD F. VULTEE
Vice-President, The Marine Midland Trust Co. of New York

PART IV

Citing current legislation, Mr. Vultee states early future pattern in anti-trust activities is driving for separation of portion of company, rather than for its complete break-up. Concludes although anti-trust impact on stock market prices in recent suits has not been severe, any intemperate drive could seriously affect market confidence and values.

Future Anti-Trust Suits

Further suits against individual companies or groups of companies in key industries appear in prospect. In fact, revivals of past suits on a slightly different basis might also occur. In the approximate half century of anti-trust actions, a great many of our leading companies have at some time or other been prosecuted. Some have been involved in two or three separate proceedings at various times over the past several decades. Others like General Electric and Westinghouse Electric, have been defendants in several suits at the same time. All of this points to the fact that some of our major corporations have been under more or less continual study by the Department of Justice.



Howard F. Vultee

Study of the need for tighter anti-trust laws was begun recently by a Congressional Committee. At an early hearing the Attorney General called for the repeal of so-called loop-hole legislation and for an increase in penalties, rather than for any major overhauling of the laws. He emphasized, however, that monopoly "is to be found in those industries controlled by a few large companies—the Big Threes or the Big Fours."

Present legislation provides for maximum penalties of either a fine of $5,000, a year imprisonment, or both on each count. Fines have been levied, but the judges have been reluctant to order jail sentences in the relatively few cases in which the Department of Justice had sought them. Most of the suits have been civil actions.

While patent protection is essential to the preservation of property rights, the practice of cross-licensing or pooling of patents to form monopolies and fix prices is not inviolate. In this study I have not included the effect on investment value of this type of suit, although in some suits patent questions are a fundamental part of the monopoly proceeding. Likewise suits involving the question of price fixing and trade agreements are generally outside the scope of this study. It is in this type of suit, however, where many of the criminal actions are instituted and where imprisonment is sought in some instances.

The Federal Trade Commission has prepared a study of the concentration of capital assets of all manufacturing corporations. Their report covers 113 of our largest manufacturers in 26 industry groups. They classified the industries into four separate groups, which they labeled as extreme, high, moderate and low as to concentration of control. In the "extreme group" where three or fewer companies accounted for 60% or more of the industry they listed: aluminum with 100%, tin cans and other tinware 95.3%, linoleum 92.1%, copper smelting and refining 88.5%, cigarettes 77.6%, distilled liquors 72.4%, plumbing equipment and supplies 71.3%, rubber tires and tubes 70.3%, office and store machines 69.5%, motor vehicles 68.7%, biscuits, crackers and pretzels 67.7%, agricultural machinery 66.6% and meat products 64.0%. Only in three industries did they report a single company as representing more than half of the industry. These were in the aluminum industry where one company had 55.0% of the assets, the tin can and tinware group with 55.2% and linoleum with 57.9%. While these industries are not necessarily monopolistic because of the concentration of assets, they may become subject to scrutiny as a part of the Government's drive against "bigness." Some companies in these industries are now involved in suits.

For the immediate future, the pattern in anti-trust activities appears to be to drive for the separation of a portion or a division of a company, rather than to work for the complete break-up of a company into a number of individual companies. Divisions of many companies dominate the particular field that they are in, even though the company itself may not dominate its industry. What course actions at some time in the more distant future might take is conjectural. Court decisions and legislative enactments will be among the major determinants.

* * *

General Conclusions

(1) It seems reasonable to expect more of our leading corporations to be sued under the anti-trust laws over the next several years and that some of these suits will be successful and will result in break-ups.

(2) Obviously, some hardships to individual companies could result, managerial efforts could be diluted by the court tests, and scientific and new product development could be handicapped if the attacks are intemperate. On the other hand, if these suits and any subsequent separations are part of the future, then it is important that they should be accomplished in an orderly and judicial manner over a period of years, and not be the result of precipitous action.

(3) I am satisfied that anti-trust actions do not necessarily destroy investment values. The filing of an anti-trust suit and an adverse decision, both interim and final, has had temporary depressing effects on the market prices of the stocks, but the fundamentally sound companies and their parts continued to prosper whether divided by the courts or allowed to continue as a whole. It might be argued that the enterprise might have prospered more if not divided, but the fact remains that investment values greatly increased after the old Standard Oil Trust and the American Tobacco Trust were

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Dealer-Broker Investment Recommendations and Literature

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

Contrast in Price Movements—20 quality stocks selling at least 5% above 1946 highs compared with 20 equally good calibre equities now available at discounts of more than 15% from their postwar peaks—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Five Outstanding Buys—Report on five old-established, long-time dividend payers averaging 9.7% return—George J. Martin Co., 79 Wall Street, New York 5, N. Y.

Income from Tax Exempt vs. Taxable Bonds—Tabulation—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Individual Lists for Individual Needs—Six selected portfolios—Bache & Co., 36 Wall Street, New York 5, N. Y.

Intelligent Investor—A book of practical counsel by Benjamin Graham—$3.50—Dept. CFC, "The intelligent Investor," 150 Broadway, New York 7, N. Y.

Market X-Ray Graph—An investment advisory service specializing in internal market analysis; graphs are designed to improve forecasting, determine supply and demand, reveal hidden strength or weakness—Send $1 for information and latest bulletin or $5.00 for trial subscription including explanatory manual, 1949 weekly and daily graphs, traders' stock guide rating several hundred stocks, supervised stock list with specific recommendations, and next four weekly bulletins and current graphs—Dept. C-2, Market Action, Inc., P. O. Box 986, G.P.O., New York 1, N. Y.

Municipal Bond Trends—16th annual comparison of prices and yields of state and municipal bonds from December, 1933 to December, 1949—Chemical Bank & Trust Co., 165 Broadway, New York 15, N. Y.

New York Banks—Breakdown of government bond portfolios and sources of gross income of 19 New York banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

"Our Boom May Last Longer Than Most People Think"—Investograph Weekly Investment letter explaining why prosperity may last longer than most people think and why the right stocks should still be cheap—for a copy of this letter and a six weeks' trial subscription (new readers only) send $1.00 to Dept. CF-1, Investographs, 31 Gibbs Street, Rochester 4, N. Y.

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

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

Speculative Merits of Common Stock Warrants—Comprehensive study by Sidney Fried of this type of security—$2.00—R. H. M. Associates, 220 Fifth Avenue, Dept. C, New York 1, N. Y. (or send for free descriptive folder).

Brooklyn Union Gas Co.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Colgate-Palmolive-Peet—Study—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

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

Greer Hydraulics—Descriptive analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Hytron Radio and Electronics—Study—Clayton Securities Corp., 82 Devonshire Street, Boston 9, Mass.

Koehring Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Also available is a circular on **Southern Indiana Gas & Electric Co.**

Lee Oil & Natural Gas Co.—Circular—Mitchell, Hoffman & Co., Mercantile Trust Bldg., Baltimore 2, Md.

Missouri Pacific—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Nash Kelvinator Corp.—Special report—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

New England Public Service Co.—Booklet available for institutions and dealers—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Orangeburg Manufacturing Co.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

Also available is a brief review of the **Cement Industry.**

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—William B. Gerstund is with A. G. Edwards & Sons, 409 Eighth Street, members of the New York and Midwest Stock Exchanges.

With Otis & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Andrew R. Field is now affiliated with Otis & Co., Terminal Tower.

From Washington Ahead of the News

By CARLISLE BARGERON

Be it said for the more than 5,000 people who gathered in the Washington armory for the $100-a-plate Jefferson-Jackson Day dinner that there was a lot of shame among them. There was relatively little of the gayety one might expect of such gatherings, except among some of the younger element, of course, but among the oldsters there was the tendency to take on enough drinks to make one feel defiant, to cover up the feeling that he was inescapably one of a gang of parasites living off the fat of the land. The attitude of the fellow thusly charged up was: "So what if I am a parasite, I'm doing all right, ain't I."

Carlisle Bargeron

There will be little or no reference by the Leftist columnists and commentators to Cadillacs and mink coats as there was about the Republicans' box chicken get-together several days before. But there were Cadillacs and there were mink coats galore because, of course, this crowd is in the dough.

It mattered not to them that in the coal mines their subjects have had little or no work for more than six months, or that thousands of Chrysler employes are idle because of the whim of their leaders—this crowd is sitting on the top of the world. Mr. Truman could have uttered something worth remembering had he said candidly that he and his gang owed their success to having worked out a formula to keep millions in misery and make them like it.

Instead he called the roll on Republican alarms sounded over the past 17 years and ridiculed them with the inescapable fact that we aren't completely ruined yet. As a matter of fact, we have progressed to the amazing point of where we can have free medical care, relatively free housing and atomic and hydrogen bombs to destroy us all at the same time.

Let's take a look at that roll call. Were the Republicans unduly worried in 1936? The only things Roosevelt had done up to that time were to establish a farm policy which called for the destruction of crops, an NRA by which a government agency told every business in the country what it could sell and under what conditions it could sell; billions had been spent to organize the unemployed, make political slaves of them, under the guise of giving them relief; the country had been taken off the gold standard and put on a managed currency; Federal bureaucracy was moving into every nook and cranny of the land. Nothing to get excited about.

Now what, in the name of Heaven, could they—the Republicans—have been excited about in the campaign of 1940. Roosevelt was simply violating all our traditions by running for a third term, he had further showed his unambitiousness by trying to pack the Supreme Court and trying to purge Senators who disagreed with him. Some of the millions who had continued to be unemployed despite the spending of billions were going to work as he prepared to lead us into war. (Don't you say that, don't you say FDR led us into war!) Yet his claim to immortality rests on his having had "foresight" to realize we had again to save the world and his ability to maneuver a reluctant nation into following him.

But the Republicans were still crying wolf in '44 and '48. Yet nothing has happened. Only that we lose thousands of young men and untold billions in that war and end up worse off than before we went in, except that we have attained the "global leadership."

Apparently, Mr. Truman doesn't realize or doesn't want to, that the reason we aren't completely socialized today is that the time came when Roosevelt ceased to have his way, and Truman doesn't have his. In 1938 a strong opposition developed to Roosevelt and checked him. It caused him to divert his talents to foreign affairs. That opposition, reinforced, has served as a restraint on Truman. That we aren't completely gone is no fault of his or of his predecessor. If he could get his spending program, it would finish us up.

Does Mr. Truman think that the American people have advanced when only the extremely high income man can build up security for his dependents? Why, one of his ablest aides has left him because he can't do this on $20,000 a year; he has got to get out into the richer pickings, the practitioners of which gave tone to the $100-a-plate spree.

No, there was little enthusiasm at that dinner as the television will show—some forced handclapping at the outset, occasional spurts thereafter.

It is rather heartening that there was shame. And, it is a fact that one runs into more and more of this feeling around Washington these days. There comes a time in the lives of most men when they begin to wonder what they have done to justify their existence. Considerable satisfaction is to be had, of course, by the man who has reared and provided for a large family and from the hope he cherishes that the second generation will go on to greater accomplishments. But the fellow who has just been a barnacle begins to worry and fret. The Washington gang is getting older and corpulent and I think I detect signs of mellowness. I wouldn't be surprised to see some of them looking around for charities to donate to, in order to feel better in their old age. They've got the money with which to do it.

Treasury Tax Proposals— Analysis and Suggestions

By ELISHA M. FRIEDMAN*
Consulting Economist

Mr. Friedman recommends eliminating all excise taxes on business expenses (freight rates, telegraph, etc.), but imposing graduated tax on non-essentials. Asserts Treasury's proposals would greatly increase burden on small stockholders of large companies. States that corporate income tax is a disguised sales tax even on necessities. Holds that capital gains tax proposals are inadequate. Proves that shortening holding period would increase receipts further. Urges publication of Treasury data for revising capital gains taxation.

The Treasury proposes to reduce excise taxes and to eliminate the tax on freight. To make up the loss in revenue, it proposes to raise the corporation income tax rate and to close the loopholes in the capital gains tax. This paper will attempt to show why it is **undesirable to reduce the excise taxes on luxuries and instead recommends eliminating all excise taxes on production and also on consumption of necessities and recommends graduating excise taxes on luxuries.** No attempt is made to estimate the increase in the receipts from such graduated taxes on luxuries.

Elisha M. Friedman

Instead of raising the corporate tax rate, it would seem more equitable to give relief to the small stockholder by the British method of refunding to him the excess collected at the source above the tax due on his dividends. It would also be desirable to treat preferred dividends, like interest, as a deduction from taxable income. To mitigate double taxation, the law could exempt part of the dividend from normal tax, as an offset to the existing tax on corporation income. **The capital gains tax should be analyzed again in the light of six years' experience under the new rates and new holding period and thereupon appropriately revised on these findings.** Receipts could be increased further by reducing the holding period further.

*Statement by Mr. Friedman before the House Ways and Means Committee, Feb. 17, 1950.

I
Excise Taxes

The Secretary recommends reducing excise taxes which "are burdensome to the industries affected, which fall with undue weight on low income groups and which impose barriers to investment and consumption." Yet, he recommends reducing the excise tax from 20% to 10% on $10,000 mink coats and $20,000 diamond bracelets. **Since we graduate the tax on income on the theory of "ability to pay," who can pay better than the buyer of expensive luxury items? To carry out the income tax theory of "ability to pay," the luxury excise tax ought to be graduated** so as to exempt low-priced furs bought by the low income groups and so that very expensive items might bear high and rising rates. Experiments will prove which rates produce most revenue. The British introduced such graduated excise taxes during the war under a Conservative government and retained them under the Labor government.

To eliminate the excise tax on essential services like freight transportation seems sound. We should not tax production, particularly of necessities. Freight shipments are required even for the lowest income groups. **Again, we should abolish completely the tax on telegraph and long-distance telephone,** which the Treasury proposes merely to cut from 25% to 15%. This is a business charge and ultimately is paid by the poorest consumer. The same applies to the tax on passenger transportation, when it is for business purposes. **The excise tax on production should be eliminated but the excise tax on wasteful consumption,** as on furs, jewelry and toilet articles, **should be steeply graduated** in proportion to their rising price and luxury character. It makes no sense to levy the same tax rate on fur coats for $100 and for $10,000, or cheap toilet articles purchased in the 5c and 10c store and expensive perfumes in the Fifth Avenue shops.

Abolishing excise taxes on luxury consumption seems unwise. In fact, the late Ogden Mills while a member of the House introduced a bill **to tax not individual incomes but individual spending.** Thus money saved or reinvested would not be taxed, because such savings would enter the business stream to enlarge plants and to improve processes and lower costs. This proposal was developed by Irving Fisher in his book "Constructive Income Taxation" and was urged by Professor T. S. Adams when Treasury advisor.

II
Corporation Income Tax

Secretary Snyder would raise the rate of taxes on large corporations to 42% and keep the 23% rate on corporations making less than $25,000. **Thus he would increase the tax on small stockholders of large companies and exempt large stockholders of small companies.** However, in large corporations like American Telephone, U. S. Steel, General Motors and Pennsylvania Railroad, between 80% and 85% of the stockholders own less than $2,500 in market value. It is these little people who will have their taxes increased actually, although nominally the Treasury is taxing the large corporations. On the other hand, small companies making less than $25,000 may have two or three stockholders, really partners, who despite a relatively high income, will thus pay a lower rate than the small stockholder that owns a few shares in a large company.

The tax on corporate income is a regressive tax on individual incomes. A tax of 42% on the earnings of a corporation is virtually a 100% tax upon the smallest stockholder on the first 42% of a potential dividend. Would any government dare to propose such a plan of taxation on the smallest shareholder openly and directly? Is it less unjust and intolerable for the government to do so covertly and by indirection? The income of a large company belongs to many thousands of small people. Merely because they are not organized, like farmers and trade unions, shall their rights be ignored? In England, stockholders receive a notice from the company telling them the amount of the tax paid

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Taxes and Take-Home Income

By DR. HARLEY L. LUTZ*

Tax Consultant, National Association of Manufacturers
Emeritus Professor of Public Finance, Princeton University

Dr. Lutz calls attention to various taxes and assessments deducted from payrolls which reduce take-home pay of workers. Says if these deductions go too far a great many people are going to say "game is not worth candle," and "quit pulling on the collar." Notes incentives to make people work are being taken away and, as remedy, urges reduced Federal spending and taxes. Favors consumption levies and reduction of income taxes.

The best way, perhaps, to talk about taxes to women, who are managers of households and also interested in many public affairs, would be to put it in terms of take-home income. This term, take-home income, originated down at the wage worker level because it was there, historically, that the first deductions from the week's pay were made. In many industries the employer was obliged to check-off the union dues so that union managers would not have so much trouble collecting from the members, and what was left was the worker's take-home pay.

Dr. Harley L. Lutz

In due course the government picked up this idea. The first government check-off was The Old Age and Survivors tax in the middle 30's. In the middle 40's withholding of income tax began. This is withheld weekly, bi-weekly or monthly from the pay check. Some of us have Blue Cross and Savings Bonds as voluntary deductions.

Now let us ignore union dues, Blue Cross, and all the others and consider only the taxes, because they are by far the most important check-off that whittles down take-home pay. Obviously a person who works and earns income and sees that income divided between himself and the government should realize that, in effect, what he is doing is working part-time for the government and the rest of the time for himself and his family. This is an elementary fact, but it is important to realize that you, or your husband, as the worker, have a chance to spend only a part of the income earned and someone else makes the decisions as to how to spend the rest.

Taxes Are Necessary

Government must have revenues to support its operations. Taxes are necessary. We can go one step further and say that taxes are burdensome. If the tax check-off is pushed too far, a great many people are going to say the game isn't worth the candle. Some of us old work-horses get into a work trance, but even old workhorses can get tired and quit pulling on the collar.

There are two ways of dealing with this dilemma. The incentive that makes people work is the amount of take-home pay. When this is cut down too far, they either quit or slack off. One solution is to increase dollars of income for everybody so we would still have as much money as before even after taxes. Another solution is to reduce taxes.

Inflation Won't Help

There are certain groups that are able to get pay increases (big unions, for example) to offset both taxes and prices. A lot of us can't do that. We don't all belong to unions. Government can give us more dollars by a general inflation and general give-away programs. Back in the 30's there was a misguided individual who said the way to correct depression was for the government to print a lot of greenbacks and send up a flock of airplanes to sow them around. Well, inflation is not a solution, whether the money is passed around by airplane or in some other way. You all know that inflation isn't the way to correct this difficulty about take-home pay. It has been tried in a great many places. There is a story from Germany which goes something like this. Before the big German inflation of the 1920's the German house frau carried her money in her purse and took along a basket to carry home the groceries—while the inflation was on she carried her money in the basket and the groceries in her purse.

The United States is planning to throw away our potato surplus. Fifty million bushels costing $80 million may be left to rot. That's the present story on the potato support program. An article in today's "Herald Tribune" says that it cost us $250 million last year to buy up and throw away potatoes for which no use could be found for industrial purposes, school lunches, or anything else.

Beveridge Philosophy

Do you remember a few years ago when Sir William Beveridge was over here and he had just written a book which outlined schemes for greater security? In this book a statement was made that it was worth while to provide employment even if you merely hired men to go out and dig holes and then fill them in again. We laughed at Beveridge's scheme then, but now we are paying farmers to grow potatoes and we then throw them away. This is the same as Sir William Beveridge's philosophy—dig holes and fill 'em up again. In fact, our way is the more wasteful. The hole-digging would not deplete the productive quality of the soil, but continuous cropping uses up the fertility of the soil, and this makes it necessary to operate a soil conservation program at more expense. Thus we pay to keep the soil in good condition, and we also pay for the unnecessary wastage of soil fertility.

The other way to increase take-home income is to reduce taxes. Of course, a few of us might be foolish enough to say "I'll just work harder and earn more." You know enough about the tax system to know that it is very cunningly devised — the more work the less you have to take home out of the extra money earned. If we want to see income and production increase—and that is the ultimate goal of a free society—let the individual have the first crack at his income and let him make the decisions about how it is to be spent. The first line of attack on this question of how to have more money in your own pocket is to reduce public spending.

Cut Federal Spending

There's no question but that we must have government. How

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*An address by Dr. Lutz before the American Home Department of the New York State Federation of Women's Clubs, New York City, Feb. 1, 1950.

Wm. E. Pollock Co. Adds Harris to Staff

Martin C. Harris has been added to the sales department of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

Business Man's Bookshelf

Cost and Financing of Social Security, The — Lewis Meriam, Karl T. Schlotterbeck, and Mildred Maroney—The Brookings Institution, Washington 6, D. C.—paper.

Economic Survey of Latin America—UnUited Nations (1949 II.51)—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$2.

Intelligent Investor, The — A Book of Practical Counsel—Benjamin Graham—Dept. CFC, The Intelligent Investors, 150 Broadway, New York 7, N. Y.—$3.50.

Investographs — Recent investment letter "Our Boom May Last Longer than Most People Think," explaining why prosperity may last longer and why the right stocks should still be cheap, and a six weeks' trial subscription (new readers only); send $1 to Dept. CF-1, Investographs, 31 Gibbs Street, Rochester 4, N. Y.

Job Modifications Under Collective Bargaining — A Survey of Company Experience and Four Case Studies—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—$2.

Market X-Ray Graph—Graphic portrayal of factual trading data and interpretive analyses. For samples and latest bulletin send $1 to Dept. C-2, Market Action, Inc., P. O. Box 986, General Post Office, New York 1, N. Y.

Money Wise — The Intelligent Woman's Guide to Everyday Finance—Mary Berkeley Finke and Helen Knox—G. P. Putnam's Sons, 2 West 45th Street, New York, N. Y.—cloth—$3.50.

National & International Measures for Full Employment—United Nations (UN 1949 II A3)—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—75¢.

Relative Prices of Exports and Imports of Under-Developed Countries — United Nations (1949 II B3) — Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$3.75.

Should America Develop the World's Resources?—A radio discussion over WGN and the Mutual Broadcasting System by Dewey Anderson, Harold Isaacs, and A. Wilfred May with James H. McBurney as Moderator—The Northwestern University Reviewing Stand, Evanston, Ill.—Paper—single copies 10c (16 weeks' subscription to "Reviewing Stand" $1).

Speculative Merits of Common Stock Warrants—Sidney Fried—R. H. M. Associates, 220 Fifth Avenue, Dept. C, New York 1, N. Y.—$2.

Statistical Year Book — United Nations (UN XVII.I) — Columbia University Press, 2960 Broadway, New York 27, N. Y.—cloth—$6.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The reports of fire insurance companies now being issued are very favorable and indicate that 1949 was indeed the most profitable year in the history of the fire insurance industry.

Although many of the major companies have not as yet released their annual reports, they should be available within the next few weeks. In a number of cases preliminary results have been published in the press so that a good idea of the operations during the past year is now available.

From an overall point of view, the most marked improvement during the year occurred in underwriting operations. The loss ratio improved significantly as losses declined even though there was a moderate increase in the volume of business handled. Underwriting expenses increased for practically all companies and, as a result, there was a modest gain in the expense ratio.

The combined ratio, however, was lower than in recent years resulting in a sharp improvement in the statutory underwriting profit.

Investment income was also at record levels. The larger volume of funds available for investment was the primary reason, although higher yields available on fixed income securities as well as larger dividend payments on common stock holdings contributed to the improvement.

Some interesting figures were shown by the Providence Washington Insurance Co. in its 151st annual statement recently distributed to stockholders. The figures summarize the operations of the Providence Washington Group for the past two years.

	1948	1949
Net premiums written	$24,886,000	$22,112,000
Net premiums earned	21,400,000	22,029,000
Losses incurred to premiums earned	53.8%	46.8%
Expenses incurred to premiums written	41.9	46.5
Total ratios	95.7%	93.3%
Total assets	$37,760,000	$39,654,000
Total investments	30,038,000	32,467,000
Liquidating value per share	$48.16	$51.95

Per share operating earnings on a consolidated basis were also compared for the two years.

CONSOLIDATED NET OPERATING EARNINGS

	Before Federal Income Taxes	Provision for Federal Income Taxes	After Federal Income Taxes
Year 1949—			
From investments	$2.37	$0.26	$2.11
From underwriting	3.67	1.43	2.24
From equity in unearned premium reserve change	0.07	---	0.07
Totals	$6.11	$1.69	$4.42
Year 1948—			
From investments	$2.35	---	$2.35
From underwriting	—1.52	---	—1.52
From equity in unearned premium reserve change	3.49	---	3.49
Totals	$4.32	---	$4.32

Great American Insurance Co., another of the fire insurance companies which has issued its annual report, showed favorable results for the year.

Net premiums written on a consolidated basis showed a gain over the preceding year of $3,301,851, reaching a record total exceeding $81,500,000. The same general factors effected losses and loss expenses as were mentioned above. Of particular importance was the adjustments of costs and accident frequency in the automobile field. This helped considerably in the results of the indemnity company. Underwriting expenses, although well controlled, increased moderately with the higher volume.

As the increase in premium writings was less than in the year before, however, additions to unearned premium reserves were smaller. The increase for the year was $5,996,274 as compared with $8,936,924 in 1948. These factors resulted in a substantial increase in the statutory underwriting gain. For 1949 it amounted to $5,010,838 as against $1,010,316 a year earlier.

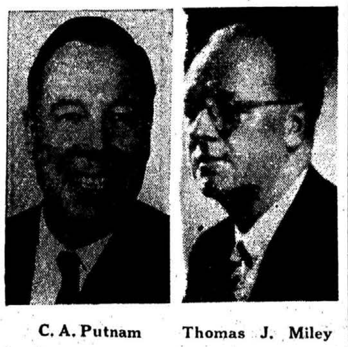
Concerning investments, consolidated earnings were reported at $4,357,406 for the year compared with $3,968,019 in 1948. The gain for the year was thus, $389,387.

The Home Insurance Co. and Insurance Company of North America have released preliminary reports of their operations for the year just ended indicating that they, too, enjoyed a very profitable period. Their annual reports as well as others in the industry should be available soon.

Register Opposition to Frear Bill

NAM and Commerce and Industry Association of N. Y. hold measure to extend SEC powers is contrary to best interest of investors and industry and will hamper and heavily burden smaller business concerns.

Two prominent associations of businessmen have submitted to the Subcommittee of the Senate Banking and Currency Committee open protests against the Frear Bill, a measure under considera-



C. A. Putnam   Thomas J. Miley

tion to extend the jurisdiction of the Securities and Exchange Commission over all business corporations having assets of $3 million or more and the number of whose shareholders exceeds 300.

Such extension of the powers of the Securities and Exchange Commission over American business is contrary to the best interests of investors and industry alike, Thomas Jefferson Miley, Executive Vice-President of the Commerce and Industry Association of New York, Inc., declared on Feb. 16 in announcing the Association's opposition to the measure.

In a letter to Senator J. Allen Frear, Jr., of Delaware, the sponsor of the measure, transmitting a statement for inclusion in the record of the hearings on the bill, Louis K. Comstock, Chairman of the Association's Committee on Security Regulation, suggested that "before considering enlarging the powers of the SEC over private enterprise in this country, it would be well to investigate thoroughly the manner in which the Commission has administered the laws under which it operates and whether it has really proven to be a protection to investors and in the public interest."

Reiterating its stand when proposals similar to those contained in the Frear Bill were being considered in 1941 and 1942, the Commerce and Industry Association stated:

"It is also apparent that these proposals to impose a heavy burden of regulation and governmental control upon a vast segment of American industry are designed primarily to serve the special interests of small groups (stock exchanges and their members) who may indirectly benefit."

Other objections to the bill cited by the Association are:

The publication of salaries, and particularly those of sales representatives and other personnel, would be most damaging in smaller communities and to the smaller companies

Many companies of this character have for years given their stockholders detailed reports. The SEC picks on isolated examples of improper or inaccurate accounting practices as though these were the general procedure.

A company might be severely handicapped by being required to give a breakdown of its inventory. If customers knew a company was long on merchandise it might be more difficult to deal with these customers.

Quarterly reports in such industries as textiles might be far too frequent and some sort of sliding scale for reporting might be more desirable.

If some companies had to give quarterly reports during 1949 with conditions fluctuating widely, these reports would unduly upset the companies' stockholders and, in fact, mislead them as to actual conditions.

Text of NAM's Protest

The National Association of Manufacturers, in a statement submitted under date of Feb. 14 to the Subcommittee of the Senate Banking and Currency Committee, expressed unqualified opposition to the Frear Bill. The statement declared that the proposed legislation would inflict severe hardship on many smaller business enterprises and asserted that "no conclusive evidence has been brought to light that the public interest will be served" by the passage of the bill.

Full text of the NAM statement, which was accompanied by a letter of transmittal from its President, Claude A. Putnam, is as follows:

The National Association of Manufacturers has carefully reviewed the provisions of S. 2408 [Frear Bill] and the case which the Securities and Exchange Commission has made in behalf of this proposed legislation. Three facts stand out clearly—

(1) The powers of the Securities and Exchange Commission would be greatly expanded.

(2) A large number of smaller companies would be affected adversely by this proposed legislation.

(3) No apparent need for this legislation has been demonstrated.

Particularly in view of the fact that the proposed legislation would affect the smaller companies, the NAM believes that the Securities and Exchange Commission must justify beyond a reasonable doubt its request for additional power. In the opinion of the NAM no such justification has been established and in the absence of such proof the NAM must register its opposition to S. 2408.

NAM Members

The National Association of Manufacturers represents approximately 15,000 manufacturing concerns from every State in the Union ranging in size from very small locally-owned concerns employing fewer than 50 people to the large companies employing thousands of people whose securities are widely held by stockholders throughout the nation. The Association is especially interested in the operations of the smaller companies because 83% of its members have less than 500 employees.

The bill under consideration, S. 2408, is another sponsored by the Securities and Exchange Commission for the purpose of extending to investors in certain unregistered securities the alleged basic protection now afforded by the Securities Acts, as amended, to investors in securities now registered with the Commission.

The Securities and Exchange Commission in its report "A Proposal to Safeguard Investors in Unregistered Securities" contends that "approximately 1,100 companies not now required to file any reports with the Commission and about 650 additional companies which file some but not all of the reports required by Sections 12, 13, 14 and 16 of the Securities Exchange Act would be affected by the proposed amendment." In the body of this report mention is made of a few large companies which would be brought under the supervision of the SEC. However, it is obvious that most of the companies which would be affected are relatively small in size.

Small Companies Real Losers

In addition consideration must be given to the normal growth of companies under our free enterprise system. For example, a company now having 300 stockholders and only $2½ million of assets would find itself subject to the proposed bill when its assets reached the $3 million mark. The prospect of being subject to the onerous and costly provisions of an act such as proposed in the Frear bill cannot be considered a very effective incentive or reward for the effort and ingenuity of management and security holders to provide a greater volume of goods and increased employment. As has been publicly stated by many officials of our government, smaller companies must be given assistance in every possible respect in order that they may grow, expand and make their important contribution to the further development of our economy. The imposition of handicaps upon these smaller businesses incorporated in the proposed bill does not live up to the spirit of these public statements.

More Facts Needed

In the opinion of the NAM the public and the Congress is entitled to much more detailed information regarding the number, kind and size of companies which would be affected by the proposed legislation as well as to estimates of the cost to these companies of complying with its requirements. The NAM has found no evidence of any strong public desire on the part of individual stockholders or groups of individual stockholders to have the powers of the SEC expanded as proposed by S. 2408. The NAM, of course, does not condone any practice detrimental to the public interest. It believes that stockholders are entitled to adequate information but it does not believe that isolated instances of the lack of information should be used as a basis for unnecessarily burdening many smaller companies.

More Control Dangerous

The proposal to expand government controls over new segments of industry must be reviewed in the light of continued centralization of power in the hands of the Federal Government. Increasingly the rights of States and localities are being absorbed and usurped by a central government. The development of a great bureaucracy imposing a constantly growing tax burden on the people without proportionate benefits to them must be resisted. Experience indicates that bureaus or agencies once established constantly endeavor to extend their power and control. The Securities and Exchange Commission is no exception to this rule.

The original intent of the Securities Act of 1933 was: "To provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes." In other words the purpose of the act was to assure that the potential investor had full and adequate information regarding a new issue in order that he might exercise prudent judgment before making his investments. The Securities Act of 1934 was designed: "To provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes." It also had the effect of broadening some

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Frear Bill and Small Business

By JOHN DUTTON

Asserting Frear Bill will eventually force more and more securities of small companies that are now traded over-the-counter into the listed market, writer contrasts this with lack of growth in securities industry and efforts, even applauded by former SEC Chairman, to increase selling ability and attract able men to participate in greater distribution of stocks among public. Warns measure, by destroying over-the-counter dealers, will hamper small business.

It is one thing to pass on a lot of theory about the best ways to go out and sell securities, but such talk doesn't go very far if you wake up some day and don't have any merchandise to sell. There are all sorts of people who have been telling the Securities Dealers in this country how to go out and sell. Clinics have been held in various cities and so-called experts have told you how to do it. Recently an acknowledged expert in the field of intangibles held a series of lectures about it in New York. Your various associations are obtaining information from top salesmen in other lines as far removed from security salesmanship as the oil industry and transportation, and passing it on to you. Most of this material has been published in the "Chronicle." In addition, the ever-present masters of the art of security salesmanship in the Investment Trust field are also filling your mail bag with ideas and suggestions.

Everybody wants to tell you, **the Security Dealer, how to do it!**

Even a past Chairman of the Securities and Exchange Commission once had the temerity to tell you how to sell—Mr. Hanrahan (I think that was his name). He said, "Sit down with your prospect and read the prospectus to him." They all can tell you how to do it—**but none of them do it, nor do they pay your overhead.** Some of the ideas, however, are good. But we are trying to make a point, and **here it is:**

The securities business is way behind other industries in this country in growth. The listed business being done today is behind the volume of the twenties—despite our great increase in wealth and population. New issues of equity securities are almost non-existent. Small business is so hard up for funds that the politicians are now trying to get up a new method of syphoning off some more of your tax money and setting up another government agency to loan, or invest money, in small business. These things have been said over and over again, and they are true. The facts are there for all to see.

So now another wrinkle comes along. **This Frear bill will eventually force more and more small companies, whose securities are now traded over-the-counter, on to the listed markets.** There they will have less marketability than they enjoy today, and more and more local security dealers will eventually give up their business and do something else. Or they will go to work as salesmen for some stock exchange firm, or as a last resort, go out and sell Investment Trusts.

There is little enough incentive for skilled and able men to stay in the securities business today in most small towns and local communities. But this bill will fix it for good. No longer will it pay any local dealer to follow local situations, give clients service, and make markets, in good times and bad, for the securities of small companies having 300 security holders (not shareholders, mind you—there's a difference). Who wants to work for a small stock exchange commission when it entails all the time and effort that is put into following these small situations that is now being done by local security dealers all over the nation? **Does Washington think they can go on indefinitely placing impediments before the smaller security dealers of this country without completely destroying them—or do they want to destroy them, so small businesses can't raise capital through the sale of securities?** Is it a part of socialism, and the planning of the present Administration to eventually kill what is left of the securities business, which traditionally has financed small business, so that the government planners can put over their idea of gradually absorbing all business in this country?

You can study all the salesmanship you can find from the dawn of history onward, but it won't help you one bit if you wake up some morning and find out you haven't got anything more to sell that you can make a profit out of **except some trust shares, and a few bank and insurance stocks.**

You had better get busy on this one!

Jas. Kennedy, Jr., in N. Y.

James C. Kennedy, Jr., is engaging in a securities business from offices at 30 Cooper Square, New York City.

Mutual Funds

By ROBERT R. RICH

Mutual Shares to Offer 2,000 Shares to Public

Mutual Shares Corporation of New York filed a registration statement with the Securities and Exchange Commission covering 2,000 shares of capital stock to be offered to the public. The expected offering date is about March 1. At the present time, the company has 25 shareholders who purchased the initial common stock offering of 1,000 shares at $100.

The company describes its investment policy as investing "in securities that appear to be selling at prices lower than their true investment values, and to maintain a balanced portfolio of diversified investments among different industries and companies."

To Invest in Liquidating Companies

Unusual is the stipulation that the "company may also invest, up to the extent of 50% of its assets in securities of companies in the process of liquidation, which can be purchased at less than their liquidating value." The charter provides for the unlimited borrowing of money by the company for any of its purposes.

As of Jan. 31, the total assets of the company were $136,026, and net assets were $112,424. Holdings in 17 companies in the process of liquidation, at market value, were $44,235.50 on Jan. 31.

The Fund, at 76 Beaver Street, New York City, was organized as a closed-end investment trust in June, 1949. At the first annual meeting, held in December, 1949, the certificate of incorporation was amended to provide that the company operate as an open-end investment trust.

No "Sales Load" Added

There will be no "sales load" added to the price or net asset value per share, which was valued at about $117 on Feb. 17, contrasted with $112.25 on Jan. 31, 1950. There will be no underwriter.

The officers and directors of Mutual Shares Corporation are: Joseph C. Galdi, President, Treasurer and Director; Max L. Heine, Vice-President and Director; Bernard S. Kanton, Secretary and Director; Roderick W. Cash, Director; Vincent Ingersoll, Director; Jessie K. Byerly, Director.

Keystone Revamps Booklets

Keystone Company has revamped the format and contents of its 10 individual Fund booklets. The new booklets are briefer, with the stupefying detail and solid set text removed. The layout is excellent, and the miracle is that the essential information remains—demonstrating what imagination can do if it isn't squashed by tradition.

Broad Street Tells "Story of Income" and Smaller Dollar

Broad Street Corporation is issuing a booklet, with excellent graphs, entitled the "Story of Income." The graphs chart clearly, for even the simple-minded, the relationship between purchasing power and the rising cost of living, the contrasts between dollar and real income for mutual funds investment, high grade bonds and preferred stocks.

Bullock Looks at Retail Trade

Pointing out that "retail prosperity is dependent above all on an uninterrupted flow of consumer incomes," the firm of Calvin Bullock states in the current issue of "Perspective" that the outlook for retail trade for the foreseeable future depends a great deal on an early end to prevailing and threatened labor difficulties.

To Receive Short Stimulus

"Retail trade will receive a strong but perhaps relatively short-lived stimulus from the payment of $2.8 billion in National Service Life Insurance dividends to 15 million veterans in the first half of this year," the firm says.

Farm Income Is Adverse Influence

"A possible adverse influence which cannot be disregarded in an impartial scanning of the retail horizon is the continuing decline in agricultural income. Farmers as a group have had several years of considerable prosperity, and it is perhaps premature to shed any crocodile tears in view of this recent prosperity and considering that our farm population has many powerful advocates in legislative councils. The fact remains however, that farm income has fallen and is expected to show a further decline in the current year. At the present time our farm population accounts for about 18% of the total—obviously an important segment of consumers."

Year Starts Badly

The year has started off "none too auspiciously as far as retail sales are concerned," the study continues. "The reports of 24 chains for the month of January showed a drop in dollar volume of slightly more than 5% as compared with January, 1949. A part of this lower volume is due to lower prices, a part to the work stoppages, and a part to unseasonably warm weather in some sections of the country."

Group Securities Reports

Group Securities, Inc., reports that its sales in January, 1950, totaled 420% of those in January, 1949.

Halsey, Stuart Offers West. Md. Eqp. 2¼s

Halsey, Stuart & Co. Inc. and associates won the award Feb. 20 of $2,460,000 Western Maryland Ry. Co. 2¼% equipment trust certificates, series N, maturing annually March 1, 1951 to 1965, inclusive. The certificates, issued under the Philadelphia Plan, were reoffered Feb. 21, subject to Interstate Commerce Commission authorization, at prices to yield from 1.30% to 2.45%, according to maturity.

Proceeds from the sale of certificates will be used to provide for the following new standard gauge railroad equipment estimated to cost not less than $3,086,000: 12 Diesel electric road freight locomotives and eight Diesel electric switching locomotives.

Robert E. O'Keeffe Rejoins Cruttenden

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Robert E. O'Keeffe has rejoined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. O'Keeffe has recently been with William R. Staats Co. as Manager of their Chicago office.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Marvyn B. Stolley is now with Waddell & Reed, Inc., 332 South Michigan Avenue.

J. P. Ver Cruisse Is With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—J. Peter Ver Cruisse has become associated with Marache Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Ver Cruisse was formerly with Kenneth A. Ellis & Co. in Phoenix, Ariz.

Also associated with Marache Sims & Co. is Charles N. Bishop.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Elroy W. Buchholz has become associated with the Lee Higginson Corp. He was formerly for many years with Loewi & Co.

COMING EVENTS

In Investment Field

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.

April 21, 1950 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

April 28-30 (Greensboro, N. C.)
Southeastern Group of the Investment Bankers Association Spring Meeting at the Sedgefield Inn.

May 4-5, 1950 (San Antonio, Tex.)
Texas Group Investment Bankers Association annual meeting at the Plaza Hotel.

May 26, 1950 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati Annual Spring Party and Outing at the Kenwood Country Club (to be preceded by a cocktail party and dinner May 25 for out-of-town guests).

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

June 14, 1950 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

Sept. 26-30, 1950 (Virginia Beach, Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel.

Coffin, Betz Offers Moller-Dee Stock

Public offering of an issue of 500,000 shares of capital stock of Moller-Dee Textile Corp. at $5 per share was made Feb. 20 by Coffin, Betz & Co. of Philadelphia.

Proceeds will be used by the company, which was incorporated under Delaware State laws on Oct. 21, 1949, to construct and operate a modern textile plant in the State of Israel. The company is not yet engaged in business, but plans to concentrate its production on cotton yarns and fabrics.

In order to own property and transact business in Israel, the company intends to register there as a foreign corporation. It intends to carry on its business in Israel as an American corporation unless a change in international conditions makes it advisable to operate through a wholly owned subsidiary incorporated in Israel.

The company proposes to acquire for the construction of its plant a tract of approximately 125 acres of unimproved waterfront land 20 miles north of Haifa which the government has offered to the company on a lease for 49 years with a right to renewal for a further period of 49 years.

Twin City Bond Club To Hold Annual Picnic

MINNEAPOLIS, MINN. — The Board of Governors of the Twin City Bond Club has decided upon Wednesday, June 14, for the Annual Club Picnic. It is to be held, as usual, at the White Bear Yacht Club.

Smith, Polian Add

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Charles L. Adams has joined the staff of Smith, Polian & Co., Omaha National Bank Bldg.

With Prescott, Wright Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Ivan J. Donaldson, Jr., is now with Prescott, Wright, Snider Co., 916 Baltimore Avenue.

George K. Baum Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Joseph M. Crowe is now with George K. Baum & Co., 1016 Baltimore Avenue.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Thomas J. Callnan has become connected with King Merritt & Co., Inc., Chapman Bldg.

High National Income Of No Benefit Without Sound Fiscal Policy

By CHARLES E. WILSON*
President, General Electric Company

Prominent industrial leader, holding five-year goal of $300 billion national income is attainable, contends, however, it will not benefit nation or raise living standards, if waste, extravagance and moral dishonesty characterizes Federal fiscal policy. Warns if unbalanced budget continues and national debt increases, people will find themselves dealing in "cigar coupons" instead of dollars. Says it is government's task alone to insure value of dollar.

In the electrical industry we have a number of problems that have been with us for a long time. In terms of scientific research and fine engineering we have accomplished over the years a great many amazing things, ranging from refrigerators to radar and electron accelerators. It is the homely little unheroic problems that continue to defy us. One of these has long been known in the industry by the unexciting title of "adequate wiring." There you have an outstanding example of science balked by semantics.

Charles E. Wilson

To the future of better electrical living probably nothing is more important than to make sure that a house has concealed within its walls electric wiring of sufficient capacity to let through enough current to do all the jobs that people want done. It is a simple little thing. It does not wait on any great discoveries, or for patents to expire, or monopolies to be broken up by the Justice Department. All it needs is for some fellow to put in the right size of wire, because if he doesn't, you are never going to be able to use efficiently a lot of the convenient and glamorous devices that we manufacture. You would think, long before this, we would at least have named this venture "super-wiring", or described it as a "streamlined channel of electron emission" and put a little of what advertising men call "whammy" into it, but we haven't. We go on using that colorless and dreary word "adequate", and every year for as long as I can remember, we have been holding committee meetings and trying to lick the problem. Of course, we are on the side of the truth.

Problem of National Debt

The national debt is that kind of problem. It lacks color—or else we are colorblind to red ink when used on this scale. We talk about it, read about it, make jokes about it, and get it all mixed up with farm programs and hydrogen bombs and social security and the Marshall Plan. It just goes rolling along, to my mind an example of shameful dereliction to duty and of immoral administrative betrayal of a great economic system.

When you consider even briefly the role that our country must play today in maintaining world peace, and in sustaining the governments and economic structures and political and social salvations of so many other nations of the modern world, both through active assistance and through a demonstration of our own competence and strength, then you must be appalled at the course we are pursuing in the management of our fiscal affairs. I somehow have the feeling that people have been standing up on such occasions as this, to decry governmental extravagance and deficit planning, for a long, long time. It has been written about in our newspapers and magazines and in special pamphlets. It has been sternly and repetitiously pointed out on the floors of both houses of Congress. It has long since ceased to be just a football of the political gridiron, to be kicked back and forth at the proper season of the year. More and more people, of all political faiths, of all occupations and call-

*An address by Mr. Wilson on receiving the William Penn Award at the Annual Dinner of the Philadelphia Chamber of Commerce, Philadelphia, Pa., Feb. 14, 1950.

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Why Not Use Diplomacy?

By H. MURRAY-JACOBY*
Former U.S. Ambassador-at-Large

Former member of U. S. diplomatic staff, asserting chances at present for maintaining peace are slight, points out perfectionism and diplomacy do not mix. Holds we must redesign Baruch Plan, and decries "get tough" attitude toward Russia. Urges constant attempts at conciliation.

If you were to ask me, as one who has lived with the problem of war and peace for over 40 years, where we are heading, I would have to tell you reluctantly that I assess the probability of an eventual war, just now, as 90% and the chances of maintaining the peace as 10%. The latter you may construe as a margin for error, based on a mixture of wishful thinking and the expectation of a miracle. As Dr. Ralph Bunche put it in his Pennsylvania speech, we are all living on borrowed time.

No doubt, you are familiar with Goethe's famous poem "The Sorcerer's Apprentice" so ably dramatized in Disney's "Fantasia." You will recall how the apprentice in the absence of his master is able to convert a broom into a slave who brings countless buckets of water into the house, thus relieving him of his burdensome chore; but when he wants to stop the weird creature which his magic created, he cannot find the formula and he and his house are overwhelmed by the deluge. It is thus with the miracle of the atom and the hydrogen bomb which we have smartly conjured up, but if we can stop this weird new servant of destruction is quite another story.

We made a highly meritorious and unselfish attempt in promulgating the Baruch Plan of trying to outlaw the bomb on a multilateral basis; but we could not possibly have succeeded in it considering that we did not at first produce a climate in which such negotiations could possibly have been successful. We have acted for a number of years in that regard like a public relations counselor in reverse gear. Our spearheading of the recognition of Franco Spain is just another example that we are completely oblivious to the feelings of people with whom, unfortunately, we are obliged to deal if we are to avoid what Senator McMahon calls the incineration of fifty million Americans.

While I was stationed in Abyssinia, I marvelled at the skill with which Emperor Haile Selassie was able to negotiate with some semibarbaric chieftains in the interior of his vast Empire who, sure enough, broke treaties and caused him endless embarrassment but with whom he nevertheless managed to get along as he fully understood that perfectionism and diplomacy do not mix. With our hundred and seventy-five years of historic democratic training, it is absurd to expect from a group of revolutionairies an Emily Post internationalized behaviorism. Nor do we seem to know too much about the problem of face saving, at least as far as the other side is concerned. Our Chief Executive's insistence that Stalin meet him in Washington instead of a neutral place belongs in the same category of thinking as did our fiasco at Paris where any

Continued on page 50

*An address by Mr. Murray-Jacoby before the Woman's Club, Boynton Beach, Fla., Feb. 17, 1950.

Canadian Securities

By WILLIAM J. McKAY

The paramount importance of agriculture in the Canadian economic scheme is commencing slowly to wane. Whereas a mere decade ago any threat of serious loss of overseas markets for farm products would have induced a major crisis, now any prospect of this kind can be faced, if not with complacency, at least with a reasonable degree of confidence. Such a development is by no means remarkable as it has been long foreseen that the Dominion's greatest economic assets are constituted by the enormous latent mineral and forestry wealth of the Fabulous Laurentian Shield, and the tremendous oil potential of the Canadian prairies.

As far as the 2,000,000-square mile area of the Laurentian Shield is concerned its surface so far has been merely scratched. Nevertheless, even this relatively minor exploitation has placed the Dominion in the forefront of the world's precious and base-metal producers. In addition, the forests covering this region are the source of almost unlimited supplies of lumber, paper and plastics. The fast running rivers in which this area abounds provide also an unrivalled wealth of hydro-electric power reserves. In recent years the spectacular character of this geological freak of nature has been dramatized by opportune discoveries of rarer metals which have come suddenly into the limelight as a result of scientific progress. A prominent example is the Great Bear Lake pitch-blends deposits which are now one of the world's principal sources of uranium. Another even more recent noteworthy discovery is the vast ilmenite field located at Allard Lake, Quebec.

Ilmenite is the source of the new wonder metal, titanium, which according to metallurgical experts, is destined to replace aluminum and magnesium, both as an alloy and in the pure form, as the most efficient lightweight metal which has also the virtue of extraordinarily high tensile strength. It is also in strong demand by manufacturers of paint in which field it is superior to lead at cheaper cost. For this reason the Glidden Company has undertaken a new expansion program which incorporates the construction of a $2½ million titanium-oxide plant located at St. Helena, Montana. Other paint companies in this country are expected to follow this lead and thus the demands on Canada's newly discovered ilmenite deposits are likely to increase enormously in the near future. Eventually, the aircraft manufacturing industry will also be an important factor in the market for this metal of the future.

There is no doubt that in this vast Canadian mineral treasure house there will be many other spectacular discoveries, perhaps of metals yet unknown. As is now quite apparent, industrial interests in this country and elsewhere are becoming increasingly aware of the possibilities inherent in this situation. Consequently, in the period immediately ahead it can be confidently predicted that a steady supply of U. S. and other investment funds will play a vital role in the early exploitation of Canada's vast mineral empire, the fringe of which has only just been touched.

In the meantime, the highly promising Alberta oil boom, which had recently lost some of its impetus, has taken on a fresh lease of life. Canadian and American oil companies have just paid new record high prices for Crown reserve oil leases in the Redwater and Stettler fields, for which the Alberta Government received over $9 million for a mere 1,920 acres which only a few years ago was empty wastelands. Small wonder, therefore, that the Canadian authorities are viewing the Dominion's economic prospects with pardonable complacency despite the clouds that are evident on the foreign trade horizon.

During the week both the external and internal sections of the bond market were dull and neglected. The new Quebec 5-year 2⅛s were also inactive at 100⅛-100⅜, but it is expected that greater interest will be shown in the proposed issue of possibly $60 million Province of Alberta bonds, payable in U. S. currency. These bonds are intended to replace at a lower interest cost the total Alberta debt now outstanding in this country. The corporate-arbitrage rate was unchanged, but free funds continued to appreciate and at one time were in demand below 10% discount. Stocks rallied strongly under the leadership of Western oils which surged ahead following the announcement of the results of the Alberta oil lease auctions. Royalite, Pacific Petroleum, Anglo-Canadian, Federated Petroleum and Calgary and Edmonton were prominent in this movement. The industrial group also registered notable gains and the golds were firm with Madsen Red Lake, Campbell Red Lake and McLeod Cockshutt in active demand. Among the base-metals, East Sullivan, Noranda and Quemont were likewise featured in the general advance.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Fred S. Kuethe is now with the Omaha office of Merrill Lynch, Pierce, Fenner & Beane, Patterson Bldg.

Johnston in Ft. Wayne

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—Ira W. Johnston is engaging in the securities business from offices at 1041 East Wayne Street.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold its annual dinner at the Waldorf Astoria Hotel on April 21.

CHARLIE EBNER IS VERY PROUD PAPA

Charleen, the daughter of Charlie Ebner, trader for Bateman, Eichler & Co., Los Angeles, has been appearing on KFI television. Charleen is a quadruple-threat performer, being equally expert on the piano, pipe organ, marimba and vibraharp.

Charles L. Ebner, Jr.

Things to Come

By ROGER W. BABSON

Mr. Babson, basing his predictions on suggestions of leading scientists and inventors, lists as things to come: (1) human beings flying like birds; (2) partly overcoming gravity; (3) better and cheaper foods; (4) more power of mind over matter; (5) large scale expansion of the plastic industry and (6) a universal religion.

Once each year I like to write about things to come as I see them. These suggestions are not original with me, however. They are based on talks which I have had with leading scientists and inventors.

Roger W. Babson

Flying Like Birds — It is believed that experiments will soon start in connection with individuals flying as do eagles, gulls and carrier pigeons. An alloy of magnesium and titanium should enable an individual to carry a very light engine and wings. Furthermore, new powerful gases being developed would enable a very small light turbine engine to lift and propel an individual. This person may be obliged to wear a special suit containing a light gas. It is true that nothing of the kind has as yet been developed, but it is on the drawing boards. Far greater speeds for commercial planes are definitely assured. Within five years I expect to fly from New York to Los Angeles in two hours.

Partly Overcoming Gravity—Considering the millions of possible alloys which have not yet been gravity tested, it is possible that someone will stumble on to an alloy which serves as a partial insulator for gravity. By the use of such for stair-treads, it would require no more effort to walk upstairs than to walk on the level. In addition to such a discovery being a great boon to those with heart trouble, it will be welcomed by all merchants who have great difficulty in getting customers to go up even a few steps, to a mezzanine floor.

Better and Cheaper Foods—Chemists are making headway in preparing sugar, proteins and yeasts from small trees, and other food direct from grasses, water, and sunshine. These experiments are to "by-pass" the cow and the steer, both of which are now very inefficient manufacturers of milk and beef! The whole study of diet is in a most elementary stage. We will have much more tasty and nourishing food direct from the use of minerals, sunshine, water and air, *at much lower prices.* We will buy peaches ground up, skin, flesh and seed; meats and fish ground up, bones, body and skin; while lobsters will be sold claws, meat and tamale all ground into a delicious paste suitable for lobster bisque or thermidor. These preparations will be more tasty and nourishing and sell for less money because of the reduced labor involved.

Unlimited Power of the Mind—The power of the mind over matter has been emphasized by certain religious organizations; but only recently has such power been tested in laboratories. I am especially interested in the work of Professor J. B. Rhine of Duke University, Durham, North Carolina. His experiments definitely prove that the mind acting upon a plant or planted seeds can have a direct effect in hastening or retarding growth. The Fonda Horse, three miles south of Richmond, Virginia, is worthy of study.

Watch the Plastic Industry—The use of plastics has, as yet, hardly been scratched. Women are carrying plastic bags and are wearing plastic raincoats; but other plastic materials, including rugs and dress goods, are about ready for the market. The purpose of these is to entirely eliminate weaving by rolling out the goods from a liquid the same as paper is now made. Leather shoes, which now require about one hundred separate operations, will someday largely be discarded for quickly moulded shoes. Such plastic shoes should stand up longer, be more beautiful, requiring only 10 workers instead of 100, and will sell sell for half present prices.

A Universal Religion—I visualize a great movement toward Church consolidations. Many readers may not class such a movement as "miraculous" as some of the above developments, but it will be. No wealth, inventions, or new products will make the world a better place in which to live unless accompanied by a spiritual awakening. All these can be used either to construct or to destroy according to the peoples' religious faith. The first step to such a spiritual awakening will be Church consolidations and a universal religion.

Faroll & Co. to Admit Walter Mooney

CHICAGO, ILL. — Walter A. Mooney will become a partner in Faroll & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges, on March 2. He has been with the firm for a number of years.

Edward M. Rosenthal will retire from partnership on Feb. 28.

Bendix Luitweiler Partner

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Herman Hagen to partnership on March 2.

Newman, Walthouse To Be Noyes Partners

CHICAGO, ILL.—John H. Newman and William F. Walthouse will be admitted to partnership in David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchange on March 1. Both were formerly partners in Faroll & Co.

E. J. Shean & Co.

E. J. Shean & Co. has been formed with offices at 14 Wall Street, New York City, to engage in the securities business. Partners are Edward J. Shean, Robert P. MacCulock, and Edward T. Shean.

The Welfare State "In Court"


Lawrence Fertig


Hon. F. R. Coudert, Jr.


Adolph A. Berle, Jr.

Where it is contended "Welfare State" is "big balloon" technique for taking people's money away and giving it back to them in services they would otherwise buy for themselves. Mr. Fertig charges it is "the perfect giveaway program" with cost to the people incalculable, and leading unavoidably to socialism. Insists it becomes captive of the very groups it has favored.

Following is the testimony of "expert witness" Lawrence Fertig, Economist and Columnist, under questioning of "counsel" Frederic R. Coudert, Jr., and "cross-examination" by A. A. Berle, Jr., on "The Court of Current Issues" program produced by Irwin Sulds and broadcast over Dumont WABD TV network Feb. 7, 1950.

Questions by Congressman Coudert

Mr. Fertig, what does the term "Welfare State" as we are using it tonight mean to you?

Answer by Mr. Fertig: Well, sir, the opposition has taken a very good word out of the dictionary—welfare, meaning well-being—and has appropriated it for themselves. They have combined it with the word state and implied by the words "Welfare State" that the state itself creates the maximum well-being for its citizens. Justice Douglas of the Supreme Court said that it was the greatest invention of the twentieth century. But, of course, it is only people themselves who create their own well-being through increased production. The state does not create well-being.

The "Welfare State" is simply a method of taking people's money away and giving it back to them in the form of services which they would normally buy for themselves. The "Welfare State" promises more and more services and inevitably becomes the "giveaway" state. It leads to both inflation and ultimately to Socialism.

Even today, when we have only the mere beginnings of the "Welfare State," we cannot balance our budget. Yet these gentlemen here are asking for at least $10 billion more of expenditure. Now, how are we going to pay for it? In only one way. We dilute the currency. We inflate and take away through inflation a great part of your bank balance; of the buying power of your government bonds; of what you have saved in your life insurance; of what you will get in your pensions. That is the nature of inflation—it robs the people of their savings. And, remember, the "Welfare State" is the inflation state.

Q. When you use the term "Welfare State" you mean such a state as would exist if the present Presidential program should be adopted by the Congress and become the law?

A. Yes, Mr. Coudert, but first I must make this correction. I should have said the so-called "Welfare State," because what is proposed will definitely not improve the people's welfare. Quite the opposite. The program these gentlemen propose will ruin the country. It will ruin us through inflation, and then they will impose the socialistic measures which they have already sponsored in order to control the inflation.

Now the so-called "Welfare State" is a specific program embodied in specific measures. It's the Brannan Farm Plan; it's the scheme for socialized medicine; it's the proposition to pay a hundred dollars a month to everybody as a pension, which Mr. Tobin, the President's Secretary of Labor, suggested in a recent speech. This would cost more than $13 billion today. It is the plan for more housing for middle-income groups, more Federal money for education; it is, in short, the perfect giveaway program and nobody can estimate the huge amount it will cost.

It would lead to so many controls on the part of the government that soon we would be forced into a socialist government. That course of action is already outlined in the horrible Spence Bill. So, you see, the so-called "Welfare State" leads to inflation. Inflation leads to controls. Controls lead to socialism and socialism leads to a lower scale of living and the loss of liberty. So where is the welfare of the people?

Q. There seems to be some impression abroad that all these benefits under the proposed laws are free.

A. Well, Mr. Coudert, anyone who has arrived at the age of maturity knows that nothing is free in this world.

Q. Well, who is going to pay?

A. The people will pay, of course. There is no other way to get the money. It is paid for out of the production and the sweat of every man and woman. They will avoid paying for this program by direct payroll taxes because such taxes would break the back of production. Therefore, they will try to get the greater part of it by borrowing—that is, by printing I.O.U.'s. Thus, the government will lay the basis for new inflation and the average man will be robbed of his savings once again. This inflation will cause many maladjustments and much hardship.

Q. Did you notice, when Congressman Bimiller was on the stand, he attempted to make a distinction between the normal budget that the taxpayer pays and these so-called payroll deductions?

A. Yes, I noticed that. It was a very clever distinction. But, in fact, there is no distinction. It all comes out of production, and

Continued on page 33

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is under the influence of the new financing with its attendant adjustments. Accordingly, there are many cross-currents in the situation as investors and traders make way for the new securities. This has resulted in considerable switching, and the intermediate term eligibles have been the principal mediums for these operations. Nonetheless, there has been some outright selling of the longest bank issues. The ineligible bonds have also felt the pressure of liquidation, with savings banks letting out some of these securities. Previously these instiutions had been mainly on the buying side.

Not only the new financing but also the belief that monetary policy is to be changed, is having an effect upon prices and yields of Treasury obligations. The short-term market is unsettled and the longer end of the list is on the uncertain side, which means that operators are inclined to move to the sidelines until there is clarification of developments in the money markets.

LOWER PRICES IN THE OFFING?

The 2¼s of 1956/59 and the 2½s due 1956/58 are being watched with an eagle eye, because many holders of these securities are beginning to question their attractiveness at current levels in light of possible changes in monetary policy. Although there has been switching out of these securities into the 1½s of 1955, with a taking down of premium, this is not the important point of concern insofar as the 2¼s and 2½s are concerned. If somewhat higher yields are to be forthcoming, as many seem to expect, and this is to be brought about principally by new and/or increased offerings of the larger coupon issues, the 1956 maturities could be vulnerable. Holders do not want to see prices of the outstanding 2¼s and 2½s gradually move lower, because of the fear that the supply of higher coupon bank eligibles will be increased. Because of this question of future supply the technical position of the 1956 maturities is not as solid as it was before the recent offering of the 1½s, and it would not take too much more uncertainty to bring quite a few of these bonds into the market for sale.

It seems as though the opinion in government circles now is that prices of the longest Treasuries are likely to work somewhat lower, although no sharp declines are looked for. It is believed Federal will keep the pressure on and this will mean continued sales of the higher income issues. While funds available for investment are ample, buyers are becoming more cautious about the probable trend of quotations and are not as aggressive in picking up needed issues as in the recent past. The opinion that bank obligations with higher coupons are likely to be available in the not too distant future has brought about some selling of the outstanding eligibles by non-bank owners of these securities. While most of this has been in the 1956 issues so far, quite a few of the September 2½s have also appeared for sale from those institutions that do not need eligible obligations.

SOME LIQUIDATION UNDERWAY

In line with this thinking that the eligibles will be augmented during the year, has come liquidation of the 1952 eligibles, top issues, especially the 2¼s of 1959/62. Quite a few holders do not believe these bonds as attractive as they might be, if the Treasury is to offer longer-term issues that can be bought by commercial banks. Savings banks have come into the market at intervals as sellers of the restricted issues, although so far the volume has not been large. They have been, however, doing quite a bit of shifting from the earlier eligible taps into the victory bonds.

Out of town deposit banks continue to be buyers of the longest eligible issue, but much more from the scale angle than as wide open takers at prevailing market quotations. They are not inclined to go for the shorter maturities, but on the other hand, the uncertainties of the new monetary policy has brought about cautious buying from these institutions. While the 2⅞s are being switched into the 1½s of 1955, the longer partially exempts continue to be well bought. There have not been many of these bonds appearing in the market despite price shading.

SUPPLY OF NEW 1½S MAY BE INCREASED

Although the new 1½s enjoy a good demand, some observers believe the supply of this issue will be added to because certain holders of the maturing 2s will probably not take the new issue. They point out that this may mean the 1½s will not be fully digested for a time, which could result in more swops being made out of the intermediate terms into the five-year obligation.

Pension funds seem to have taken over the demand side of the market as they continue to be the main buyers of the ineligibles. The longest issues are getting practically all of their attention. Fire and casualty companies have been sellers of not too sizable amounts of the 2⅞s and the 2¾s of 1956/59, with indications these funds have been going into the equity market. Eleemosynary institutions have pushed out quite a few of the 2¼s of 1959/62 in the past week.

Joins Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CAL.—Noel McVickar, Jr., and Carl F. Rogers have joined the staff of Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive. Mr. McVickar was previously with Leo Schoenbrun; Mr. Rogers was with King Merritt & Co.

H. M. Byllesby Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edgar A. Ormand has joined the staff of H. M. Byllesby and Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Ormond was formerly with the Mid-City National Bank.

Mead Heads Md. Concert Fund Drive


W. Carroll Mead

W. Carroll Mead, partner of Mead, Miller & Co., Baltimore investment brokers, has accepted the appointment as Maryland State Campaign Chairman for the 1950 American Cancer Society fund-raising drive. Mr. Mead is President of the Bond Club of Baltimore and is an Ex-President of the Baltimore Stock Exchange.

Oppenheimer & Co. Opens in New York

Max E. Oppenheimer, Albert H. Deuble, Hugo H. Heksch and Ralph Adrian Kristeller announce the formation of Oppenheimer & Co., members of the New York Stock Exchange and New York Curb Exchange. The new firm will maintain offices at 25 Broad Street, New York City, and will conduct a general American and foreign brokerage business.

Messrs. Oppenheimer, Deuble and Heksch have been associated with Hirsch & Co. for many years. Prior to this time, Mr. Oppenheimer was active in the banking and brokerage business in Europe.

Mr. Deuble previously was a financial writer in American and European papers. He served for many years as financial editor and later assistant managing editor of the New York "Staats Zeitung."

Mr. Heksch had served for 10 years as manager of the Deutsch Bank in Heidelberg.

Mr. Kristeller became a member of the New York Stock Exchange in September, 1944, while still in the armed forces and a member of the New York Curb Exchange in 1947.

Formation of the new firm was previously reported in the "Chronicle" of Feb. 9.

With Colvin, Mendenhall

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Stuart D. Wattles is with Colvin, Mendenhall & Co., 220 Montgomery Street.

Financial and Economic Aspects of Social Security

By EMERSON P. SCHMIDT*
Director, Economic Research, Chamber of Commerce of U. S. A.

Dr. Schmidt analyzes current and prospective programs of social security and points out these programs will be impracticable and ineffective unless there is adequate production for their support. Calls attention to mounting hidden payroll costs in business and their inflationary effect, and concludes, despite its importance, expanded social security will impede goal of a healthy, dynamic, effectively-functioning economic society.

Viewing Security as a Whole

A modest amount of security may be obtained at a modest price. The more security demanded, the higher the outlay. Total security in an uncertain world is unobtainable. "Social security" in the accepted sense, is but a small part of a much larger drive for security. Financing social security (in the narrow sense) is but a part of the burden imposed upon our economy. Today more than ever, we are confronted with hard choices as to priorities. In the past we have tended to consider each program separate and apart. However painful it will be, from now on we are going to be forced to give much more consideration to these programs *as a whole*. We will be forced to view *aggregate* costs of financing. If we are going to be statesmanlike, we will view these aggregate costs not only in terms of the current burden on the economy, and next year's budget, but also in terms of the next decade and subsequent decades.

Dr. E. P. Schmidt

Current and Prospective Programs

The current concern with more and more security is not so much a commentary on individual human nature as it is on the limitations and frailty of economic and political institutions.

Forty years ago Samuel Gompers opposed workmen's compensation. Not until 1933 did the A. F. of L. favor unemployment compensation. In the short span of a couple of decades we have shifted from virtually complete reliance on individual responsibility to preponderent reliance on social security.

The Social Security Act of 1935, the NRA, the AAA, and a host of other laws and programs were to bring security. The Wagner Act was to create worker security. Although it is still on the books as is most of the legislation of the 1930's, the average citizen appears to feel a greater degree of insecurity today than at any time in our past. This raises the question whether anything short of the "total state" can satisfy the pressures for security.

State legislatures and the Congress are being urged to revise and amend, extend and expand all manner of security programs. To the low-income housing act of 1949 is to be added the middle-income housing act of 1950. "Brannanism" is to be added to the AAA. HR 6000 would greatly extend coverage of OASI, revise upward the benefit formula, increase the Federal Treasury responsibility for the indigent, and add "total and permanent" disability to the hazards to be covered. The states are adopting non-occupational health and accident coverage (temporary disability insurance). The Department of Labor has issued a series of proposals to impose cost-raising Federal standards on state unemployment compensation laws. The Federal bureaus are promoting universal compulsory health insurance. Federal aid to education is stoutly promoted. Expenditures for veterans' programs and their dependents will be substantial—permanent pension, compensation, medical care and possibly bonus programs. The catastrophic outcome of our foreign policy both during the war and since V-J Day means a continuation of very large expenditures upon armaments and outlays under innumerable foreign aid programs, with the hope that, come the next war, we might have a few dependable allies.

The Federal debt stands at a quarter of a trillion dollars. The budget is unbalanced at "full employment." Resistance to higher taxation is on the increase. If the spending pressures continue, the probability of balancing the budget in the years ahead is remote. The dilution of the money supply, accompanying deficit spending, will in time increase the indisposition of the average citizen to buy and hold government bonds, with their steadily declining purchasing power. This reaction will in turn increase the rate of depreciation of the value of the dollar by forcing deficit financing through the banks. Thereby insecurity is further spread and augmented, leading possibly to "forced saving" and other compensatory reactions of a malfunctioning economy.

Labor unionism fostered, promoted and underwritten by government is now more powerful than that government itself. Its demand for more money and more wage-supplements for less work appears insatiable.

This sketchy background of the pressures upon our resources should be the starting point for any discussion of the financial and economic aspects of security. "Social security" in the narrow sense is but a part of the demands upon our economy.

No Security Without Adequate Production

It has often been said, but cannot be said too often, that all security rests on a strong, dynamic productive economy. The producing elements of our economy must support the non-producers. There is no way by which a nation can save for its old age. Social security is primarily a device for building up legal claims in behalf of beneficiaries against producers.

Is production keeping pace with the growth of demands upon the economy? What is happening to output per manhour? Sumner H. Slichter in a recent analysis of "The Pressing Problem of Old-Age Security," (New York *Times*, Oct. 16, 1949) raises this question: "Can the country afford an adequate scheme of security for old age?" Assuming that old age security will cost 8% of payroll, he comes to the optimistic conclusion that if we maintain our normal increase in manhour output of about 2% per year this would amount to about 80% in 30 years and the 8% payroll cost would be but one tenth of this increase. But this conclusion requires some qualification.

First, new burdens of old age security as we have seen are by no means the only new burdens which our economy is being asked to bear. Second, all studies of productivity raise serious question as to the current maintenance of our historic rise in productivity. The Cleveland Trust Co. in a recent study concluded that the increase has been only 8% for the decade. Soloman Fabricant of the National Bureau of Economic Research, who is perhaps the closest student of productivity, finds that we have fallen substantially short of our prewar trend in productivity.[1] Only if the inventors, designers, engineers investors and business managers are permitted to fulfill their roles will be able to regain our prewar momentum in productivity gains.

The scarcity of venture capital has been greatly and properly emphasized. Regardless of the abundance of loan capital, this cannot create much new investment unless it can be combined with venture capital which is the dynamic and vitalizing factor of a growing economy.

The double taxation of corporate income and the steady demand for higher taxes do not bode well for the outlook of venture capital.

Colin Clark claims, upon inductive investigation, that there is a clear indication that when the tax collections equal 25% of the national income, the economy breaks down, or goes into an inflationary spiral, depending upon the responses of the public to what they regard as intolerable tax burdens. We have reached this peril point.[2]

The United Kingdom has exceeded this tax level. Restoration of a viable economy is greatly hindered, and many think it is impossible. Controls continue, labor is restless, economic growth is thwarted and the *Economist* (London) states that personal saving has all but disappeared from the British economy. All this despite our billions of aid to the British.

While we by no means face the plight of the British as yet, there is an unmistakable parallel between British and American developments, with a time lag of one or two decades.[3] This should be a warning to us. But there is no evidence that democracies learn anything from the folly and plight of democracies in other lands.[4]

All would admit that a man can be "insurance poor" or "land poor." Can a national be "social security poor" or unduly "security-minded"? If the liberal *Economist* is any judge, the answer is an unqualified "yes."

Veterans' Benefits

The hazards of the *piecemeal* approach in appraising or building social security programs can be seen perhaps most clearly by an examination of benefits for our veterans of past wars. Veterans have never been reluctant to ask for special treatment.

We have about 19 million veterans. They constitute about 40% of the adult males in the country. If we continue to maintain a standing defense establishment of 1.5 million men and continue the draft there will be an annual increment of about 400,000 veterans.

The United States has treated its veterans generously, more generously by a wide margin than other countries. Benefits to veterans of every war—1812, Mexican War, Civil War, Spanish War, World War I—have grown steadily for decades after the war. For each war they tend to reach their peak only 50 years after the close of that war. Experience also indicates that veterans' benefits tend to exceed the costs of the wars to which they relate. World War II cost us about $400 billion!

Many of the World War II veterans' benefits of recent years have been of the readjustment variety—mustering-out pay, unemployment benefits, educational allowances and loan guaranties. These will taper off, and perhaps terminate or shrink to nominal figures.

But pensions and compensation for disabilities will grow and grow. The same is true of medical care costs. These benefits already provided for under existing law will reach $4 to $5 billion per year in the near future (not including hospital and domiciliary construction costs).

In addition there is also the prospect of a Federal bonus to veterans of World War II. The Congress has always shown a ready responsiveness to veterans' demands. With the great increase of veterans among the constituents any proposals for enlarged pensions, more medical care and the inclusion of relatives and survivors, and for a bonus, are almost certain to pass if they reach the floor of the Senate and the House.

Already our social security and veterans' programs are so vast and complicated that many veterans will be eligible for duplicate benefits covering the same hazard.[5]

Without passing judgment on these developments and the prospects, it must be clear to everyone that the financing of security programs for the general population must be judged in the light of current and probable future outlays under veterans' programs. The sums involved are so great that every responsible student must pause and contemplate the outcome. Should we fail to avert a third world war, the pressures for benefits could probably not be absorbed by a free society, should a free society emerge from such a war.

The Hidden Payroll

Since 1939, average hourly earnings have increased by 123%,

*Address by Dr. Schmidt, at Cornell University, Ithaca, N. Y., Feb. 11, 1950.

1 Proceedings of 17th Annual National Meeting Controllers Institute of America, New York, 1948.

2 For origin of Clark's ideas see "A Survey of Contemporary Economics" by H. S. Ellis, et al, The Blackiston Co., 1948, p. 197.

3 "Socialism in America," Chamber of Commerce of U. S. A., Washington, D. C., 1950, 75 pages, 50c.

4 For an analysis of Europe's plight see particularly "Compulsory Medical Care and the Welfare State" by Melchior Palyi, National Institute of Professional Services, Inc., Chicago, 1950.

5 *The Cost and Financing of Social Security*, Lewis Meriam, et al. Brookings Institution, Washington, 1950, Chapter

Continued on page 38

The Worse, the Better Reason

"It must be obvious that the Democratic Administration today is operating the biggest propaganda mill the country has ever seen. The President commandeers all four networks whenever he wants them, and no Republican can get more than one at a time. The President can and does use his press conference to put across any favorite theory or policy.

Robert A. Taft

"The State Department has secret meetings in Washington to brief, as the term is, all the business, labor and women's groups who have headquarters here. The State Department sponsors similar meetings throughout the country and sends speakers with the prestige of State Department position but drawing government salaries—salaries paid by the taxpayers who are paying through the nose under this Administration.

"Secretary Brannan is the best personal propagandist in the Administration. There are hundreds of publicity agents scattered through the Department of Agriculture, to say nothing of its production and marketing administration bureaus throughout the farm states.

"Then there's the Defense Department. Why, Secretary Johnson boasted that he had cut the number of press agents in the military establishment in Washington and environs from 493 to 233. Just think, there are 'only' 233 press agents in and around Washington now. If they were just propagandizing the military establishment it mightn't be so bad. But one of their real jobs is to make everything the establishment does under the Truman Administration look good."—Senator Robert A. Taft.

No wonder the worse is so often made to appear the better reason!

With Davis, Skaggs Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Reginald Kennedy has become affiliated with Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

Joins Coffin & Burr

(Special to The Financial Chronicle)

CHICAGO, ILL.—Robert L. Meyers has become associated with Coffin & Burr, Inc., 231 South La Salle Street. Mr. Meyers was previously with C. J. Devine & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Earl B. Schwulst, President of the **Bowery Savings Bank of New York**, was elected President of **The Greater New York Fund** on Feb. 16 at the annual meeting of the Fund's board of directors. Mr. Schwulst, a Fund director since 1943, succeeded Carl Whitmore, who resigned Jan. 18, because of ill health. The new Fund President, a director of the Institutional Securities Corp. and the Regional Plan Association, is a trustee of the Teachers Insurance and Annuity Association of America. and a council member of the American Geographical Society. Norman S. Goetz, of the legal firm of Proskauer, Rose, Goetz & Mendelsohn, was elected Chairman of the Fund's board of directors, succeeding Henry C. Brunie, three times President of the organization. Mr. Goetz, President of the Hospital Council of Greater New York, is a director of the United Hospital Fund. John S. Burke, President of B. Altman & Co., was elected Chairman of the Fund's Members Council. Mr. Burke is a former Vice-President of the Fund. In his annual report to the directors, Mr. Brunie, as retiring Chairman, announced that in 1949 the Fund raised $5,186,179 from organized business to help maintain round-the-clock health and social welfare services for some 3,000,000 New Yorkers.

* * *

Mario Diez, Vice-President of **Colonial Trust Co. of New York** and the head of the International Division of that banking house, has departed on his annual visit to the bank's correspondents in Europe. "This year," announces Arthur S. Kleeman, President of the bank, "Mr. Diez will also call upon our correspondents in the Middle East, and will probably return via the Pacific, stopping to see those banks in Pakistan, India, Iran, Hong Kong, Japan and the Philippines."

* * *

Arthur S. Kleeman, President of **Colonial Trust Co. of New York**, announces the appointment of Louis W. Petersen as Assistant Vice-President. Mr. Petersen, who had been an Assistant Secretary and Assistant Treasurer, has been associated with the company since 1946. He is a graduate of the Rutgers University Graduate School of Banking, and was formerly with Bankers Trust Co.

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The **National City Bank of New York** opened on Feb. 14 the new location of its Madison Avenue Branch at Madison Avenue and 76th Street. The branch was formerly located at Madison Avenue and 72nd Street.

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William L. McCrodden has been appointed Assistant Vice-President of the **Lafayette National Bank of Brooklyn, N. Y.**, according to an announcement by Walter Jeffreys Carlin, President. Mr. McCrodden who recently joined the staff of the Lafayette, attended the American Institute of Banking and has many years of experience in the banking field, Mr. Carlin said.

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The New York State Banking Department approved on Jan. 19 plans whereby the capital of the **Industrial Bank of Schenectady, N. Y.**, is increased from $225,000 to $275,000. The stock is in shares of $10 each.

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The **Union Market National Bank of Watertown, Mass.** increased its capital as of Jan. 17 by a stock dividend of $150,000, raising it from $600,000 to $750,000.

* * *

The appointment of four new Vice-Presidents in the **Franklin-Washington Trust Co. of Newark, N. J.** were announced by President Stanley J. Marek on Feb. 11, according to the Newark "Evening News," which reports the new officials as follows: Jesse L. Conger, Leo R. Karosen, Jesse G. Knipshild and Albert F. Morlock. All had previously been Assistant Secretaries and Assistant Treasurers.

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The **National Bank of New Jersey, at New Brunswick, N. J.**, capital is now $1,000,000, having been enlarged effective Jan. 16, from $875,000, through a stock dividend of $125,000.

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According to Jersey City advices to the Newark "Evening News" of Feb. 15, by a staff correspondent, a proposed merger of the **First National Bank** and the **Franklin National Bank**, both of **Jersey City**, has been announced by the officials of both banks. The merger, if approved at a stockholders' meeting of Franklin March 28, would become effective July 1, said the advices which added that both the main and branch banks of the Franklin would become branches of the First National under the consolidation plan. Kelley Graham is Chairman of the Board of the First National and Lewis G. Hansen is President of the Franklin National.

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At their annual meeting in January the stockholders of the **Security Savings & Commercial Bank of Washington, D. C.**, approved plans calling for a $50,000 stock dividend, increasing the capital from $750,000 to $800,000. The surplus, it was indicated by S. Oliver Goodman in the Washington "Post" was likewise to become $800,000.

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The **National Security Bank of Chicago, Ill.** increased its capital in December from $700,000 to $800,000 by a stock dividend of $100,000.

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The **Fourth Northwestern National Bank of Minneapolis, Minn.** now reports a capital of $150,000, the amount having been increased from $125,000 as of Jan. 16 by a stock dividend of $25,000, a recent bulletin of the Office of the Comptroller of the Currency reports.

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The **National Bank of Topeka, Kansas**, has enlarged its capital from $500,000 to $1,000,000 by a stock dividend of $500,000. The new capital became effective December 28.

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The election today of Fielding T. Childress, President Columbia Terminals Co., to the board of directors of the **Mercantile-Commerce Bank and Trust Co. of St. Louis** has announced on Feb. 10 by W. Linn Hemingway, Chairman of the Board. Mr. Fielding T. Childress is the son of the late L. Wade Childress, who recently completed 30 years' service on the board. Mr. Childress is also a director of Mercantile-Commerce National Bank, and other organizations.

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A change in the title of the **American National Bank of Nashville, Tenn.** to the **First American National Bank of Nashville**, effective Feb. 1, was noted in the Jan. 23rd Bulletin of the Office of the Comptroller of the Currency.

* * *

The capital of the **City National Bank of Winston-Salem, North Carolina**, has been increased from $200,000 to $250,000 through the sale of $50,000 of new stock. The new capital became effective February 9.

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The boards of directors of the **Federal Reserve Banks of Atlanta, Dallas,** and **St. Louis** have elected Chester C. Davis, President of the Federal Reserve Bank of St. Louis, as a member of the Federal Open Market Committee for the year beginning March 1, 1950 and have elected R. R. Gilbert, President of the Federal Reserve Bank of Dallas, as an alternate member to serve on the Committee in the absence of Mr. Davis. W. S. McLarin, Jr., President of the Federal Reserve Bank of Atlanta, is serving as a member of the Committee for the year ending Feb. 28, 1950. The Federal Open Market Committee consists of the seven members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks. One of the representatives of the Federal Reserve banks is elected by the board of directors of the **Federal Reserve Bank of New York.** The other eleven Federal Reserve banks are divided into four groups, each containing two or three banks, and each group elects a representative to serve on the Committee.

* * *

Special advices from Houston, Tex., Jan. 28 to the Dallas "Times Herald" stated that the **Citizens State Bank of Houston** has raised its capitalization from $250,000 to $1,000,000, an announcement by W. Neal Greer, President, stated. The item further reports that the added $750,000 was taken from the bank's surplus and undivided profits, he said. The bank was founded in 1919.

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Through a stock dividend of $500,000 the capital of the **Fort Worth National Bank, at Fort Worth, Tex.** has been increased from $3,500,000 to $4,000,000. The enlarged capital became effective Jan. 13.

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Announcement is made by the **Commercial Security Bank of Ogden, Utah** of the election on Jan. 10 of the following officers: Frederick P. Champ, Chairman of the Board; Robert G. Hemingway, President; Harmon B. Barton, First Vice-President; Rulon F. Starley, Vice-President; Frank Francis, Jr., Vice-President and Cashier; Richard K. Hemingway, Assistant Vice-President; H. W. Hinley, Trust Officer; Wm. A. Budge, Assistant Cashier; J. Leo Cooney, Assistant Cashier and Auditor.

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A stock dividend of $1,000,000 has resulted in increasing the capital of the **Idaho First National Bank, of Boise, Idaho,** from $2,000,000 to $3,000,000. The new capital became effective on January 13.

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Following the regular meeting of the directors of **Bank of America N. T. & S. A. of San Francisco** on Feb. 14, President L. M. Giannini announced that the board had favorably considered a proposal to change the par value of the stock of the bank and to issue to the shareholders an additional new share of stock for each share now held. The proposal calls for a cut in the par value from $12.50 to $6.25 of the shares and an increase in the rate of the dividend on the present stock. The shareholders are to act on the plans on March 21. Mr. Giannini also announced that the board had declared a cash dividend for the current semi-annual period, payable in two quarterly instalments, at the annual rate of $2.80 per share on the present number of shares outstanding, an increase of 12% over the previous annual rate at $2.50 per share. The first quarterly payment of 70 cents per share will be made on March 31 to shareholders of record as of Feb. 28. The second payment will be made on June 30 to shareholders of record as of May 31, 1950, at the annual rate of $1.40 per share if the shareholders approve the issuance of the additional shares. The directors had appointed a special committee to consider the question of issuing preferential rights to shareholders to subscribe for new shares of stock.

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R. W. Shannon has been appointed General Inspector at the head office of **The Royal Bank of Canada** in **Montreal**, the bank announced. Mr. Shannon has been Assistant Manager of the bank's main Toronto branch since 1948.

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Promotions in the **Royal Trust Co.** (head office **Montreal**) were reported as follows in the Montreal "Gazette" of Feb. 15: Robert P. Jellett becomes Chairman of the Board; Ross Clarkson succeeds Mr. Jellett as President, and J. Pembroke, C.B.E., is appointed General Manager following the 50th annual meeting of the Royal Trust Co.

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The directors of **Westminster Bank, Ltd., London** announce that the Hon. Rupert E. Beckett will, on March 31, retire from the Chairmanship of the bank, a position he has held for the past 20 years. He will be succeeded by Lord Aldenham, at present a Deputy Chairman. Mr. Beckett will remain a member of the board. He was for a long time a partner in the Yorkshire banking house of Beckett & Co. On its absorption by the Westminster Bank in 1921, two of the partners of the firm, the late Sir Gervase Beckett, Bart. and Rupert E. Beckett, joined the board of Westminster Bank. Mr. Beckett became a Deputy Chairman of the bank in 1927, and Chairman in 1931. He was President of the British Bankers' Association and Chairman of the Committee of London Clearing Bankers in the years 1933-4 and 1947-8. Lord Aldenham was elected a director of Westminster Bank in 1924, and a Deputy Chairman in 1933. He is Chairman of Antony Gibbs & Sons Ltd., London merchants and bankers.

Reinholdt & Gardner To Admit Matthews

ST. LOUIS, MO. — Robert H. Matthews will be admitted to partnership in Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges on March 1. Mr. Matthews was formerly a partner in G. H. Walker & Co. with which he had been associated for many years.

Robert H. Matthews

Chas. Eaton, Jr., Director

Charles F. Eaton, Jr., President of Eaton & Howard, Inc., Boston, was elected a director of the Boston Insurance Company and the Old Colony Insurance Company at the annual meeting and election of officers held Feb. 15 in Boston. All officers and directors were reelected. Ernest Ahmberg was elected Assistant Secretary of both companies.

Public Utility Securities

By OWEN ELY

Boston Edison Company

President James V. Toner of Boston Edison Co. recently made an address before the New York Society of Security Analysts at their Luncheon Forum, and presented a 28-page book of charts and statistical data to supplement the annual report just released. The company's earnings of $2.91 for 1949 reflected a gain of 11 cents over the 1948 figure of $2.80 (after deducting a nonrecurring credit of 10 cents). There was a decrease of about $1.4 million in revenues, due largely to reduced sales to other utility companies, but loss of this business had only a negligible effect on net income.

Except for one or two Connecticut utilities, Boston Edison is one of the most generous of dividend payers, last year's rate being $2.80 or about 96% of earnings. In fact, President Toner has indicated his desire to increase the rate to $3 when earnings justify such a move. This generosity is perhaps due in part to New England common stock traditions (American Telephone, with its Boston background, pays out nearly all its earnings) and partly to the fact that Boston Edison has an ample earned surplus, equal to about 1½ years' dividend requirements. There may be some question as to whether this surplus can remain in the rate base. President Toner indicated that the company might dip into surplus if necessary in order to maintain the current dividend rate.

The company's business is more stable than that of the average utility, since it relies less on large industrial customers than most of the big utilities. Thus Edison's sales do not have the ups and downs of other companies, based on prosperity and depression; the large proportion of residential and commercial business is a strong stabilizing factor.

Boston Edison has a common stock equity of 61%, one of the highest for any of the large utilities, and comparing with 25-30% for many companies which have been released from holding company systems. The company, therefore, will probably not find it necessary to do any equity financing in connection with its construction program over the next three or four years. A proposed issue of $18 million mortgage bonds, probably in April, will be used to retire bank loans and unsecured notes.

Regarding the regulatory picture in Massachusetts, this has perhaps improved somewhat, from the standpoint of the utilities. The Governor, about a year ago, proposed a 3% tax on gross revenues but the Legislature did not enact this legislation. While last year's rate decision against New England Telephone was rather disturbing, President Toner feels that the Commission has dealt fairly with the electric utilities, and several of the commissioners have had long experience with regulatory procedure. While Boston Edison's residential rates may appear slightly on the high side, they are not at all high when contrasted with above-average costs: the company's fuel, tax and construction costs are relatively among the highest in the country.

While the Federal Administration has recently been issuing propaganda for the development of hydro power in New England on a large scale, President Toner stated that there has been no power shortage and he was sure that capacity would continue adequate regardless of any recurring drought conditions. As far as Boston Edison is concerned, system planning has kept new generating capacity comfortably ahead of increasing power demands because of an expansion program which began in 1937. The entire U. S. electric industry was short of reserve capacity in 1947. The chart (presented in the statistical booklet as Exhibit No. 1) indicates that Boston Edison might have had difficulty in supplying power to other utilities in that year if its largest unit had happened to be out of service during a peak period. Nevertheless, despite the fact that 1947 was a year of extremely low water for New England hydro plants, Boston Edison was able to help neighboring systems and still maintain a comfortable reserve.

Exhibit No. 5 shows the estimated generating capacity and requirements for the whole of New England, excluding Maine and lower Connecticut. (Maine is excluded because it does not permit the exportation of hydro power generated within its borders, and Connecticut south of New Britain is also omitted because the company serving this area has disconnected an existing tie in order to remain a purely intra-state company.) This shows that while in 1946 there was a relatively narrow margin of reserve capacity, this reserve has now been about tripled (to around 22%) and will at least be maintained during the years 1950-1954. Considering the fact that New England is virtually a power pool, with very complete inter-connection, private power facilities would appear ample despite Federal suggestions to the contrary. The presidents of all the electric companies in New England have formed a voluntary organization known as the Electric Co-ordinating Council, which meets several times a year to plan new capacity and maintenance schedules.

Boston Edison plans during 1950-1954 to spend $20 million on generating capacity and $53 million on other plants. Since only about $5 million retirements are estimated, gross plant will increase by some $68 million or 28%. Since no equity financing is planned, common stockholders should obtain some benefit from anticipated earnings on this investment, less the interest charges required to provide funds. Moreover, substantial fuel economies are being obtained from the new generating plants; the new No. 4 unit at Edgar Stations is using less than three-quarters of a pound of coal per kwh.

Boston Edison is currently selling on the Boston Stock Exchange around 46 to yield 6.1%.

British Concern Over German & Jap Competition

By PAUL EINZIG

Asserting there is growing concern in Britain over increase of German and Japanese competition, Dr. Einzig says there is fear of overproduction of steel because of enlarged German output and concern over price cutting of textiles because of Japanese imports. This has resulted in growing agitation for government intervention and negotiation of agreements to avoid cut-throat competition.

LONDON, ENG.—The increase of industrial production in Germany and Japan is viewed with mixed feelings in Britain. On the one hand, it is welcomed as an indication of progress towards normal conditions and as a safeguard against Communism in Western Germany and in Japan. It is also realized that it is to the interest of the Allies that ex-enemy countries under their occupation should achieve economic self-sufficiency. On the other hand, the increase of German and Japanese competition is viewed with growing concern. This factor, more than any other single factor, is held responsible for the termination of the "sellers' market" and its replacement by a "buyers' market" in a number of categories of manufactures. And the low prices quoted in many lines by German or Japanese exporters are causing anxiety both among industrialists and trades unions.

Dr. Paul Einzig

During the first three or four postwar years, when German and Japanese industrial production and exports were at a low ebb, the other leading industrial countries took possession of the world markets. They adopted policies regarding expansion of output and wages levels that were based on the absence of German and Japanese competition. Now that both countries are gradually reappearing in the world markets, Britain and other industrial countries will have to face new problems of considerable gravity. While even a few months ago shortage of steel constituted one of the principal "bottlenecks," fears are now entertained about the coming overproduction in steel, due to the increase of the German output. As for textiles, while until recently shortage of labor was Lancashire's main complaint, there is now a growing fear of price-cutting by Japanese exporters.

Germany has resumed once more her traditional policy of offering long - term credits. Although the Western German Government is complaining that industrial reconstruction is hampered by lack of foreign capital, German export firms are willing to grant 12 or even 18 months' credits where their British rivals insist on cash payment or even on advance part payment. As a result, the Germans often get the orders even if British prices are lower and the quality better. But in many instances German prices are lower. This is due in part to the low postwar standard of living of the German workers, and in part to the fact that German industrial equipment destroyed by the Allied air forces during the war or dismantled by the Allies after the war has been replaced to a considerable extent by up-to-date equipment.

Fears are entertained among British trades unions leaders and Socialists that a further increase of German and Japanese price-cutting competition might force British industries to cut wages as an alternative to losing essential markets. In prevailing conditions of full employment it would be difficult, however, to enforce wages reductions, or even to induce the workers to put in longer hours or harder work without any increase of pay. So it seems probable that the British trade balance will be affected to a considerable extent. The benefit gained through the devaluation of sterling may thus largely disappear.

In quarters ranging from right-wing Conservatives to Communists there is growing agitation in favor of steps to prevent German and Japanese competition, and the government is urged to intervene to that effect. The question whether it would be preferable for the Allies to continue indefinitely to subsidize the ex-enemy countries is usually left without answer. In any case, in practice it is now almost entirely the United States that subsidizes Western Germany and Japan, and it seems probable that Congress will not put up with it indefinitely. It seems reasonable to assume that by 1952, when Marshall aid comes to an end, American Government assistance to Germany and Japan will also cease. So the alternative to achieving self-sufficiency by that time would be chaos.

Since German and Japanese competition is inevitable, the wise course would be to regulate it so as to reduce to a minimum its harmful effect on British exports. This could only be done by agreement aiming at preventing cut-throat competition by means of quoting unnecessarily low prices or quoting unreasonably long credits. It is to the interest of Germany and Japan not to quote lower prices than is necessary to secure enough foreign exchange to cover their imports. The prevention of a heavy slump in the price of manufactures is all the more important as the terms of trade are already strongly in favor of raw material producing countries compared with prewar conditions. Both Western Germany and Japan are large raw material importers, and it is not to their interest to increase the volume of manufactures that have to be exported in order to pay for the same volume of imported food or raw materials. Since in this respect their interests are largely identical with those of the other industrial countries there should be a fair scope for an understanding.

Jaffe, Siegler Add

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Max H. Leland has been added to the staff of Jaffe, Siegler & Co., Union Commerce Arcade, members of the Midwest Stock Exchange.

William L. Folds Joins F. S. Yantis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William L. Folds is now associated with F. S. Yantis & Co. Incorporated, 135 South La Salle Street. Mr. Folds was formerly with Shields & Co.

C. G. McDonald & Co. Opening in Detroit

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—C. G. McDonald & Co. has been formed with offices in the Penobscot Bldg. to engage in the securities business. Officers are Claude G. McDonald, President, and R. Ward Richardson, Secretary-Treasurer. Both were formerly associated in Higbie, McDonald & Co., of which Mr. McDonald was President, and in the old firm of C. G. McDonald & Co.

Continued from first page

Economic Aspects of The Pension Problem

swer to the second question is in the negative, the employment of the man will cause a loss. As no enterprise can in the long run operate on a loss basis, the man concerned will be discharged or, respectively, will not be hired.

In resorting to this calculation the employer takes into account not only the individual's take-home wages, but all the costs of employing him. If, e.g., the government—as is the case in some European countries — collects a percentage of each firm's total payroll as a tax which the firm is strictly forbidden to deduct from wages paid to the workers, the amount that enters into the calculation is: wages paid out to the worker plus the quota of the tax. If the employer is bound to provide for pensions, the sum entered into the calculation is: wages paid out plus an allowance for the pension, computed according to actuarial methods.

The consequence of this state of affairs is that the incidence of all alleged "social gains" falls upon the wage-earner. Their effect does not differ from the effect of any kind of raise in wage rates.

On a free labor market wage rates tend toward a height at which all employers ready to pay these rates can find all the men they need and all the workers ready to work for this rate can find jobs. There prevails a tendency toward full employment. But as soon as the laws or the labor unions fix rates at a higher level, this tendency disappears. Then workers are discharged and there are job-seekers who cannot find employment. The reason is that at the artificially raised wage rates only the employment of a smaller number of hands pays. While on an unhampered labor market unemployment is only transitory, it becomes a permanent phenomenon when the governments or the unions succeed in raising wage rates above the potential market level. Even Lord Beveridge, about twenty years ago, admitted that the continuance of a substantial volume of unemployment is in itself the proof that the price asked for labor as wages is too high for the conditions of the market. And Lord Keynes, the inaugurator of the so called "full employment policy," implicitly acknowledged the correctness of this thesis. His main reason for advocating inflation as a means to do away with unemployment was that he believed that gradual and automatic lowering of real wages as a result of rising prices would not be so strongly resisted by labor as any attempt to lower money wage rates.

What prevents the government and the unions from raising wage rates to a steeper height than they actually do is their reluctance to price out of the labor market too great a number of people. What the workers are getting in the shape of pensions payable by the employing corporation reduces the amount of wages that the unions can ask for without increasing unemployment. The unions in asking pensions for which the company has to pay without any contribution on the part of the beneficiaries has made a choice. It has preferred pensions to an increase in take-home wages. Economically it does not make any difference whether the workers do contribute or do not to the fund out of which the pensions will be paid. It is immaterial for the employer whether the cost of employing workers is raised by an increase in take-home wages or by the obligation to provide for pensions. For the worker, on the other hand, the pensions are not a free gift on the part of the employer. The pension claims they acquire restrict the amount of wages they could get without calling up the spectre of unemployment.

Not a Gift

Correctly computed, the income of a wage earner entitled to a pension consists of his wages plus the amount of the premium he would have to pay to an insurance company for the acquisition of an equivalent claim. Ultimately the granting of pensions amounts to a restriction of the wage earner's freedom to use his total income according to his own designs. He is forced to cut down his current consumption in order to provide for his old age. We may neglect dealing with the question whether such a restriction of the individual worker's freedom is expedient or not. What is important to emphasize is merely that the pensions are not a gift on the part of the employer. They are a disguised wage raise of a peculiar character. The employee is forced to use the increment for acquiring a pension.

II

Pensions and the Purchasing Power of the Dollar

It is obvious that the amount of the pension each man will be entitled to claim one day can only be fixed in terms of money. Hence the value of these claims is inextricably linked with the vicissitudes of the American monetary unit, the dollar.

The present Administration is eager to devise various schemes for old-age and disability pension. It is intent upon extending the number of people included in the government's social security system and to increase the benefits under this system. It openly supports the demands of the unions for pensions to be granted by the companies without contribution on the part of the beneficiaries. But at the same time the same Administration is firmly committed to a policy which is bound to lower more and more the purchasing power of the dollar. It has proclaimed unbalanced budgets and deficit spending as the first principle of public finance, as a new way of life. While hypocritically pretending to fight inflation, it has elevated boundless credit expansion and recklessly increasing the amount of money in circulation to the dignity of an essential postulate of popular government and economic democracy.

Let nobody be fooled by the lame excuse that what is intended is not permanent deficits, but only the substitution of balancing the budget over a period of several years for balancing it every year. According to this doctrine in years of prosperity budgetary surpluses are to be accumulated which have to be balanced against the deficits incurred in years of depression. But what is to be considered as good business and what as bad business is left to the decision of the party in power. The Administration itself declared that the fiscal year 1949 was, in spite of a moderate recession near its end, a year of prosperity. But it did not accumulate a surplus in this year of prosperity; it produced a considerable deficit. Remember how the Democrats in the 1932 electoral campaign criticized the Hoover Administration for its financial shortcomings. But as soon as they came into office, they inaugurated their notorious schemes of pump-priming, deficit spending and so on.

What the doctrine of balancing budgets over a period of many years really means is this: As long as our own party is in office, we will enhance our popularity by reckless spending. We do not want to annoy our friends by cutting down expenditure. We want the voters to feel happy under the artificial short-lived prosperity which the easy money policy and a rich supply of additional money generate. Later, when our adversaries will be in office, the inevitable consequence of our expansionist policy, viz., depression, will appear. Then we shall blame them for the disaster and assail them for their failure to balance the budget properly.

It is very unlikely that the practice fashionable nowadays of deficit spending will be abandoned in the not too distant future. As a fiscal policy it is very convenient to inept governments. It is passionately advocated by hosts of pseudo-economists. It is praised at the universities as the most beneficial expedient of "unorthodox," really "progressive" and "anti-fascist" methods of public finance. A radical change of ideologies would be required to restore the prestige of sound fiscal procedures, today decried as "orthodox" and "reactionary." Such an overthrow of an almost universally accepted doctrine is unlikely to occur as long as the living generation of professors and politicians has not passed away. The present writer, having for more than forty years uncompromisingly fought against all varieties of credit expansion and inflation, is forced sadly to admit that the prospects for a speedy return to sound management of monetary affairs are rather thin. A realistic evaluation of the state of public opinion, the doctrines taught at the universities and the mentality of politicians and pressure groups must show us that the inflationist tendencies will prevail for many years.

Drop in Purchasing Power Inevitable

The inevitable result of inflationary policies is a drop in the monetary unit's purchasing power. Compare the dollar of 1950 with the dollar of 1940! Compare the money of any European or American country with its nominal equivalent a dozen or two dozen years ago! As an inflationary policy works only as long as the yearly increments in the amount of money in circulation are increased more and more, the rise in prices and wages and the corresponding drop in purchasing power will go on at an accelerated pace. The experience of the French franc may give us a rough image of the dollar thirty or forty years from today.

Now it is such periods of time that count for pension plans. The present workers of the United States Steel Corporation will receive their pensions in twenty, thirty or forty years. Today a pension of one hundred dollars a month means a rather substantial allowance. What will it mean in 1980 or 1990? Today, as the Welfare Commissioner of the City of New York has shown, 52 cents can buy all the food a person needs to meet the daily caloric and protein requirements. How much will 52 cents buy in 1980?

Such is the issue. What the workers are aiming at in striving after social security and pensions is, of course, security. But their "social gain" withers away with the drop in the dollar's purchasing power. In enthusiastically supporting the Fair Deal's fiscal policy, the union members are themselves frustrating all their social security and pension schemes. The pensions they will be entitled one day to claim will be a mere sham.

No solution can be found for this dilemma. In an industrial society all deferred payments must be stipulated in terms of money. They shrink with the shrinking of the money's purchasing power. A policy of deficit spending saps the very foundations of all interpersonal relations and contracts. It frustrates all kinds of saving, social security benefits and pensions.

III

Pensions and the "New Economics"

How can it happen that the American workers fail to see that their policies are at cross purposes?

The answer is: they are deluded by the fallacies of what is called "new economics." This allegedly new philosophy ignores the role of capital accumulation. It does not realize that there is but one means to increase wage rates for all those eager to get jobs and thereby to improve the standard of living, namely to accelerate the increase of capital as compared with population. It talks about technological progress and productivity without being aware that no technological improvement can be achieved if the capital required is lacking. Just at the instant in which it became obvious that the most serious obstacle to any farther economic betterment is, not only in the backward countries but also in England, the shortage of capital, Lord Keynes, enthusiastically supported by many American authors, advanced his doctrine of the evils of saving and capital accumulation. As these men see it, all that is unsatisfactory is caused by the inability of private enterprise to cope with the conditions of the "mature" economy. The remedy they recommend is simple indeed. The state should fill the gap. They blithely assume that the state has unlimited means at its disposal. The state can undertake all projects which are too big for private capital. There is simply nothing that would surpass the financial power of the government of the United States. The Tennessee Valley project and the Marshall plan were just modest beginnings. There are still many valleys in America left for farther action. And then there are many rivers in other parts of the globe. Only a few days ago Senator McMahon outlined a gigantic project that dwarfs the Marshall plan. Why not? If it is unnecessary to adjust the amount of expenditure to the means available, there is no limit to the spending of the great god State.

Insufficiency of New Capital

It is no wonder that the common man falls prey to the illusions which dim the vision of dignified statesmen and learned professors. Like the expert advisers of the President, he entirely neglects to recognize the main problem of American business, viz., the insufficiency of the accumulation of new capital. He dreams of abundance while a shortage is threatening. He misinterprets the high profits which the companies report. He does not perceive that a considerable part of these profits are illusory, a mere arithmetical consequence of the fact that the sums laid aside as depreciation quotas are insufficient. These illusory profits, a phony result of the drop in the dollar's purchasing power, will be absorbed by the already risen costs of replacing the factories' worn out equipment. Their ploughing back is not additional investment, it is merely capital maintenance. There is much less available for a substantial expansion of investment and for the improvement of technological methods than the misinformed public thinks.

Progressive Ability to Produce and Consume

Looking backward fifty or a hundred years we observe a steady progress of America's ability to produce and thereby to consume. But it is a serious blunder to assume that this trend is bound to continue. This past progress has been effected by a speedy increase of capital accumulation. If the accumulation of new capital is slowed down or entirely ceases, there cannot be any question of further improvements.

Such is the real problem American labor has to face today. The problems of capital maintenance and the accumulation of new capital do not concern merely "management." They are vital for the wage earner. Exclusively preoccupied with wage rates and pensions, the unions boast of their Pyrrhic victories. The union members are not conscious of the fact that their fate is tied up with the flowering of their employers' enterprises. As voters they approve of a taxation system which taxes away and dissipates for current expenditure those funds which would have been saved and invested as new capital.

Unfounded Feeling of Security

What the workers must learn is that the only reason why wage rates are higher in the United States than in other countries is that the per head quota of capital invested is higher. The psychological danger of all kinds of pension plans is to be seen in the fact that they obscure this point. They give to the workers an unfounded feeling of security. Now, they think, our future is safe. No need to worry any longer. The unions will win for us more and more social gains. An age of plenty is in sight.

Yet, the workers should be worried about the state of the supply of capital. They should be worried because the preservation and the further improvement of what is called "the American way of life" and "an American standard of living" depends on the maintenance and the further increase of the capital invested in American business.

Pension Schemes Breed Complacency

A man who is forced to provide of his own account for his old age must save a part of his income or take out an insurance policy. This leads him to examine the financial status of the savings bank or the insurance company or the soundness of the bonds he buys. Such a man is more likely to get an idea of the economic problems of his country than a man whom a pension scheme seemingly relieves of all worries. He will get the incentive to read the financial page of his newspaper and will become interested in articles which thoughtless people skip. If he is keen enough, he will discover the flaw in the teachings of the "new economics." But the man who confides in the pension stipulated believes that all such issues are "mere theory" and do not affect him. He does not bother about those things on which his well-being depends because he ignores this dependence. As citizens such people are a liability. A nation cannot prosper if its members are not fully aware of the fact that what alone can improve their conditions is more and better production. And this can only be brought about by increased saving and capital accumulation.

[The CHRONICLE invites comments on the views expressed by Dr. von Mises in the foregoing article or on any related phases of the subject under discussion. Letters should be addressed to Editor, COMMERCIAL and FINANCIAL CHRONICLE, 25 Park Place, New York 7, N. Y.]

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Oil Industry in Transition

Hemisphere oil reserves to satisfy European and Eastern Hemisphere needs. Anxiety on this count was raised to fever heat during World War II when war demands exceeded total productive capacity. With the blessing and at the urging of these divisions of government, exploration and development in the Middle East was undertaken by American capital and, since the close of the war has been pressed because of the growing spectre of conflict with Russia. It is also contemplated that Middle East oil should, within the next few years, supply the needs of Europe and much of the Far East thus leaving Western Hemisphere reserves for use in the Americas and, more particularly, as a bulwark in case of our future isolation. To this end, pipe lines have been built from the Near East fields to the Mediterranean and refineries constructed in North Africa, Southern France, Spain and England. Because of the terrific productivity per well in the Middle East, the relatively low drilling costs and low tanker rates, this oil enjoys in the Mediterranean and Western European area a considerable price advantage over Venezuelan and American oil. There are, therefore, both strategic and economic reasons for expecting that Middle Eastern oil will continue more or less indefinitely, to present a problem to the industry.

U. S.-Foreign Conflict of Interests

All of these developments suggest an increasing conflict of interest between United States foreign and domestic policies. Abroad we are committed to world economic rehabilitation and the development of foreign oil reserves for defense. At home the Administration is committed to the maintenance of high oil production and high prices within our own boundaries. Already the battle has been joined in hearings before the House of Representaives' Small Business Committee and the usual investigation has been ordered. The independent producers, smarting under drastic cutbacks in Texas, are inveighing against the "cruel" import plans of the large companies and predicting ruination for the oil industry in the United States. The major companies, upset by the determination of the British Government to exclude American oil from sale in the sterling area, state that national security and conservation of domestic resources dictate the advisability of maintaining a minimum flow of oil from their foreign fields and deny that such operations are inimical to the best interests of the industry at home. It might be added that the profits stake of these companies in their domestic business exceeds their interest in foreign fields by considerable margin, but in order to retain their concessions in Arabia and elsewhere, production there must continue. The controversy will be heated and interesting but a thorough review of the situation leads one to the conclusion that the United States does not hold all of the high cards in this game. Importations are almost certain to continue and lower oil prices seem inevitable regardless of the cries for protection by domestic producers.

Oil from Non-Dollar Sources

It is of interest to note that, aside from conservation of Western Hemisphere oil reserves for defense, the plan of the European Recovery administrators involves increasing reliance by the Marshall Plan countries upon oil from non-dollar sources. E.R.P. funds have been allocated in large amounts for producing and refining equipment.

The Marshall Plan countries themselves, however, have much more ambitious plans for expansion of production and refining capacity. The British alone have programmed expenditures of 1½ to 2 billion, only 30% of which involve purchases from the "dollar" area. They estimate that these expenditures will result in an increase of about one billion dollars a year in their output of crude and refined oil. Their plans, and those of the Dutch, involve not only self-sufficiency in oil products, but a large exportable surplus to invade foreign markets and build up foreign credits for the purchase of supplies in which Europe is and always has been deficient. As an illustration, Britain has already negotiated agreements with the Argentine and Sweden providing for the supply of the oil in their markets in exchange for meats and iron ore. By this agreement, the American oil companies operating there have been relegated to a position of distributors of British oil. Inasmuch as American oil companies have been the major supliers of world markets, it is their product which may become surplus.

All indications are that the British intend to push their program aggressively. In this connection, it is to be remembered that the British Government, as such, has a direct interest in Middle East production through its very extensive ownership in Anglo-Iranian Oil Co. shares and others. A hard-pressed Socialist government, with extravagant security plans at home and mountainous debts to its dominions and members of the Commonwealth, will hardly fail to exploit such a situation, nor for that matter would a conservative government if returned to power in the February elections.

The devaluation of the pound sterling and other Western European currencies has stepped up the tempo of British efforts to extend their oil markets. It should be noted that the United States Treasury Department, openly, and the State Department, covertly, urged the British to take this step, the objectives being that of giving Britain at least a temporary advantage in the world markets; to procure dollar credits and to lighten the dependence of Western Europe and Britain upon the American taxpayer. The economists of the State and Treasury Departments could hardly have been unaware of the fact that one of Britain's greatest potential sources of foreign credits lay in her tremendous oil concessions in the Middle East, and their action and that of the E.R.P. administrators must have been taken in the full knowledge that in relieving Britain's critical unbalance of trade, certain inroads would be made upon America's foreign markets for oil and other products. It was a question of the lesser evil, and decision could not have been taken with eyes closed to the consequences. If there is to be an acceptance of the general principal, there can hardly be a rejection of the particulars.

Changed Outlook

Developments as outlined above have contributed to a changed outlook for the industry and there is good reason to attempt some appraisal of the probable effect upon profits for the oil group as a whole and for the individual units.

It appears certain that the restriction of American oil company foreign markets will serve to exert increased pressure on the domestic crude oil price. As pointed out in an earlier paragraph, the existing price (about $2.65 per barrel) has been maintained during the past year, chiefly by drastic cut-backs in Texas production. It would not be at all surprising, in the presence of current and prospective high inventories, to find crude oil selling at $2.00 per barrel by late Spring. The extraordinarily high earnings of oil companies in 1948 and 1949 have been built largely upon increased price, even though consumption has enjoyed about the usual year to year gain. A reversal in price trend would have a serious effect upon earnings. There is clear evidence in the long trend record of the oil industry, as in other extractive industries, that its profits are more dependent upon price trends and price levels than upon sales volume. It is, therefore, almost certain that price rather than volume will be the major determinant of earnings during the current year. It also appears that the Middle East affiliates of American oil companies will probably contribute less to parent company earnings than they have in the recent past. Particularly, it seems that the position of Venezuelan oil is in greatest question. For a number of years, one-third or more of Venezuelan oil exports have been to the European and African markets where Middle Eastern products will now be directed. Another large market has existed in Canada and the recent oil discoveries in the Prairie provinces have been of a major order. Within two or three years, as pipe lines and refineries are completed, Canada may become almost self-sufficient in oil supplies. Beyond this, Venezuelan oil is predominantly of the heavy type for which there has been increasingly less demand during the past year. Production costs there have risen greatly in recent years, largely because Venezuelan taxes have increased sizably and steadily. The world's largest producing oil company is Creole Petroleum, a subsidiary of Standard Oil of New Jersey, which operates in Venezuela. Until such time as new and additional markets for Venezuelan oil are developed, products in that area seem likely to suffer more than average and Creole's contribution to the parent company earnings may be affected materially.

In estimating earnings for oil companies in 1950, after allowance for dislocation of markets, it would appear prudent to base calculations upon a $2.00 crude structure and similarly reduced prices for gasoline. Without any appreciable break in either crude or gasoline prices, oil company earnings for 1949 apparently averaged about 30% under the peak levels of 1948. In numerous cases, earnings will probably be under 1947 figures when crude oil was marketed at $1.86 per barrel. The decline in 1949 can be attributed solely to production cuts in Texas, with their attendant effect upon cost, and the reduction in fuel oil prices. Reliable analysts early in 1949 made a good many estimates of probable earnings by leading oil companies if crude price should fall to $2.00. It may be significant that, without any cut in crude prices, 1949 results are actually below most of these estimates. This would suggest that the impact of a cut in crude and gasoline prices could make further serious in-roads upon earning power. To date it has been generally felt that earnings on $2.00 crude would be high enough to support existing oil stock prices and rates of dividend payments but consideration of the foregoing facts may lead to some doubts of these estimates.

Summary

In summary, the inference is that the oil industry faces a deteriorating profit outlook, the extent of which is not subject to precise measurement. Volume of oil consumption will continue to increase at the regulate rate but at the same time foreign oil is backing up into American markets and supply has outrun consumptive requirements with pressure upon prices as the inevitable consequence. The purely producing companies seem to face the least attractive prospect. Integrated companies which produce more than their own refinery requirements would also appear more vulnerable than average. It may be that integrated companies who are purchasers on balance, or the companies which have only a marketing function, will turn out as they have in the past, to be the more stable units in the industry during a period of price disturbance. However this may be, the leading companies in the industry appear at this writing to have considerably less than average attraction for further appreciation in value, and their ability to continue their present high rates of dividend distribution may even be in question.

Brady & Co.

Frank M. Cryan and Maureen Cryan have formed a partnership to continue the investment business of Brady & Co., 52 Broadway, New York City, Michael J. Brady having withdrawn from the firm.

George Baright Dead

George F. Baright, manager for Graham & Co., New York City, died at the age of 72 after an illness of two months. Mr. Baright for 25 years had been advertising director of the Prudential Insurance Co. of America and was the creator of the company's slogan "The Prudential Has the Strength of Gibraltar.

With Standard Investment

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—Bernard Livingston has joined the staff of Standard Investment Co. of California, 117 East Colorado Street. He was formerly with King Merritt & Co.

Railroad Securities

Southern Pacific

The financial community got somewhat of a surprise last week when it was announced that Southern Pacific is planning to market an issue of $37,727,600 of 10-year convertible debentures. Reaction to the proposal was highly favorable, being viewed as one more step in the long fight to rehabilitate railroad credit. Railroad analysts have for some time felt that one of the weakest links in the railroad picture has been the inability of the general run of individual companies to raise new capital on any reasonable basis (except equipment trusts) for property improvements. Success of a convertible issue at this time, while perhaps not quite so favorable as straight equity financing, may well pave the way for similar operations by other roads.

It is a long time since a convertible railroad issue has come to the market—the last one was sold just about 13 years ago. In March, 1937, New York Central sold some $40 million of secured convertible 3¼s, 1952. These bonds, however, were sold for the purpose of paying off other maturing debt and not for the purpose of property improvements as is the case with Southern Pacific. The Central bonds have since been paid off in full.

Also in 1937 (February) Pennsylvania sold $52,670,000 of convertible 3¼s, 1952 which are still outstanding. These bonds were issued to meet in part the costs of the road's electrification program. The only other convertible bonds since the depression of the early 1930s were the two series, aggregating roundly $100 million, by Great Northern in 1936 for refunding purposes. Partly through conversion and partly through redemption these have also been eliminated.

In announcing the new issue the Southern Pacific management pointed out that expenditures for road and equipment this year are estimated at $107 million. Of this, $30,245,000 has been provided by previous equipment trust financing. Proceeds from the sale of the convertible bonds will also be applied toward the 1950 program. The bonds will be offered to stockholders, under subscription rights at the rate of $10 par value of bonds for each share of stock held.

The offering will be underwritten through competitive bidding, with the interest rate and the subscription price to stockholders set by the successful bidder. The bidding will take place on March 9 and the bonds will be offered to stockholders of record March 10. The rights will expire at 3:00 p.m., Eastern Standard Time, March 31, 1950. It is expected that the bonds will be convertible, at the holders' option, at the rate of $55 a share. If so, the holder of each $100 par value of bonds will be entitled to convert his holdings into two shares of common stock on payment to the company of $5.00 a share in cash.

Considering the short maturity of the proposed new issue and the closeness of the present market price to the proposed conversion price, it is expected that the company should get very favorable terms on the financing. Except for regular serial equipments and a small $622,000 mortgage issue in 1951, the new debentures will constitute the earliest maturity of the system. They will fall due before the earliest of the Southern Pacific 1st mortgage bonds, the $21,405,000 of 2¼s, 1961. As a matter of fact, the bonds will be outstanding no longer than would the final installment of an equipment trust obligation if the company had chosen to do additional financing through such a medium.

As has been pointed out before in these pages, the comprehensive rehabilitation program of Southern Pacific, and particularly the installation of diesel road power, has been paying handsome dividends in recent months. Particularly noteworthy has been the downward trend of the transportation ratio. This ratio in the first nine months of 1949 declined 0.6 points while that of the industry as a whole remained stable. The decline widened to nearly three points in October and in each of the final two months of the year the decline was more than four points. Early 1950 comparisons with a year earlier are expected to be particularly good in the light of the very serious operating problems presented a year ago by severe winter weather conditions that have not been duplicated so far in 1950.

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Nothing Exotic or Unique In Selling Securities

very intimate. They are so subjective that you could hardly look at them objectively.

However, whenever you approach a prospect, with a quick glance that prospect analyzes you. He rates you and files you away, somewhere. Now, that fellow doesn't have check charts which say that this salesman dresses well, or that he does this or that or the other thing, but sure as anything, to the same degree as if he had that chart, you are completely tabbed, and he has formed an opinion of you.

These successful salesmen are successful in their ability to have the right opinion formed of them. That would be a factor which would determine the degree of confidence that would accrue to the salesman.

Incidentally, there are some considerations that influence these reactions and if time permits I would like to discuss with you some of them. These are, of course, just my personal opinions and I offer them for what they are worth.

Third of all, these salesmen think, as I indicated originally, in terms of the prospect's needs. They do not try to sell a size 12 shoe to a man who needs a size six shoe, or vice versa.

They streamline, and they pattern exactly what they have to offer, to meet the requirements of the prospect. That calls for a certain amount of self-effacement. You almost lose your own identity and try to think in terms of your prospect. The more you are able to do that, the greater the extent to which you will be able to be helpful to him.

And lastly, I found that all of these men of which I speak have the ability to communicate an idea, to communicate their thinking. It isn't what you think, yourself. You can be a good security salesman and have all the facts and figures at your command, you can be a person who is, potentially, everything that is to be desired in a salesman, but it is not that alone, it is the ability to project that, so that the prospect believes it.

Ability to Communicate

That calls for an ability to communicate, which is essential to the successful salesman. If I may digress for a moment, to show you how some people sometimes get preconceived ideas, I am reminded of a story—it is a true story—and it interested me very much.

This occurred during a mayoralty campaign in New York City when for the first time the late James Walker ran against the late Fiorello LaGuardia. This was in 1924, and the result was a sparkling victory, at that time, for Walker. Well, it was a hot, feverish campaign.

LaGuardia, who was a good campaigner, was slugging away at Walker, and Walker started slugging away at LaGuardia, and his campaign manager was a fellow by the name of Rickenberg, who is now out on the West Coast, a promotion man for one of the studios.

He said to Walker, "Jim, this is not the way to fight that bird. Let him rant and rave—", he said, "—if you behave yourself, you are in, and I would just let all that talk flow over me like water over a duck's back.

"Just keep jabbing away, and never mind slugging it out with him." Well, that was pretty tough medicine for Walker. He would really have liked to have had a slugging match.

He said, "But what shall I do?"

"I'll tell you what to do. Tonight, at the end of your address, you merely say to the audience, at the conclusion of your talk, 'Why did LaGuardia leave Bridgeport 1919?'"

Walker said, "Well, why did he?"

He said, "Never mind that, you just say that to the audience, and don't ask any questions."

So Walker got through his speech, and it was, for Walker, a very gentlemanly speech—and he was a very fine speaker, incidentally, and when he was about to sit down, he turned around to the audience and said:

"If you are interested in the real questions involved in this campaign, let Mr. LaGuardia answer one question: 'Why did he leave Bridgeport in 1919?'."

Well, the newspaper men came up to Walker and said, "What was that reference about?"

"Discuss it with LaGuardia!" and so the reporters immediately went after LaGuardia and asked him why he had left Bridgeport in 1919, and he said:

"I have no statement to make, at the present time," and so they published in the newspapers that LaGuardia had no statement to make.

Next night, Walker gave his talk and at the conclusion of his talk, he said: "Last night, in the interests of the electorate of this city, I asked a fair and square open question of LaGuardia, 'Why did he leave Bridgeport in 1919?'

"He tells the newspaper men that he has no comment. Is that fair? Is that the man to vote for, the man who can't give you a straight answer?"

So, again he went back at LaGuardia and said, "Why did you leave Bridgeport in 1919?", and he answered, "Well, I have looked my records over, and I wasn't even in Bridgeport in 1919," or, "I have no record of being in Bridgeport in 1919."

The next night Walker said, at the conclusion of his talk, "I put a question to Mr. LaGuardia. First he says he has no comment. Now he has the audacity to deny any recollection of having been in Bridgeport in 1919. If that is the man you want for your Mayor, it's too bad . . .," and so on.

Well, I know he used that at least half a dozen times, and each time he used it LaGuardia was fussing and fuming more. I cite this merely to show that people have to be induced to think well of a person, because there is a natural tendency to suspect the worst. That is something to bear in mind, in terms of a customer's or prospect's reaction. You have to provide them with a positive reason for them to like you, to have confidence in you, to not only see you, but to listen to you, and to believe in you.

Three Major Problems

Now, there are in my business and, I assume, therefore, in your business, three major problems, so far as the selling of securities is concerned. The first problem is locating your prospects.

Of course, much of this is presumptuous on my part, because I am only surmising, and I hope that at the conclusion of this talk that you will cooperate to the extent of asking me some questions. Maybe I will gain something through that so that we will get some reciprocal benefit as a result of our getting together today.

But I assume that your first problem would be to locate the prospect. You would then have a problem of seeing your prospect; and, third, a problem of closing, or selling your prospect.

Now, on locating your prospect—and this is all very fundamental, primary stuff, but sometimes the obvious is the thing that is most likely to escape us—but, of course, the essence of your success in selling lies in getting good, logical prospects for whatever it is that you have to sell.

Your prime market for prospects would be your friends and acquaintances. It has been amazing to me how often salesmen overlook the most obvious market for prospects. Very often they feel, "I can't impose on my friends. This is a business proposition," and so on, and so on. That's highly specious reasoning. The only thing that would justify that sort of thinking would be if you were selling some watered, or blue-sky issues, but if you have a decent, honest proposition, then the people whom it is most natural to sell, the people who most naturally should be calculated to be interested in it, are your friends and acquaintances.

I have seen it happen, where the son comes home and his mother says, "By the way, Joe, what is it that you sell? I never can explain it to the neighbors and other people. They ask me, 'What is it your son, Joe, is selling,' and I don't know what you're doing."

You say, "Selling securities." Sure, you're selling securities.

"That means stocks and bonds, doesn't it, Joe?"

"That's right, Mom."

"Joe, do you know that your Uncle Julius has a lot of money invested?"

"Uncle Julius has money in investments?"

"Sure."

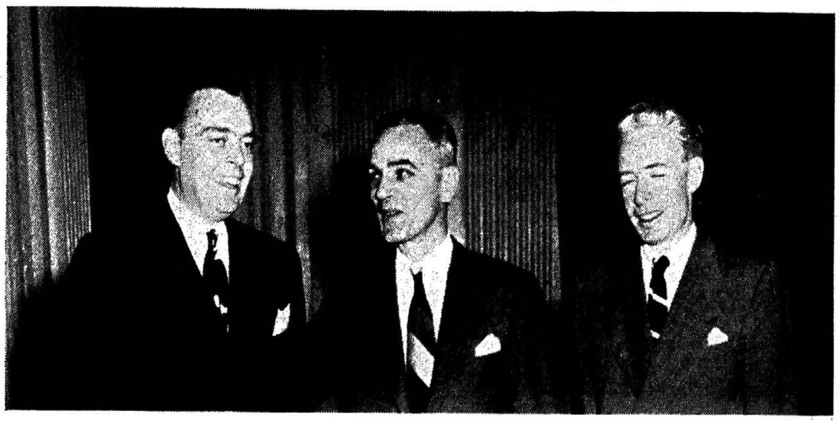
"Well, what do you know!"

Here is a guy who's been in the business for six years and he has a prime prospect, and he has given Uncle Julius the cold shoulder all this time.

Run through the list of your friends and relatives, and find

Continued on page 29

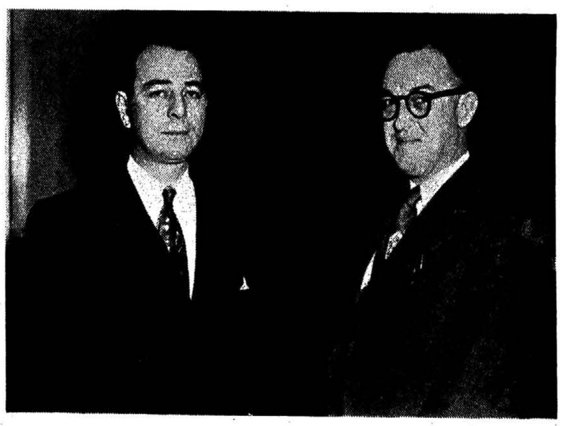
Boston Securities Traders Association



J. B. Maguire, *J. B. Maguire & Co.;* Tom O'Rourke, *Stroud & Co.*, Philadelphia; John Maguire, *May & Gannon*

Wilfred N. Day, *Chas. A. Day & Co.;* Alvin A. Dykes, *du Pont, Homsey & Co.;* Harry Crockett, *Coffin & Burr, Incorporated*

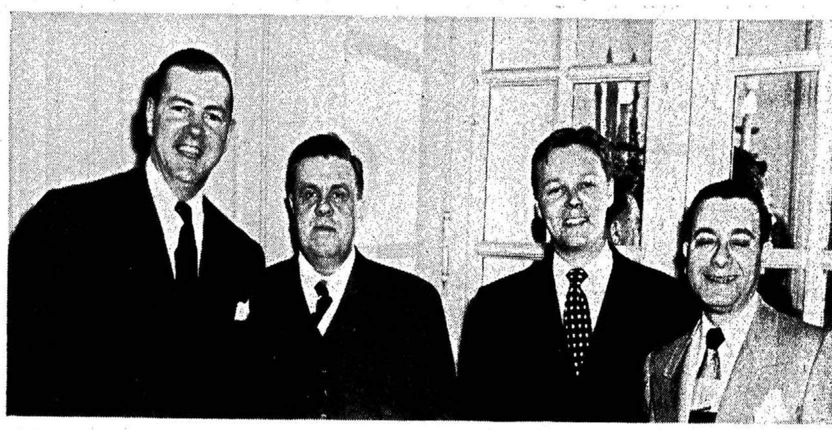
Emil Kumin, *Estabrook & Co.;* Bob Adams, *Goldman, Sachs & Co.*



Hubert Bernard, Jr., *Schirmer, Atherton & Co.;* President of the Boston Securities Traders Association; Burton Whitcomb, *Blyth & Co., Inc.*

Hal Murphy, *Commercial & Financial Chronicle*, New York City; William T. Skinner, *Walter J. Connolly & Co.*

E. C. McNulty, *H. D. Knox & Co.*, New York City; H. D. Knox, *H. D. Knox & Co.*, New York City; James Galvin, *F. L. Putnam & Co.;* Jim Durnin, *H. D. Knox & Co.*, New York City



Bob Pope, *Raymond & Co.;* Malcolm L. Saunders, *Raymond & Co.;* Rod Kent, *J. Arthur Warner & Co.;* Joe Rinaldi, *Lerner & Co.*

Ed Hormel, *du Pont, Homsey & Co.;* Ray Chamberlain, *A. W. Smith & Co.;* Fred Carr, *Tucker, Anthony & Co.*

Louis Zucchelli, J. E. Moynihan, and John L. Daly, all of *J. B. Maguire & Co., Inc.*

Annual Winter Dinner February 10th

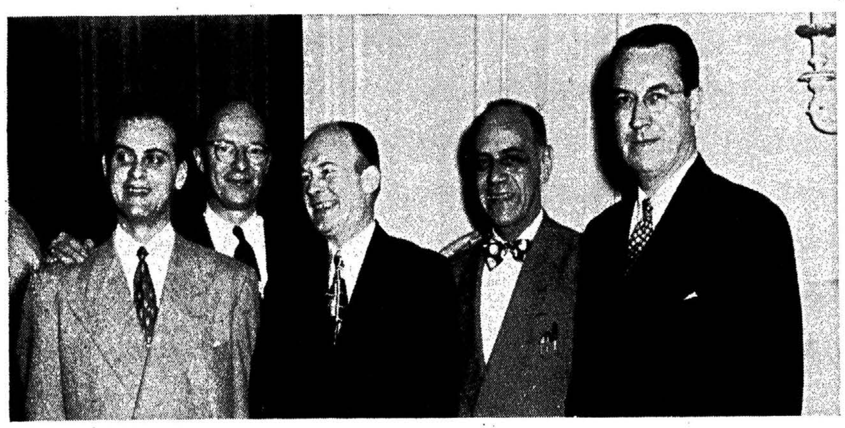
Larry Connell, *Wellington Fund*, Boston; Andrew Raymond, *Dominion Securities Corp.*, New York City; Philip Kenney, *E. M. Newton & Co.*; Walter Saunders, *Dominion Securities Corp.*, New York City

Jack Fant, *Penington, Colket & Co.*, Philadelphia; James Sullivan, *Baldwin, White & Co.*; Wallace Mossop, *Barrett & Co.*, Providence; Cliff Barrus, *Barrett & Co.*, Providence

Frank J. Murray, *Day, Stoddard & Williams, Inc.*, New Haven, Conn.; Ken Murphy, *Blyth & Co., Inc.*, New York City; Sumner Wolley, *Coffin & Burr, Incorporated*

Jim Duffy, *Paine, Webber, Jackson & Curtis*; Herb Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia; E. R. Hussey, *First Boston Corp.*

James A. Kelly, *Tifft Bros.*, Springfield, Mass.; Robert Calvert, *Tifft Bros.*, Hartford; Aaron Cook, *Putnam & Co.*, Hartford



George Mirageas, *J. H. Goddard & Co.*; Henry Larson, *First Boston Corp.*; Herbert N. Lindsay, *J. H. Goddard & Co.*; Henry Armington, *Amott, Baker & Co.*; J. H. Goddard, *J. H. Goddard & Co.*

Frank Cogghill, *White, Weld & Co.*, Boston; Bert Burbank, *White, Weld & Co.*, New York City; Harry Walker, *White, Weld & Co.*, Boston; Clive Fazioli, *White, Weld & Co.*, Boston

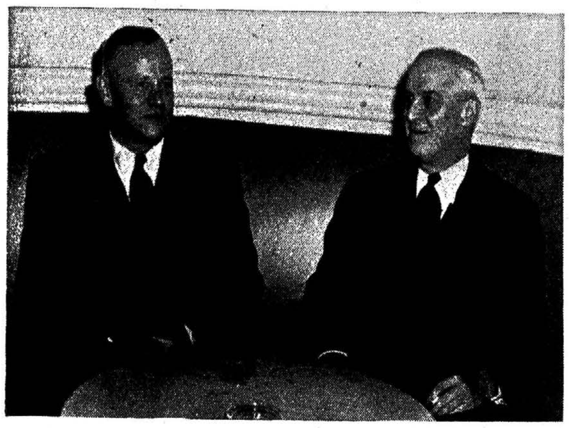
Calvin Clayton, *Clayton Securities Corp.*; Edward Russell, *Edelmann & Capper*, New York City; Adrian Frankel, *Seligman, Lubetkin & Co.*, New York City; John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*, New York City, President of the Security Traders Association of New York

Michael Schneider, *L. F. Rothschild & Co.*, New York City; Ernest Megna, *Carl M. Loeb, Rhoades & Co.*, New York City; Charles Hartley, *Bankers Trust Co.*, New York City; Henry J. Dietrich, *L. F. Rothschild & Co.*

At The Copley-Plaza Hotel

Philip E. Kendrick, James M. Lynch, Commissioner Paul R. Rowen, and Joseph A. Turnbull, all of the Securities and Exchange Commission

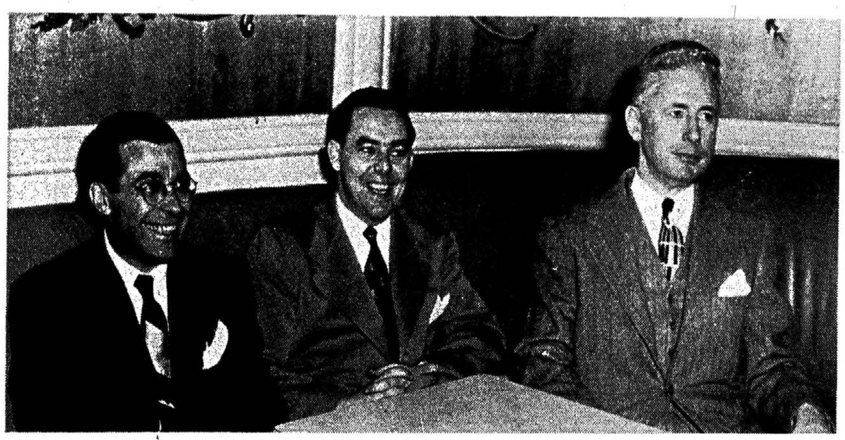
Harry Welch, *Lilley & Co.*, Philadelphia; Dayton Haigney, *Dayton Haigney & Co.;* Curtice Townsend, *Weeden & Co.;* Robert Weeks, *Coffin & Burr, Incorporated*



Henry Lahti, *Matthew Lahti & Co.;* Ralph F. Carr, *Ralph F. Carr & Co.*

Joe Gannon, *May & Gannon;* Lou Walker, *National Quotation Bureau,* New York City

George Kilner, *Brown, Lisle & Marshall,* Providence, R. I.; Sam Gronick, *Gilbert J. Postley & Co.,* New York City



W. B. Perham, *R. H. Johnson & Co.;* Leo F. Newman, *J. Arthur Warner & Co.;* Timothy D. Murphy, *Chace, Whiteside, Warren & Sears*

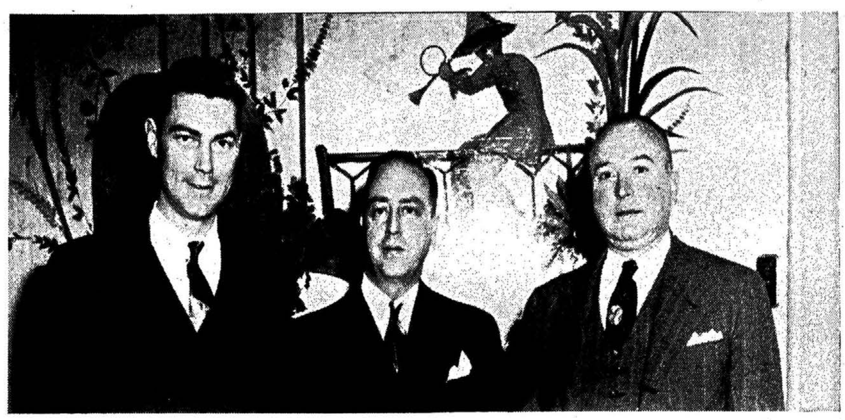
Ed Hurley, *Wise, Hobbs & Seaver;* Nicholas Lamont, *Lamont & Co., Inc.;* Francis V. Ward, *H. C. Wainwright & Co.;* Arthur C. Murphy, *A. C. Allyn & Co.*

Frederick G. Gorman, Harold C. White, and Francis J. Daly, all of Massachusetts State Division of Investigation of Securities

Jim Lynch, *Shea & Co.;* Jack Honig, *Wm. E. Pollock & Co.,* New York City; John Gahan, *Schoellkopf, Hutton & Pomeroy,* New York City

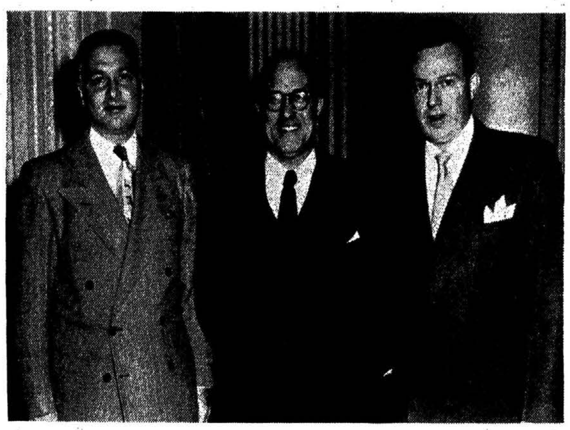
Pronounced A Huge Success

Jerry Ingalls, *Adams & Peck;* Carl K. Ross, *Carl K. Ross & Co.,* Portland, Maine; Louis Lerner, *Lerner & Co.;* Henry F. Griffin, *A. C. Allyn & Co.*

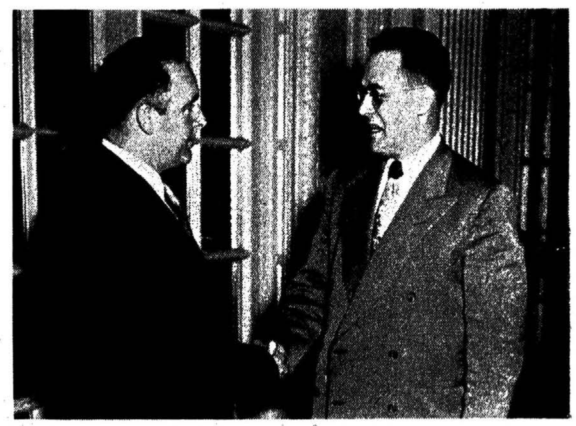


Ed Hines, *Perrin, West & Winslow;* Warren Donovan, *Dayton Haigney & Co.,* Chairman of the Dinner Committee; Edmund Williams, *Hooper, Kimball, Inc.*

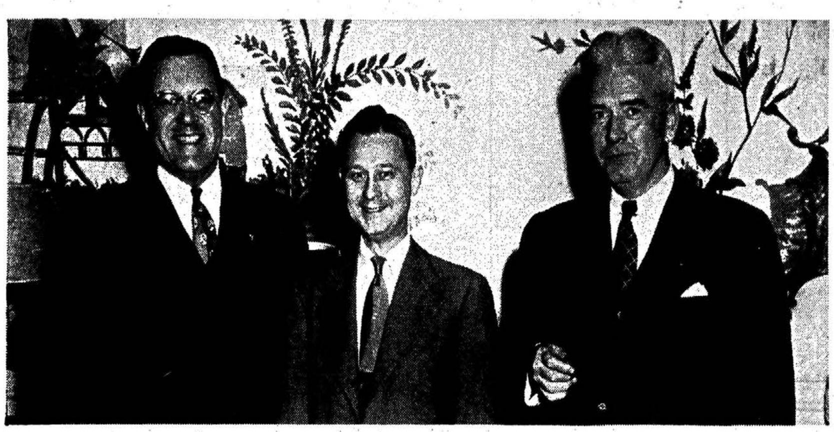
George Stanley, *Schirmer, Atherton & Co.;* Bob Ingalls, *Tucker, Anthony & Co.;* Graham Walker *Jos. McManus & Co.,* New York City



Edward Elkan, *Cowen & Co.,* New York City; Herbert C. Stearns, *Schoellkopf, Hutton & Pomeroy,* Buffalo; Edmund A. Whiting, *Carl M. Loeb, Rhoades & Co.,* New York City



Bud Smith, *Sheraton Corporation of America,* President of Hotel Sales Management Association; D. Crandon Leahy, *National Quotation Bureau,* Boston



Fred Harson, *Fraser, Phelps & Co.,* Providence, R. I.; Arthur E. Engdahl, *Goldman, Sachs & Co.;* John Sullivan, *F. L. Putnam & Co.*

George Kealey, *Second National Bank of Boston;* Charles Smith, *Moors & Cabot;* Jack Altmeyer, *Hayden, Stone & Co.*

"Duke" Hunter, *Hunter & Co.,* New York City; Rowe Rowlings, *Boston Safe Deposit & Trust Co.;* Gustave Levy, *Goldman, Sachs & Co.,* New York City

Felix Maguire, *Stroud & Co., Inc.,* Philadelphia; Ray Murray, *Tucker, Anthony & Co.;* Col. Oliver J. Troster, *Troster, Currie & Summers,* New York City

John McLaughlin, *McLaughlin, Reuss & Co.,* New York City; Jack Hunt, *Stroud & Co., Inc.,* Philadelphia; Mike Heaney, *Michael J. Heaney & Co.,* New York City

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Nothing Exotic or Unique In Selling Securities

out—that is, again—if you have a proposition which you decide they could use. If that is so, then by all means contact them first.

"Centers of Influence"

The second thing in locating the prospect, we have what we call, in general, "centers of influence," people who wield influence over a large number of individuals, who may represent prospects.

Cultivate those people. Now, this sounds an awful lot like some Rotary Club, and Lions Club sort of a deal. Well, this is your career. If you are going to be successful in selling, it is a career, and requires constant building, not so much of making sales, but of building up in terms of customers, which is very much more important.

You may not sell an issue to Uncle Julius tomorrow, but if you make of Uncle Julius a prospect so that maybe in three months hence he will buy, then you have accomplished something, and if you sell Uncle Julius something which is well designed for his needs, he will buy from you again, and he will recommend you to Uncle Moe, and so on down the line.

Now, these centers of influence, again, in terms of securities, could be very diverse, very challenging. Your golf pro could, for example, be a good man to know. He will tell you what's going on. Maybe your bartender would be a good man to know. Down at the bar, here in the Curb Exchange, you can probably pick up a lot of fellows whom you could sell securities to—that would be real selling, I imagine. But there are these people, and maybe your dentist has some patients who have a lot of confidence in him, and if they start talking about securities, he will say, "I have a patient, Joe Murgatroyd, a very smart, very astute man. He's led a lot of people right in the matter of securities. He's very good," and he'll turn these leads over to you.

Your banker—well—there may be no end to it, but think in terms of people who can influence the thinking of a large number of people, "centers of influence," in general.

Keep Up Relationship With Your Customers

Third, and to my mind, in my own experience, the most important, have been your users, the people that you have sold, your customers. Of course, I am at a more advanced age than most of you fellows, so I'm entitled to take it a little easy now. I say to you that I rarely contact a new prospect anymore. I have been in this business only about four years, which is about a normal cycle in this sort of work, for this to happen. Pardon me, when I say that I don't contact prospects, I mean "cold" canvassing. Anyone that I contact now is somebody referred to me by a customer, and it isn't that alone, not only those, but I am now on what you might call a third generation, and in some cases the fourth.

I have customers who have been referred by customers, and the reason that has been possible is that I conscientiously attempt to create that sort of a relationship with my customers.

First of all, you have to warrant it. Again, if you are doing a good job, if you have sold the man securities which answer his purposes, if he has made a buck on it—of course, sometimes you're wrong, and no matter how good you are the fellow loses money—and you're a bum, I suppose—but, assuming that you have, to the best of your ability, sold a man the securities he needs and it has worked out well.

You don't say, "Come across and tell me some people I can contact," but you can do that sort of thing in a more subtle way, and you will find, invariably, the man who is willing to cooperate to the fullest extent. One way, you learn that maybe so-and-so is a prospect, and he happens to be in the same or a similar business to your own customer's.

You say, "By the way, do you know so-and-so?"

"Yes, sure, I know him."

"You know, he could use an entirely new portfolio. I think his stuff is pretty well out of date. I don't think he has gone over his stocks and bonds in 15 or 16 years."

"Well, would you like to meet him?"

You will find that he will take the initiative, to the extent of saying, "Use my name" giving you a letter of introduction—or, he may even get on the telephone and make an appointment for you.

You are losing a very valuable potential for new business if you don't get from every customer you sell at least one good, solid prospect, and that thing snowballs. It's almost like a pyramid club. I say you have a full time job prospecting those people, where you are coming in, really, on equal terms with the prospects, where a lot of the pre-selling has been done by virtue of the fact that you have been recommended.

Now, I would be remiss both to my employer and I feel somewhat remiss to you, if I didn't give you one other very useful medium for locating prospects, and that is my own business. That is our prime business, locating the prospects. We are in the direct mail advertising business. This is not strictly a "plug."

We do not do any actual selling through mail. This is a medium of advertising the same as buying space in the newspaper. We contact the prospects through mail.

Of course, a lot of enterprising investment houses advertise in the newspapers, which is a very excellent medium; but when you think in terms of how many people actually reading that advertisement represent valid prospects, you may find that they are in a small minority; maybe one out of 50 people who read a certain solicitation in the New York "Times" are actually in the market, and are actually potential prospects for that security.

Theoretically, at least, if you send a letter, just considering it in that connection, if you send a letter to a prospect, you can have 100% coverage. Every one can be a valid prospect, depending entirely upon the validity of your list.

Assuming that you have a security which will meet the requirements of the people in the middle income bracket, or people who are in an older age bracket. You would have to think in terms, again, of who this security is going to appeal to. If you could then translate that into where your market is, a corresponding list is always available, and you can hit each one of them with 100% effectiveness, no waste. You are not speaking to people who are disinterested.

Moreover, there is this other important consideration, through direct mail for locating prospects—a letter is a highly personalized means of addressing yourself to a prospect. It isn't cold. It isn't as generic as would be an advertisement in the paper. It has a high personal appeal. It is that which is advantageous. We are not the only company with this to offer, but many other direct mail advertising companies have to offer a personalized letter, which is available at a very low unit cost, where you can have it addressed to the individual with a salutation, "Dear Mr. Smith," or "Dear Joe."

You can have a compelling, friendly message, the response to which is, "Dear Max, I'm in receipt of your letter of such-and-such a date —." In other words, each one has that personal appeal, and those letters are available at as low a cost as five or six cents apiece. It's a good way of locating the prospects, and it's been proven, as I mentioned—we have been doing business with quite a few houses down here. Orvis Brothers have been customers of ours for 16 years. E. F. Hutton, E. I. duPont, and up until recently, a lot of work with Merrill, Lynch. That is something that you might bear in mind.

Now, so much for locating of the prospects. Second of all, in selling prospects—and here is one thing that I, personally, feel very strongly about—I see salesmen coming in to sell me, and they have a grim, determined attitude. They are all tense, as if, "By God, I'm going to sell this bird if it's the last thing I do."

Value of a Smile

One of the things that I find very often lacking is the simplest, the most effective thing that is conceivable in any sales situation, and that is a smile. If I didn't really feel so well when I have to see one of my customers, if I felt that bad that I couldn't give him a smile, I would call him up and tell him that I was sick or something, and make another appointment.

It isn't so much the smile, it's what goes with it, it is that genial, interested, friendly atmosphere which you must create as a basis for selling anything, and particularly something as personal as securities.

Now, you can always manage to smile. They tell a story about a troop of soldiers who were passing through the desert and they saw a fellow moaning in the sand, and he was crying out, "Water! Water!"

They bring over a drink of water for him, and he drinks the water, and then they say, "What happened to you?"

He replies, "Oh, it's terrible, terrible! We were attacked by a band of Arabs. They raped and carried off my wife. They slew my young son. They burned all my belongings . . ."

And, sure enough, when the soldiers looked around they saw the remains of a caravan smoldering and in ashes. Then, just before they left, he said, "They stuck a spear in my back."

So they turned the fellow over and, sure enough, there was a spear piercing through his back.

"My God, man, you must be in terrific pain!"

"No . . .," he said, ". . . it only hurts when I smile!"

So you can imagine, possibly, to give them that smile, even under difficult conditions. I say it's important. It is as important a part of seeing the prospect as anything else you do. Affability goes a long way in selling securities.

Now, in seeing your prospects, you run into all sorts of resistances. In some people's thinking there is nothing lower than a security salesman unless it's a life insurance salesman. You have

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Nothing Exotic or Unique In Selling Securities

those little barriers. You encounter certain resistances.

There may be certain ways of circumventing that. Of course, an appointment is always highly recommended because, if you have an appointment, the man is always under somewhat of an obligation to see you. If you are going to use the telephone to get an appointment, I would say at any cost, and particularly in selling securities, don't try to sell this man over the telephone, no matter how he might tempt you, or lead you on. Rather, hang up. Call him again, possibly, but don't be led into selling over the telephone. Tell him that you want an appointment with him to explain this to him, that he can have old-age securities or get that mink coat for his wife. But don't tell him what it is that you have to sell. Say that it's something you must see him about.

Maybe I am presuming, because this may be something which is more or less accepted in your business. If you find it a little difficult to refrain from doing your business over the telephone, have your secretary call up and make an appointment for you.

I just finished a mystery last night, and got all excited because in part of it there was a sales story, and I said, "Well, this may be something to tell the group I'm going to speak to tomorrow."

But this incident was very farfetched and overdrawn, but, anyhow, it will give you an idea. This fellow was out of work. He had been a detective who had never worked very hard, even at being a detective, and he gets this job in a factory, for the reason that if he doesn't get this job at the factory he's just not going to eat, and while he is there he doesn't like all this work, and through various devious methods which I won't go into, he compels the owner of this business to take some notice of him, and he tells the owner that he wants to be a salesman.

He has had no sales experience, but he thinks that this is the only job that probably will be a cinch for him in this organization where everyone else works hard but probably the salesman doesn't. The boss gives him a very tough customer to sell, not only a tough customer, but somebody who for 12 years has hated the boss.

So this fellow goes over there. He is selling parts for shoes, and in this particular instance he is going to try to sell the fellow counters, something that reinforces the heel of the shoe.

So he goes to a junk shop and finds a very old pair of shoes made by the people he is going to call on. He has them wrapped up in an old newspaper and then he enters the office very furtively and the girl at the reception desk stops him.

"Who do you want to see?"

"I want to see so-and-so."

"Well, do you have an appointment?"

"Never mind the appointment. Tell him Mr. Fletcher is here. He'll see me!"

So the girl calls up on the telephone and then returns. "Mr. So-and-so doesn't know you. What's the nature of your business?"

"Tell him this is something very personal." Now, he's holding this package in front of himself all the time. So he gets into the man's office and the man is perspiring very profusely and he says, "What is it that you want to see me about?"

"I'll show you." So he opens up this newspaper and the man sees these shoes.

"Well, they're shoes!"

"Yes, they're shoes! That's all you know about them, huh? All right, now, I'm selling these counters. How many do I put you down for? Suppose I put you down for style so-and-so and 20 barrels of this other style."

I say it's a little "pat," but the explanation he gives his boss is that the fellow was probably—well, everybody has something on his conscience and he thought maybe this fellow had something on him, and he wanted to get out.

Well, don't try that sort of thing, but that illustrates one drastic method of getting past your barriers.

Now, another thing, one that would be particularly important in the case of selling securities—it is not often so much what you say—I mentioned, before, communicating ideas—very often just what you do is communicate an idea. You create a stimulus which will call for a certain response on the part of your prospect.

It isn't very often what you can say, it's what your prospect says to you as a result that counts. You want to get the facts, because if you don't, if you go off half-cocked, you are not going to give your prospect the benefit of any intelligent guidance that would otherwise be possible, so try to get that man to open up.

That, very often, is your problem—to get him to talk—on the basis of which you can make a proper diagnosis.

"Don't Become Smug and Self-Satisfied"

In all of your considerations of selling, don't ever become smug and self-satisfied. I think that smugness was most characteristic up until not too long ago of most of the investment houses. You might call it "reactionary," "ultra-conservative" smugness, but they were dying, down here, for the reason that they just had lost enthusiasm. They lacked promotion. They didn't get behind what they were selling.

Now, I see that that, fortunately, is coming to an end, because there is a tremendous opportunity, untapped, for the sale of securities. Look at the amount of money that is in the banks. Look at the amount of money that is tied up in insurance. Look at the money that is spent—and I mean this—in gambling, and at the race tracks.

Now, there you have all sorts of people with money available and everybody who has money available, whether it is for the race track, for a game of poker, or the policy racket, or for a savings bank, they all represent a potential sale of investments. If you can only appeal to them the way a bookie does, or the way a banker does, or the way that an insurance company does.

But that calls for constant promotion. You know, only recently Tiffany, one of the old-line, prestige houses, dared put a price in their newspaper ad. During the entire period of the depression they made no compromise with Tiffany standards—just the same old type of advertising, never even an illustration of a piece of jewelry—just their product, "Silverware," "Jewelry." No prices were quoted. No sale advertised. But today they are breaking with that precedent. I was very much interested to see, also, one bank—down here on Church Street—when it opened up, gave out carnations to everyone who came in. That is revolutionary in the banking industry, but it should be welcomed, because there is no use in kidding ourselves, the offering of banking services is a competitive function, today, and must be met competitively. It must be met by promotion and good, sound salesmanship.

Mann Vice-Chairman Of New York Curb

John J. Mann, a regular member of the New York Curb Exchange since 1933 and a Governor since February, 1948, was elected Vice-Chairman of the Board for the ensuing year at the 40th annual organization meeting of the Board, Francis Adams Truslow, President of the Exchange, announced. Mr. Mann succeeds Mortimer Landsberg, who was named Chairman of the Board at the Exchange election held Tuesday.

Mr. Mann entered Wall Street as a page on the floor of the New York Curb Exchange during the summer of 1925. Returning to Fordham University, he received his A.B. degree in 1928 and was employed as a clerk in the office of Emil Mosbacher, then a Curb Exchange specialist. In September, 1928, he was appointed one of the first specialist's clerks on the Curb trading floor and just five years later became a member and a specialist in his own right.

The Board of Governors approved the reappointment by Mr. Truslow of Edward F. Barrett, President of Long Island Lighting Company, and Benjamin H. Namm, Chairman of Namm's, Inc., as Public Governors of the Curb Exchange.

Standard committees appointed by Mr. Truslow to direct the administration of the Exchange for the year were also approved. Committee Chairmen named include: Executive committee, Mr. Landsberg; committee on securities, Howard C. Sykes; committee on outside supervision, Charles Moran, Jr., Francis I. du Pont & Co.; committee on floor transactions, Mr. Mann; committee on finance, Edward C. Werle, Johnson & Wood; committee on admissions, Charles J. Kershaw, Reynolds & Co.; committee on arbitration, Thomas F. Fagan, Moore & Schley; committee on public relations, Edward A. O'Brien; committee on business conduct, Andrew Baird, Josephthal & Co., and realty committee, Carl F. Cushing, W. E. Burnet & Co.

Curb Exchange officers appointed by the Board include Charles E. McGowan, Vice-President and Secretary; Christopher Hengeveld, Jr., Vice-President and Treasurer; Martin J. Keena, Vice-President, and Joseph R. Mayer, Assistant Treasurer. H. Vernon Lee, Jr., was appointed Director of Public Relations and Wilmont H. Goodrich Director of the Building Dep't.

John Sweeney Joins American Trust Co.

American Trust Co., 70 Wall Street, New York City, announces that John W. Sweeney is now associated with them in charge of their newly opened municipal bond department, which will deal in U. S. Government, state and municipal bonds. Mr. Sweeney was formerly manager of the municipal department for Tilney & Co. and prior thereto was with H. L. Allen & Co. for many years.

T. J. Paisley Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—T. J. Paisley Co. is engaging in a securities business from offices in the Bulkley Bldg. Principals of the firm are Thomas J. Paisley, J. D. Paisley and Howard W. Domeck.

Continued from page 8

Anti-Trust Suits and Investment Values

broken up. In effect, "The parts were worth more that the whole." However, there is no way to know what the "whole" might have been worth if not split.

(4) Evidence is lacking that free enterprise was particularly injured by these actions. These suits required some years, if contested by the company, and the economic and financial forces normally affecting investment values and market prices dominated in much of this period. The position of a company or industry in its growth cycle also appeared of greater consequence to the investor than the outcome of anti-trust action.

(5) While the impact of anti-trust development on the market prices in more recent suits has been less severe than in the earlier cases, any broadening of the scope of our anti-trust laws through legislative action or court decisions might again heighten market sensitivity. Also any wholesale or intemperate drive could seriously affect confidence and values.

(6) I recognize a possible hazard in consent decrees as such. Settlements arrived at between an inspired and driving Department of Justice and a harassed, tired or philosophical management might well damage the investor and the economy although it is to be assumed, as in the past, that managements as a whole will use the consent decree form of settlement only when a good compromise can be reached.

(7) It would seem reasonable to hope that the tax laws may be modified, if necessary, to protect the owner of the common stock from serious hardships resulting from forced break-ups.

(8) The securities business could be benefited by reason of the additional shares created and activity normally attendant on break-ups, but if attacks and break-ups reach a point that damages a company or the economic system, the investment business suffers in the long run.

(9) It seems appropriate to observe that some of our large corporations are under more or less continual study by the Attorney General's office. While there may be some general idea as to what companies and industries will be attacked, considerable preliminary investigation work, physical limitations and the unknown length of litigation would seem to rule out any specific timetable as to new actions. Also political pressures, competitive factors and other considerations seem to have a bearing on the selections.

(10) For the more immediate future, the pattern of many of these suits is likely to be to drive for separation of a portion or a division of a company rather than to work for a complete break-up of a company, but these suits can take off in unexpected directions. Divisions of many companies dominate the particular field that they are in even though the company itself may not dominate its industry.

(11) Although some of the basic precedents regarding the "rule of reason" and the concept of "bigness" were quite clear at the time, some further clarification or modification of these ideas may be seen in the future.

(12) I consider the present du Pont proceeding to be particularly important in that the outcome of the suit may do much to clarify the limits of existing anti-trust legislation. The degree of success achieved by the Department of Justice in the prosecution of this important suit, without a doubt, will affect the vigor with which it enters future litigation and by the same token the vigor with which corporations will resist.

[Editor's Note: The foregoing is the fourth and last installment of Mr. Vultee's article.]

Roggenburg Gov. of NY Security Dealers

At a recent meeting of the Board of Governors, of the New York Security Dealers Association, Stan-

Stanley Roggenburg

ley L. Roggenburg of Roggenburg & Co., was elected by unanimous vote as a Governor for the year 1950.

Southeastern Group Of I. B. A. to Meet

BALTIMORE, MD.—The Southeastern Group of the Investment Bankers Association will hold its Spring Meeting April 28-30 at the Sedgefield Inn, Greensboro, N. C. Albert T. Armitage, Coffin & Burr, Inc., Boston, President of the I. B. A., will address the meeting.

Melvin MacKay With Putnam Fund

SYRACUSE, N. Y.—Melville G. MacKay, has recently joined Putnam Fund Distributors, Inc., the general distributor of the George Putnam Fund of Boston. Mr. MacKay is now the firm's sales representative in the states of New York, Pennsylvania, Ohio, and Michigan. He will make his headquarters at 1361 Teall Avenue, Syracuse, New York. For a number of years, Mr. MacKay was associated with Moody's Investors Service of New York.

Miller Co. Installs Wire to Harry Sheely

PHILADELPHIA, PA.—E. W. & R. C. Miller & Co., 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange, have installed a wire to Harry M. Sheely & Co., Keyser Building, Baltimore, also members of the Philadelphia-Baltimore Stock Exchange.

With William Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Elzie C. Partlow has become associated with William Blair & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Partlow was formerly with Kidder, Peabody & Co. and Smith, Barney & Co. and prior thereto was with the City National Bank & Trust Co. of Chicago.

Business and Finance Speaks After the Turn of the Year

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, Feb. 2 and Feb. 9. —*Editor.*

J. J. BURKE

President, Metals Bank & Trust Co., Butte, Montana

In our particular field in this area deposits have held fairly steady during 1949, with a slight decrease in savings, which appears to be a shift from Banks to Savings and Loan Associations because of the higher interest rate. Loans are expected to remain about the same and any change would be a decline. Wholesale trade for 1949 was on a par with 1948, while tentative reports about retail volume indicate that it is slightly above last year. Holiday retail trade was reported to be higher than last year.

With construction expenditures of approximately $6 million, without any government expenditures now in progress and anticipated for this year, this activity has furnished craftsmen of the community with steady employment. As the work will continue during 1950, with a portion into 1951, the outlook is good. In addition, the Anaconda Copper Mining Company is spending $20 million over a five-year period for the installation of a low-grade copper ore mining project, which will supplement the present operation and assure a greater future and stability to the community. Despite high wages and steady employment, there is a shortage of experienced labor for mining operations.

Because of increased costs, business, including financial institutions, is being forced to reduce expenses where possible and much future profit may be the result of savings in operation.

While the local outlook appears favorable, it will be influenced greatly by the work of the National Congress. A balanced budget would eliminate deficit financing and the necessity for a tax increase and might also bring about the repeal of certain taxes. This would have a most heartening effect not only on business but on the individual taxpayer. Business, generally, will be apprehensive until these matters are settled and many capital expenditures will be held in abeyance until the problems are cleared away.

BEN MOREELL

President, Jones & Laughlin Steel Corporation

"Predictions of things to come" is always a risky business, especially for those who are responsible for getting results and whose mistakes can be very costly for themselves and for those whom they represent.

There are so many uncertainties involved in the future course of events that the best that can be done by a prudent man is to present a picture of current conditions and let the reader draw his own conclusions.

Ben Moreell

As things stand now, our prospects for a continuing high rate of production for at least the next six months are good. Our order book is in good shape and new orders are coming in at a satisfactory rate.

After a costly strike of about six weeks' duration, a contract has been signed with our steelworkers. The settlement was made in a spirit of good will and mutual understanding which holds good promise for our future relationships.

The general economy of the country is in a prosperous state. The indications are that, if we can avoid serious disruptions resulting from labor difficulties in the coal industry, the current conditions should hold, at least for the first half of 1950.

I shall not attempt to predict the activity of the steel industry for the second half of 1950.

The picture for the long pull is one which gives me considerably more concern. According to a survey entitled "America's Needs and Resources" published by The Twentieth Century Fund, the estimated work energy output in the United States in 1850 was supplied 51% by animals, 22% by humans and 27% by tools and machinery. By 1944 the work energy output was supplied 2% by animals, 4% by humans and 94% by tools and machinery. According to the same source, the hours of work per year per worker decreased from 3,530 to 2,335 during those 96 years. According to the Monthly Labor Review published by the U. S. Department of Labor, average hourly earnings of workers has increased from 19¢ to $1.22 in the period from 1909 to 1947 alone.

The estimated work energy output in 1850 (U. S. population 23.2 millions) was 12 billion horsepower hours, whereas in 1944 (U. S. population 138 millions) it was 346 billion horsepower hours.

I cite these statistics to demonstrate the fact that we have reduced our hours of work and raised our wages and standards of living by continuously increasing our productivity through the use of machines.

Our population is increasing, and there is an ever-increasing demand for goods. If we are to continue to raise our productivity and our standard of living, we must continue to increase our investment in tools and machinery.

As applied to the steel industry this means that we must take in enough money to pay the high wages and salaries necessary to attract men and women of competence, keep our plants modern and competitive, and have enough left after payment of all taxes and other charges to attract the investor's capital to our business. The prospects for this under the present schedules of graduated personal income tax and the corporate income tax are not bright. Nor do I see prospects of the immediate reduction of these taxes so that our present capital needs can be met.

However, I believe that there is a solution to the current situation.

Allowable tax deductions for depreciation, depletion and obsolescence fall far short of the amount required to replace and modernize our plant, equipment and reserves of raw materials. Present prices for these things so far exceed the original cost that profits which have been subjected to corporate income taxes must be used in very large measure to pay for replacement and modernization. Although proposals for elimination, or partial elimination, of the double tax on dividends and other proposals would be very helpful, I believe that for a limited period at least a provision in our income tax laws for accelerated amortization of investment in productive facilities presents the quickest, most practicable and effective method for providing the funds necessary for modernization and improvement of our productive facilities. Although the government would probably experience a temporary reduction in income, I am satisfied that this would be for a very limited time, and that the increased productivity and earnings brought about by this additional capital investment would quickly provide a basis for increased revenues, without any change in tax rates, which would more than offset the revenues temporarily lost.

I believe some such measure is essential if we are to maintain a healthy steel industry which can properly serve our economy in peacetime and can provide the foundation upon which to build a successful war effort.

JOHN K. NORTHROP

President, Northrop Aircraft, Inc.

Most U. S. airframe manufacturers will begin 1950 with fairly healthy backlogs and with the prospects of a productive year in which moderate earnings may be expected to result. This condition also is likely to be reflected in the manufacturing facilities which supply engines, accessories, equipment, and parts for the major airframes.

John K. Northrop

Aircraft development and production should be keyed to long-range planning as was recognized by two fact-finding bodies, the President's Air Policy Commission and the Congressional Aviation Policy Board, which evaluated United States defense needs in 1947. It should be pointing out that our current manufacturing level, including that outlined in the President's budget, is considerably less than the level recommended by these two fact-finding boards.

The people of the United States have indicated they believe a strong and well equipped air arm is essential to our peace and security. U. S. Air Force and the Navy's Bureau of Aeronautics have initiated programs that will provide new complements of high-performing, advanced-design aircraft in limited quantities. These new air planes are now in production and will keep airframe manufacturers reasonably busy through 1950. At the same time, this program provides the United States with a nucleus of defense production possible of expansion in time of emergency.

Our military services have made judicious use of the funds available for air defense. A curtailed budget, however, means that some elements of the well-rounded program needed to keep American strong in the air must be neglected.

Behind the immediate protection of our peace looms the spectacle of lagging research in the highly specialized field of aircraft development. The first signs of this lag showed up late in 1949 when it became apparent that research facilities available in this country were not being fully utilized. This decline in research activity at present is only a trend, but it is a dangerous one.

Several of our large universities maintain well-equipped facilities for research in the field of aerodynamics. These are now being employed to only a portion of their normal usage. To those who believe the search for better aircraft must be an unrelenting one, this decline in the use of university facilities is a warning signal to be viewed with alarm.

Research in aircraft, guided missiles and allied fields is of continuing and increasing importance. Phenomenal advances in aircraft performance have been recorded in the past three or four years. Between World War I and World War II, speeds of airplanes increased an average of 10 miles per hour per year. Since World War II, the speeds of miltary aircraft have been increased 100 miles per hour per year as a result of gas turbine and rocket development and aerodynamic refinement. These latter advances occurred only because of research begun more than a decade ago.

The advent of higher speeds and airplanes that operate at higher altitudes and over longer distances have multiplied the problems of aircraft design and production many fold. Our research laboratories will be expected to find the solutions to most of these problems. Ordinarily, it would follow that our labs would be busier than ever before, searching for the answers to questions raised through advent of these higher performing airplanes. Instead, valuable and useful facilities report a dearth of work and activity.

If this lag in research continues, development of airplanes in this last half of the twentieth century might be seriously hampered, and the U. S. may slip from its former pre-eminent position in air power and air transportation.

The fact that the talents and facilities of our great university aeronautical laboratories should remain unused in no reflection on the thinking or action of our military men. They have been the first to realize the benefits in better, higher performing airplanes originate with paintaking, time-consuming research.

One of the great lessons of World War II was provided by the misplaced faith the German Reich Placed in the Stuka dive bomber. A formidable, destructive weapon at the outbreak of hostilities in Europe, it was eclipsed in a few short years by much better airplanes built by the Allies. The research and know-how that enabled the U. S. and its Allies to develop better aircraft than the Germans stemmed from the long-range research programs conceived in the peaceful years preceding World War II.

R. W. MOORE

President, Canada Dry Ginger Ale, Incorporated

The bottlers of soft drinks have inflationary headaches somewhat analogous to those in the gold mining industry. The traditional, rigid nickel price for a bottle of pop in the face of all too flexible increasing costs of production and distribution have put severe strains on management ingenuity to eke out profits.

R. W. Moore

Sales of the last few years booming along at a rate of over 1,000,000,000 cases a year or well over 150 bottles per capita have been small solace to the industry. Increasing direct costs have just about reached a point for most bottlers where increased sales volume at best enables bottlers to break even or to operate at a meager profit.

Recent soaring sugar prices on top of a growing burden of other increasing costs have brought the industry to a crisis. Drastic action must be taken by members of the industry early in 1950 if they are to operate profitably on any kind of sales volume.

Increased prices on soft drinks offer some ray of hope. Several sporadic, discouraging attempts to increase prices have been made during the past two years by individual bottlers, but in almost every instance these bottlers have been forced back to former prices. Intense competitive exploitation by bottlers who maintained lower prices and the reaction of consumers against higher prices played havoc with sales. Local franchise bottlers in low wage-rate areas protested to parent companies that higher prices in their areas would be competitively ruinous and affect profits adversely.

The competitive situation in the soft drink business is unlike that in many other industries where a price increase or decrease by one of several leading companies would be followed quickly by all others in the industry. The soft drink industry is so intensely competitive that, up to now, individual bottlers who increased prices somewhat in line with costs became sitting ducks under the exploitive fire of their competitors.

Even if the industry were so constituted that bottlers could and would increase their prices all along the line, more or less uniformly, bottlers are fearful that the net effect on profits would not be entirely favorable. They have observed with some misgivings the severe decrease in sales volume in Pennsylvania where a one-cent tax brought an enforced uniform price in small bottles up to six cents. **It is likely, however, that with adequate and consistent promotion, consumer resistance to higher prices would soften in a short time and volume could be brought back to more profitable levels.**

It is logical to expect that, in view of the crucial situation brought on by soaring sugar costs, a wave of price increases early in 1950 is inevitable. It can be expected that almost all bottlers will follow those who do take the lead in raising prices. Few, if any, bottlers will want to maintain present low prices, as they did before, merely to gain a competitive advantage in distribution and sales volume at the expense of those who increase prices. It would be too costly with eight to nine-cent sugar. It can be anticipated that the sacrifice in sales volume brought on by these price increases will be somewhat

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disheartening, but consumer resistance is likely to soften in a reasonably short time.

It has been strongly urged by several executives in the soft drink business that fractional coinage be adopted to overcome what seems to be an innate buying resistance when prices advance beyond the nickel-a-bottle level. **It is firmly believed that 2½, 7½ and 12½-cent coins would greatly facilitate an increase in prices more in line with reasonable operating levels.** If the movement for fractional coinage had the full support of the soft drink industry, and other industries that would benefit, Washington officialdom might be stirred to action.

A glance at statistics on cost-price-income relationships is sufficient to indicate what bottlers of soft drink beverages are up against with a prewar price on their products.

	*Cost of Living	*Hourly Wages	*Wholesale Commodity Prices	†Disposable Personal Income	‡Bottled Soft Drink Sales
1939	100.0	100.0	100.0	100.0	100.0
1940	100.8	104.4	101.9	107.8	113.8
1941	105.8	115.2	113.2	131.1	153.1
1942	117.2	134.8	128.1	165.5	145.5
1943	124.3	151.8	133.7	187.5	160.5
1944	126.3	161.0	134.9	207.4	172.4
1945	129.2	161.6	137.2	212.8	160.1
1946	140.1	171.2	157.1	226.8	163.0
1947	160.1	192.9	197.3	247.3	206.9
1948	172.2	209.6	214.0	274.4	226.8

*Bureau of Labor Statistics.
†U. S. Department of Commerce.
‡American Bottlers of Carbonated Beverages.

It will be noted that in terms of the 1939 purchasing power of the dollar in 1948 the consumer gets his bottle of soft drinks for a three-cent nickel. Only minor changes are expected to show up in 1949 data. It will be observed, also, that soft drink sales in the last few years are about twice the 1939 volume, but that consumers have about two and a half times as much to spend.

On the cost side of the picture the most immediate concern of the bottlers is sugar. Official Washington holds the key. A more liberal off-shore quota could correct a price situation that has gotten severely out of joint during the last few months. Industry spokesmen have argued in Washington for an off-shore quota of 8.1 million tons. The pressure of domestic producers is for 7.2 million tons. The quota in 1949 was 7.5 million tons. The quota established for 1950 will be the deciding factor for the very existence of many bottlers.

Several new packaging developments are under experimentation and offer some promises of cost reduction. The "throw-away" or "one-way" bottle is being tried out by several bottlers. Its success will depend on a number of factors. It is yet to be learned whether or not some of the added initial costs can be passed on to the consumer and dealer who would share in the advantages of the "one-way" bottle. It is only in the 24-30-ounce sizes that the "one-way" bottle might ever be economical.

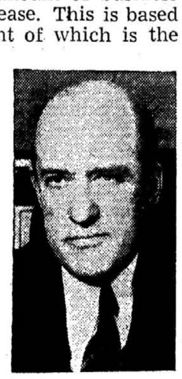
Also under development is the packaging of carbonated beverages in cans for the home market. Should this prove feasible it would seem to offer economies well worth considering, particularly, in handling and transportation. This form of packaging would also tend to extend the profitable market area for the bottler.

The long-run outlook looks promising for those units in the industry that can weather the present rough-going. Indications point to a levelling off or even a decrease in the costs of some materials. **The trend of the last decade shows a conservative, increasing consumption pattern for soft drinks. In relation to rising disposable personal income the products of the industry have not been over-sold. The potential for increased sales remains favorable even at increased prices. Investment in continuous and adequate promotional and sales effort will pay off. The immediate problems of price and costs can be and will be solved. When this hurdle is overcome the industry can look forward to a brighter profit picture.**

J. S. OGSBURY

President, Fairchild Camera and Instrument Corporation

During 1950 the Fairchild Camera and Instrument Corporation anticipates about the same amount of business as in 1949 or possibly a moderate increase. This is based on several factors, the most important of which is the Corporation's position regarding U. S. Government business. Throughout its 30 years of existence, the greater percentage of the Corporation's business has been in the development and manufacture of special military equipment for the Armed Services — aerial cameras, radio compasses and special electronic devices. With the completion of some of the development programs initiated since the close of the war and the availability of government funds for accessory aircraft equipment, it is reasonable to assume that a fairly substantial volume of production orders will be received.



James S. Ogsbury

In addition to government business, the Corporation is looking toward increased business in its commercial lines, especially in the graphic arts and medical equipment. The Fairchild Photo-electric Engraver, for example, has been widely accepted in the newspaper field and to date more than 200 installations are in use on a monthly rental basis. Seventeen sales and service areas have already been opened up and other areas are scheduled to b opened during the year. The introduction of additional models is expected to widen the field of application of this direct engraving process to include commercial printing plans and magazine publishing in addition to newspapers.

Another development of interest to the graphic arts industry is the Fairchild Lithotype, a composing machine which produces low-cost composition in actual printer's type for offset reproduction. Extensive service testing of 10 machines is now in progress and limited production is expected to start soon. Offset printers, publishers and industrial concerns operating their own offset printing plants will comprise the major market for this machine. Actual sales in 1950 will be small since the first production units will not become available before the last quarter of the year.

In the medical field, the new Fairchild X-Ray Roll Film Cassette appears to have a promising market, although full development of its possibilities must await further research and the availability of associated x-ray equipment by other manufacturers. At present it is being used in connection with angiocardiography, cerebral angiography and gall bladder studies. Orders for the Corporation's 70 mm x-ray cameras and accessories for routine and mass chest-x-ray work is expected to continue in moderate volume. Also in the medical field, the Corporation expects to announce an artificial respirator of new design by mid-summer.

Increased developments in the field of electronic computing equipment, servo mechanisms, etc., by other manufacturers indicate a growing market for Fairchild Precision Potentiometers which have enjoyed wide acceptance for such applications during the past two or three years.

To summarize, the acceptance of several new products introduced by Fairchild during the past few years has now been established to the point where full realization of their potential appears to be assured. The additional business anticipated from these varied products plus a moderate increase in government business indicates the same or a modest overall gain in the total dollar volume of business for 1950 as compared to 1949.

B. K. PATTERSON

President, St. Joseph Bank and Trust Co.

South Bend, Indiana, and the industrial zone of which it is a part, are largely dependent economically upon the fortunes of the automobile industry. For that reason a forecast of business conditions for the coming year is bound to be based upon the outlook for the sale of automobiles.

B. K. Patterson

That the automobile industry is at last in a buyers' market is daily more obvious. New model announcements for 1950 definitely offer more car for the same or less money. Advertising and promotional effort in this field is being stepped up to prewar volume and buyers are growing more selective and temperamental. These signs, together with certain facts which are available, indicate that backlogs of orders are somewhat smaller and that by mid-year this industry may find it necessary to make some curtailment in employment.

Manufacturers of durable goods in this area have for some time been operating on a less than 40-hour work week basis, and from available information there is no reason to believe this condition will be much improved during the coming year.

A continuation of deficit financing on the part of government is already assured, hence with normal employment, bank deposits may be expected to increase slightly while interest rates should remain about the same as they were in 1949. Speaking of bank deposits, incidentally, it is interesting and heartening to note that the trend toward increased individual savings continues, with the pleasant implication of available buying power whenever a buying mood strikes the public.

Inventories of retailers and wholesalers are well within proper sales-volume formulae and accounts receivable, while considerably higher than a year ago, have not yet reached alarming proportions. In the retail field, store modernization seems fairly well completed and, locally at least, there is no indication of much immediate commercial or industrial building. Speculative builders continue to find a market for homes which fit the pocketbook of the low-income group, and in this field, plans and commitments for 1950 are about on a par with those of 1949.

Financial and operating statements crossing the desks of our loaning officers indicate that profits, generally, were lower in 1949 than they were in 1948.

So summarize—it seems logical to believe that business during the first half of 1950 will continue at about the same pace attained during the latter part of '49. The second half of the year, however, may develop some resistance which could slow down the pace. Giving due weight to this uncertainty, it appears that sales and profits for 1950 will at least compare favorably with those of 1949.

CARLETON PUTNAM

Chairman of the Board, Chicago and Southern Air Lines, Inc.

1949 was a good air line year. All previous records were exceeded, as to both volume of business and net profits. It was also a good year in a less publicized area. Facts were developed by the Senate Air Line Investigation which, when more fully known, will have their effect on public attitudes and Congressional action.

Carleton Putnam

The Postmaster General testified that the subsidy to the users of the air mail service (heretofore incorrectly called a "subsidy to the air lines") has mounted, in 30 years, to about one half of *one year's* subsidy to the users of second-class mail. Moreover, while the current subsidy to air mail is $27,000,000; the annual subsidy to third-class mail is $139,000,000; to fourth-class mail, $82,000,000; and to the penny postcard $57,000,000.

An incidental benefit, to take but one of many, which the nation derives from this minor subsidy to the users of air mail became clear in the matter of military defense. The annual appropriation for the Military Air Transport Service is $82,500,000, and this service operates 263 major transport aircraft. The scheduled air lines operate 1,083 planes of equivalent categories with a full complement of pilots, mechanics, and spares, in a constant state of activity. This is four times the reserve capacity, for one-third the price, or 12 times as good an investment for the taxpayer, even assuming it were the only benefit the country derived from the air lines.

The investigation also disclosed that the cost to the government of carrying air mail, after adjusting for the change in the value of the dollar, has declined 65% in the last decade, and that air line management has succeeded in cutting seat-mile costs exactly in half. All these facts were somewhat at variance with public and Congressional opinion at the time.

While the momentum of previous misinformation still continues to depress air line securities and to cause pessimistic attitudes in some government quarters, the achievement of the industry is so startlingly good that the dawning realization of the truth must now inevitably change the atmosphere in which air line problems are considered by government. In the writer's judgment, this will be the greatest single factor influencing the air line outlook in 1950.

Further cautious testing of the low-fare coach market, a steady increase in dependability of winter operations, a modest (5%-10%) increase in standard fare traffic, and continued progress in safety, efficiency, and economy of operations top management's list of objectives for the coming year. Air transport still climbs toward its golden age, to begin in the last half of the new decade with the inauguration of jet aircraft and five-hour transcontinental service.

JEROME A. RATERMAN

President, The Monarch Machine Tool Company

Good business in the new year depends more than ever, in our opinion, on taking stock of political as well as economic trends. Under a national Administration committed to making "forgotten men" of all but labor czars, the only defense Business has against the constantly rising costs of manpower and materials lies in raising still further the efficiency of the machinery of production.

J. A. Raterman

In so many words, this means scraping the idea that the purchase of new, more productive equipment must wait upon old established depreciation procedures.

Take metalworking machines, for example. Today, depreciation allowances on most such equipment are not much more than sufficient to cover about half of their replacement cost. This means that where a company relies entirely on its depreciation allowance for replacement purposes, half or less of these ante-dated machines can be replaced at this time. Or, to put it another way, that part of its plant, which can operate at a profit will get smaller and smaller—and the company will wind up having only half of the capital assets in plant and equipment it had in the beginning.

The company today that relies solely upon established depreciation procedure for replacement purposes is, in effect, giving away a large share of its capital assets. It is almost literally giving away half its plant.

The manufacturer who faces his replacement problem squarely has first to make up his mind to use a substantial portion of his net income, after taxes, for replacement purposes. Unless he does this the chances are very strong that he will have neither the money nor the credit required for replacement of equipment when finally his loss of business to competitors has made such replacement a matter of survival itself.

Looking to the immediate future, it is our opinion that the greatest resistance to purchasing new machines stems from the belief of many businessmen, particularly those concerned with a company's finances, that there is security in the mere possession of dollars. This overemphasis upon cash position, plus a hesitation to venture on behalf of the future for fear of stockholder criticism, combine to stop many an executive from approving new equipment purchases which, from an operating standpoint, he knows full well he should make.

Nevertheless, the end results of failing to buy cannot be avoided no matter what excuse is presented. As a company's plant equipment continues to run down hill, as it fails to take advantage of technical advances, the end results will be higher costs, and an increasing loss of business to more progressive competitors.

Failure to modernize because of a desire to conserve cash is clearly a policy of stagnation that can only lead to disaster. It is a policy of obsolescence and destruction of capital values. It is a policy which, instead of conserving resources, consumes them by dry rot. While the bank balance may remain unimpaired, the plant goes down hill until the physical assets, which represent working assets and measure a company's ability to compete, are dissipated. If followed through to its logical conclusion such a company can have money in the bank and a plant ready for the scrap heap.

The machine tool industry has many machines designed and built to offer a manufacturer a return on his investment that will pay off it in two or three years and, in many cases, even earlier. The machine tool industry could do at least 20% more business in 1950 than in 1949 if the men in industrial concerns who hold the purse strings are not gripped by economic and political fear.

The automotive industry should, in my opinion, be one of the best customers for such a machine tool buying program. The sustained demand for new cars makes financing out of profits easier for this industry than for others. Then, too, surveys made in recent months indicate that the age of machine tool equipment in the automotive industry is considerably higher than it should be under any circumstances.

General manufacturing business should also produce a good volume of business for machine tool builders, particularly with the continuance of the present high level of national income. The farm equipment industry, on the other hand, will without a doubt reflect the narrowing spread between cost and selling prices of most farm products.

So far as prospects for export business are concerned, the devaluation of the British pound has simply made a bad situation worse. The shortage of dollars and lack of credit had practically stopped machine tool buying from most European countries even before the devaluation took place. However, there may be food for thought in the fact that, while these European countries have severely restricted their purchases of standard American machine tools, they have continued to buy our special machines.

They are not buying standard tools because these can—and are—being built abroad. But the extent of their purchases of special machines has been substantial enough to raise the question as to whether some European production men haven't been as quick—or quicker—than their American counterparts to seek the advantages inherent in new equipment which, even where it cannot be written off in one or two years, will cut costs so substantially as to reestablish their companies as first rate competitors.

The selling of machine tools is bound to receive considerably more emphasis in the coming year than for many years past. Progress along this line will be aided by the availability from many companies of new models of machines. The machine tool industry, by and large, will also have better trained sales forces on the job and will make increased use of motion pictures to demonstrate the advantages of new equipment.

No efforts will be spared by the industry in hammering home its conviction that good business in the year ahead—not only for itself but for all industries—depends more on new machinery in the plant than on money in the bank.

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The Welfare State "In Court"

the real question is how much can you burden production without crippling it? We all want welfare. We all want a state of increased well-being. You and I would like to see people earn much more, get bigger pensions, just as much as the gentlemen of the opposition. But the question is, how shall we accomplish this? Shall we do it by paying over, say, 50% of our national income to the government? And then let the government like poppa, decide what we shall have, and in what measure? Or shall we limit the power of government and employ our earnings to buy these services for ourselves?

I would like the jury to note that the so-called "Welfare State" always plays up to big vote-producing groups. It plays up to the farmers and hands out billions of dollars in subsidies. It plays up to powerful unions who control votes. And in the end it becomes the captive of these very groups whom it has favored.

Q. What does excessive taxation do to the economy? Does it lead to greater production and greater wealth for the people, or the contrary?

A. Mr. Coudert, it cripples production. If more taxes help production then Mr. Truman in his recent message would have asked for more taxes. But he said he could not do so because he was afraid such a course of action would lead to a further recession.

Mr. Coudert: Your Witness:

* * *

Cross Examination by Mr. Berle

Question by Mr. Berle: Mr. Fertig, prior to the period of 1932, do you consider that the country was pretty well run?

Answer by Mr. Fertig. No, I do not, Mr. Berle. I think that we made some very grave errors in the 1926-1929 period.

Q. Did we make some mistakes in having a high tariff system?

A. Most assuredly we did, and may I say . . .

Q. Have you ever seriously advocated relinquishing that tariff system?

A. I have always advocated a slow and reciprocal relinquishment of all tariffs. Tariffs are a subsidy to manufacturers just as crop payments are a subsidy to farmers. I am not in favor of subsidies and therefore, I am not in favor of tariffs. I certainly am against high tariffs.

Q. You would like to have free trade?

A. I certainly would if the Socialist nations of the world would do away with their quotas and exchange controls which are even worse than tariffs. Tariffs should be slowly whittled down, Mr. Berle.

Q. Sugar stabilization. Would you like to repeal that?

A. Let me make it plain that I would like to have a competitive world in which the consumer gets the lowest price possible. It is not "stabilization" that we should seek, but the highest efficiency of producers, and the lowest possible price for consumers. Stabilization is a delusion.

Q. Would you like to repeal the air subsidy and shipping subsidy?

A. That is a matter of national defense, not of economics. I think it is a question for the Military and the Navy to decide.

Q. I am talking about commercial airplanes.

A. So am I. Developing plans for commercial use helps develop our capacity to mass-produce fast planes. Furthermore, these planes can be used in case of military emergency. Whether you talk about planes or ships or tariffs or farm products I am not in favor of subsidies in any group in society. I do not want to favor manufacturers any more than I want to favor farmers or labor union leaders. I am in favor of a free society in which people are unhampered by government controls and subsidies and thus bend their greatest energy to the most efficient production of goods and services.

Q. In the event of a depression with great unemployment, you would be opposed to relief . . . to subsidizing the unemployed? It is a subsidy to the unemployed and a subsidy to industry which can't employ them.

A. When there is a great crisis, then the government must give relief. No question about that. The greatest mistake that Mr. Hoover ever made was when he said that a starving man in a great national crisis is not the responsibility of the government, because it is.

Q. It kind of looks to me as if the question is not whether to have a Welfare State, but how much welfare you want. Is not that your point?

A. That is definitely not my point.

Q. You are not prepared to let it run free?

A. I certainly am, and everything I have said would indicate that.

Q. Unemployment, for instance?

A. Mr. Berle, the fact that I approve of a policeman on the corner does not mean that I want the city to control everything. The fact that I want the government to help people in distress in a national crisis does not mean that I should approve the building of houses for "middle income" groups who, according to some people, could earn as much as $15,000 a year and still qualify for government aid. The fact that I approve the government functioning does not mean that I approve the centrally controlled state where all functions are in the hands of the government.

Q. Are you quite content with this seven-year cycle of booms and busts, with great human misery at the bottom and great inflation at the top? We had that before the welfare state was invented.

A. I am not in favor of busts any more than you are. And I do not concede that the so-called welfare state would abolish recessions. The welfare state recession would mean more controls, and inevitable socialism. — May I answer the question more fully, your Honor?

THE COURT: As a matter of fact, Mr. Fertig may finish his answer. However, make sure it is responsive to the question. We are wandering pretty far afield in both the question and the answer.

A. (Continued) I would sum it up by saying that I am not in favor of breaking the back of the average man with high taxes, crippling the producer by placing a staggering tax burden upon his productive efforts in order to pay for the type of program that you people advocate—Socialized Medicine, the Brannan Plan . . . and more of everything. I am not in favor of the inflation that would follow this program.

Q. Are you in favor of a minimum wage?

A. What do you call a minimum wage? $1.00 an hour has been proposed by Mr. Tobin, the Secretary of Labor. Why not be really generous about it and legislate $1.50 as a minimum wage?

Q. I personally believe that a minimum wage adapted to industry—

A. Well, how about $1.50 an hour as a minimum?

Q. Frankly, I am not on the witness stand. Apparently you are in favor of some of this. Are you against any reasonable health insurance plan? You talk about Socialized Medicine, which I do not understand. The proposal is for health insurance. Are you against that?

A. May I answer the question?

Q. I ask, are you opposed?

A. I most certainly am not opposed to the principle of insurance for health, pensions, or anything else. It is an established principle in American life. I am against the perversion and exaggeration of all these principles into a great big balloon known as the welfare state. Every welfare proposal must have a tax. My question is, are you in favor of more and more taxes, or would you refuse to tax, and have more and more inflation?

Q. Apparently you are quite content to accept these things individually, but when you aggregate them you give it a bad name. Isn't that it?

A. That is not it. A little bit of chocolate may be good, but you can get sick on a lot of chocolate. I don't want the nation to get sick of the welfare state. I do not want 10 or 20 billion dollars added to our present taxes or to our present deficit. If you want these things you must answer how you will pay for it.

Q. Are you quite clear it comes to that?

A. I am not quite clear it comes to that. It may come to a great deal more.

* * *

THE COURT:—You may step down.

Pension Fund Rise Not Likely To Upset Investment Markets

Bankers Trust sees stock buying a minor factor.

Funds available for investment under insured and trusteed pension plans may increase by $500 million to an annual rate of about $1.7 billion by next year, according to a memorandum just released by Bankers Trust Company. The bank believes that the present drive for pensions may extend coverage to another five million employees over the next year or two.

The bank notes that its estimate of the growth in pension funds is well below the stratospheric figures advanced by some observers. Analyzing the impact of industrial pensions on the capital markets, the bank's Pension Division finds that this growth will add to the demand for investment securities, but that the amounts made available during the next year or two will be within the capacity of the capital markets.

Greater Demand for Investment Outlets

Net new issues of corporate bonds and stocks, and real estate financing, are expected to decline somewhat in 1950, while new funds available for investment will be augmented by the growth in pension funds. The bank hence foresees a greater emphasis on purchases of preferred and common stocks, but does not expect this to be more than a minor factor in the market.

The declining supply of new private issues may be offset to some extent by larger offerings of state and municipal bonds. However, there will be stronger reasons for a change in Treasury financing plans to include long-term bonds in order to satisfy the requirements of non-bank investors.

Present Drive to Add Five Million Employees

The bank assumes that the bulk of the new pension plans over the near term will be the result of collective bargaining between the larger companies and the large industrial unions, and that few industrywide, unionwide or "locality" plans will be adopted.

Although there are 43 million employees in nonagricultural establishments, only about 5 million will be added to the number of covered employees within the next year or two. The present drive for pensions is concentrated on the manufacturing field, where there are 14 million employees. Here an increase of covered employees by about 4 million is expected. The remaining 29 million employees are in government, transportation, public utilities, trade, service enterprises, and other nonmanufacturing fields. In some of these groups, a large number are already covered by retirement provisions, and it seems doubtful that as many as one million more employees in these groups will be included in new or expanded company plans in the near future.

Stuart Ross Joins Raggio-Reed & Co.

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, CALIF. — Stuart Ross has become associated with Raggio-Reed & Co., Bank of American Building. Mr. Ross has recently been Stockton representative for Mason Bros. In the past he was a partner in Greenwood-Raggio & Co.

With Blunt Ellis Simmons

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Willis B. Berblinger has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Allan Blair & Co. and Sills, Minton & Co.

Joins Paine, Webber Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS—George G. Vaillancourt is now with Paine, Webber, Jackson & Curtis, 24 Federal Street.

With Lamont & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Jere M. Carmichael is now with Lamont & Co., Inc., 89 State Street.

Continued from page 7

Contentions of Advocates Of Irredeemable Currency

times larger in amount than the only asset cash they can pay out under the present system. The point is that the Federal Reserve authorities do not wish to be called upon to meet their liabilities in anything except another liability. They wish to continue to operate with liability currency—that is, to exchange their Federal Reserve notes for their deposits and their deposits for their notes.

There is no valid reason why the Federal Reserve banks should be permitted to meet a liability by substituting another if the demand is for the reserve held against that liability.

When Federal Reserve bank officials advocate a continuation of our system of irredeemable currency, they are asking for special privileges for themselves — for privilege without corresponding responsibility. It may be doubted that any valid reason could be found on which to defend the granting of privilege without at the same time exacting a corresponding responsibility or the employment of a standard of ethics for Federal Reserve officials that ranks far below that required of private individuals and enterprises under our body of contract law.

The scarcity-of-gold argument

An argument sometimes advanced in behalf of an irredeemable currency is that there is not enough gold to go around if all who would have claims upon it should decide to exercise them at the same time. That contention seems to imply, often or usually, that the belief is that a currency cannot be made redeemable, safely and properly, unless the gold or silver reserve is 100% of the liability.

The untenable character of such a contention lies in the failure to recognize that scarcity is a requisite of value; that all goods having value are, of necessity, scarce; and that people practice economy in the use of scarce goods. There are not enough bridges, ships, trains, airplanes, elevators, or anything else of value to accommodate all people if they should all decide to demand their services at the same time. All scarce goods are designed to meet the usual expected demand—not the full demand that *could* be made at a particular time. Fire escapes, exceptional devices, and policing are employed to meet unusual, emergency, or unexpected demands.

Gold, being scarce, has value. Therefore economy in its use is invited and is desirable. Banks and government Treasuries have learned from experience that they can safely keep fractional reserves against their note and deposit liabilities since, ordinarily, not all holders of these liabilities will demand payment at the same time. The problem is to avoid the creation of conditions which lead to unusual demands and to provide proper "fire escapes" to meet such demands should they arise. A well-organized clearing and collection system for notes, checks, and drafts, combined with what we commonly call "sound" banking procedures and a readiness to pay out reserves upon demand, tends to reduce the need for reserves to a relatively low level. As a consequence, fractional reserve systems have become an accepted and defensible method throughout the world for economizing in the use of such scarce goods as gold and silver.

Ratios of Gold Stock to Money and Bank Deposits in the United States: 1915-1949[2]
(Money and Deposit Figures in Millions of Dollars)

Year*	Total Money Stock†	Total Bank Deposits‡	Combined Total Money Stock and Bank Deposits	Gold Coin and Bullion§	Ratio of Gold Stock to Total Money and Deposits¶
1915	2,064	19,410	21,474	1,986	9.2%
1916	2,097	22,863	24,960	2,445	9.8
1917	2,458	27,140	29,598	3,220	10.9
1918	3,744	29,655	33,399	3,163	9.5
1919	4,576	33,953	38,529	3,113	8.1
1920	5,293	37,729	43,022	2,865	6.7
1921	4,900	35,837	40,737	3,275	8.0
1922	4,491	37,545	42,036	3,785	9.0
1923	4,653	40,938	45,591	4,050	8.9
1924	4,359	42,925	47,284	4,488	9.5
1925	3,938	46,959	50,897	4,360	8.6
1926	3,982	49,210	53,192	4,447	8.4
1927	4,010	51,072	55,082	4,587	8.3
1928	4,010	53,434	57,444	4,109	7.2
1929	4,215	53,951	58,166	4,324	7.4
1930	3,772	53,475	57,247	4,535	7.9
1931	4,125	51,736	55,861	4,956	8.9
1932	5,086	42,827	47,913	3,919	8.2
1933	5,762	39,413	45,175	4,318	9.6
1934	5,780	45,440	51,220	7,856	15.3
1935	5,997	51,314	57,311	9,116	15.9
1936	6,794	56,415	63,209	10,608	16.8
1937	7,058	59,047	66,105	12,318	18.6
1938	7,134	60,395	67,529	12,963	19.2
1939	7,645	66,639	74,284	16,110	21.7
1940	8,495	75,466	83,961	19,963	23.8
1941	10,151	81,812	91,963	22,624	24.6
1942	13,105	84,984	98,089	22,737	23.2
1943	18,481	108,369	126,850	22,388	17.6
1944	23,631	130,677	154,308	21,173	13.7
1945	27,797	154,875	182,672	20,213	11.1
1946	29,378	162,927	192,305	20,270	10.5
1947	29,332	156,904	186,236	21,266	11.4
1948	29,068	162,413	191,481	23,532	12.3
1949**	28,388	160,635††	189,023	24,584	13.0

* End of June, generally June 30.
† Held by Treasury and Federal Reserve banks, and in circulation. Does not include gold coin, gold bullion, nor gold and silver certificates.
‡ Adjusted demand and time deposits of all banks (including Federal Reserve banks).
§ Gold valued at $20.67 per fine ounce prior to 1934; at $35 from 1934 on.
¶ Average ratio 1915-1932, inclusive, is 8.6%.
** Oct. 31, and counting all non-gold currency other than gold certificates.
††Oct. 26

The fear-of-runs contention

Fears of an inordinate demand for gold, which naturally and properly characterize life under an irredeemable currency, are assumed, by many people, to be characteristic of a period of redeemability in which such fears should no longer exist since their causes should have been removed.

People, while living in a period of irredeemable currency and sensing quite correctly the desires to get gold because of distrust of an irredeemable currency, seem to find it difficult to realize that redeemability is a repellent of hoarding.

They seem unable to bring themselves to a realization of the fact that redeemability invites and results in dishoarding of gold, and that it is irredeemability, or fear of it, that causes hoarding. That has always been true, both in this country and abroad. To cite but one example in our history: When we instituted gold redemption in 1879 there was more gold turned in in that year for paper money than paper turned in for gold. That is a proper expectation. If the paper money is as good as gold, intelligent people do not wish to incur the expense involved in holding gold.[4]

Another illustration of the fact that provision for redeemability is a repellent to hoarding is to be found in our lack of interest in converting our paper money and deposits into silver despite the very low ratio (1.2%) which the Treasury's silver reserve bears to the currency that could constitute a demand for it. In the face of this fact, we have widespread opposition to a provision for redemption in gold which equals 13% of our non-gold money and deposits.

The problem is to convince a majority of Congressmen, disposed to act on facts, that the institution of a redeemable currency, instead of encouraging inordinate demands for gold, should eliminate all causes for them and all multiple quotations for our dollar; should provide a potent force in the direction of an expansion in production; should tend to open up foreign trade; and should give this nation a new and confident lease on life provided the managers of our money and credit behave themselves properly. It should be something like installing new and strong rails in a dilapidated and dangerous railroad structure.

Unless we get our facts in hand regarding reserve ratios and the causes of demands for gold, and unless we correct our confused thinking and attitude in respect to a redeemable money, we may be destined to continue with an irredeemable currency under which the fears as to its future value should be expected to become greater rather than less, the consequence being that we may, and probably shall, end up in the pit of Socialism since such a currency is both a wide-open gate and invitation to that particular consequence.

Should profligate spending and deficit financing be continued—and these are made easy and invited by an irredeemable currency—the present very safe ratio of our gold stock to non-gold money and deposits can soon be reduced to a point which will make the institution of redeemability risky if not impossible. It is for this reason that we need to hurry into redeemability. That is our best protection against profligate spending, deficit financing and Socialism.

The implication of the prediction, or fear, of hoarding

A noteworthy fact is that expressions of fear of hoarding of gold, or predictions that hoarding would be very heavy, if redeemability were instituted, come chiefly from the advocates of an irredeemable currency rather than from those who urge a redeemable currency for this country.

The significance of this is that the advocates of an irredeemable currency are implying that this nation's monetary and fiscal affairs are in such bad shape that our people would not readily accept non-gold currency if it were made redeemable.

If their contention is valid, then the answer is that we should have instituted redeemability some time ago and that we should rush it into effect at the earliest possible date lest matters grow worse.

The fact of course is that, if gold reserve ratios have any significance, there is no good reason to suppose that hoarding would be any heavier than would be healthy in the light of the government's fiscal and monetary policies and the large volume of surplus reserves held by the Federal Reserve banks. Since provision for redeemability is a repellent to hoarding, it is possible that there would be an insufficient amount of hoarding to inject the proper amount of fear into our Congressmen in respect to a continuation of their profligate spending and socialization. But the definite and correct answer is that no one can possibly know what the holders of non-gold dollars would do in respect to exercising the right to demand redemption. But, whatever it might be, that would be, and is, their proper right. No government should be free to use the people's money and credit in a manner that would make it desirable and profitable for people to hoard a relatively large amount of gold.

The test of our people's attitude toward our Federal Government's fiscal and monetary policies should be made at the earliest possible date by providing them with the right to demand redemption of Federal Reserve bank and Treasury "promises" to pay. Moreover, our people should always have the right to make that test. We cannot, with consistency, talk about our belief in opportunity and freedom for our people and at the same time deprive our people of the power to hold our Federal Government and Reserve banks to an accounting in the management of the people's fiscal and monetary affairs.

The contention that the people should not be permitted to demand redemption because of their possible "undesirable" behavior

Some of the opponents of a redeemable currency have contended that the people cannot be trusted with the right to demand redemption since they might become easily frightened, or wish to speculate, or because they might fear currency depreciation, or oppose government spending, and so on.

The answer to that is that if people in general turn to a hoarding of gold it is because the government and banks have provided them with a reason for doing so. It is this fear that people might demand redemption that would cause Congressmen, the Treasury, and the banks to exercise care in what they do. It is in this manner that the people can keep a control over the government's and banks' use and abuse of the people's money. They may not exercise this power when they should or they may not exercise it well; but the fact that they have the power to do so, regardless of whether the monetary authorities think the reasons for doing so are good or bad, is a wholesome factor in enabling the people to keep a rein on their government and monetary authorities.

Moreover the people should not be questioned as to their reasons for demanding redemption. If they hold a promise to pay upon demand, that promise is supposed to be met by the promisor without any quibbling; otherwise, the promise is not what it appeared to be when it was issued.

Presumably, if our money were to be made redeemable in accordance with some of the notions being expounded by some of our Federal Reserve authorities and other opponents of irredeemability, the paper money would carry promises something like this: "We promise to pay the face value upon demand provided the holder is not acting upon an instinctive or speculative urge, or is not resisting large government expenditures, or does not fear currency depreciation, or is not suffering from panic caused by unsettled international conditions or fright concerning the business outlook or one's individual security."

One Federal Reserve authority has advanced the idea that our currency should not be made redeemable in gold coin because "no government should make promises to its citizens and to the world which it would not be able to keep if the demand should arise." That suggests that provision for redeemability is not defensible unless the reserve is 100% of the liability. The fallacy in that contention lies in the failure of its author to recognize the principle of economy employed in the use of all scarce goods. The use of fractional reserves is defensible and desirable if bankers proceed wisely. Insurance companies, for example, could not function if an attempt were made to apply such an uneconomical principle.

That argument also ignores the discrimination involved in the fact that the Federal Reserve banks will redeem in gold the dollars held by foreign central banks and governments while denying the same right to other holders of dollars. That practice, which is regarded as appropriate by that Federal Reserve official, simply means that in his opinion the Federal Reserve banks should be free to redeem for some and at the same time have no obligation to redeem for others whose claims should be equally valid. If our Federal Reserve notes were made to state accurately the theory of that official, they would read as follows: "We promise to pay the face value in gold on demand to

2 The data for the years 1915-1948 were compiled by Mr. F. R. Ottman, Statistician, Department of Economics, School of Commerce, New York University, for the office of the Economists' National Committee on Monetary Policy and published by that office in *Monetary Notes* of Jan. 2, 1949. The data for 1949 were compiled by this author from the *Federal Reserve Bulletin* of December, 1949.

The sources of the data for the years 1915-1948 were as follows:

Total Money Stock: Amounts for the years 1915-1947 were compiled from annual figures for currency and coin reported in the *Annual Report of the Secretary of the Treasury, 1947,* U. S. Treasury Department (Washington, D. C., 1948). The amount for 1948 was compiled from the *Federal Reserve Bulletin* (August, 1948).

Total Bank Deposits: Figures for deposits of Federal Reserve banks were generally taken from the August number of the *Federal Reserve Bulletin* in the given year. 1915-1941 figures for banks other than Federal Reserve banks were taken from *Banking and Monetary Statistics,* Board of Governors of the Federal Reserve System (Washington, D. C., 1943), Table 9, pp. 34-35. 1942-1948 figures for deposits of banks other than Federal Reserve banks were from the *Federal Reserve Bulletin* (August, 1948).

Gold Coin and Bullion: For 1915-1946, *Statistical Abstract of the U. S.* (1947), Table 410, p. 399. For 1947-1948, *Federal Reserve Bulletin* (August, 1948).

4 From *Report of The Secretary of The Treasury for 1879,* p. ix: "The total amount of United States notes presented for redemption, from Jan. 1 to Nov. 1, 1879, was $11,256,678. . . . Meanwhile coin was freely paid into the Treasury and gold bullion was deposited in the assay office and paid for in United States notes. The aggregate gold and silver coin and bullion in the Treasury increased, during that period, from $167,558,734.19 to $225,133,558.72, and the net balance available for resumption increased from $133,508,804.50 to $152,737,155.48."

From the *Report of the Secretary of the Treasury for 1880,* p. xiii: "The amount of notes presented for redemption for one year prior to Nov. 1, 1880, was $706,658. The amount of coin or bullion deposited in the Treasury assay office, and the mints, during the same period was $71,396,535.67."

all central banks and governments; to all other holders we promise nothing because we might not be able to keep a promise to redeem should the demands for redemption exceed our reserves."

If the principles of redeemability or non-redeemability, being enunciated by these Reserve authorities, are defensible, they should not hesitate to have them printed on our paper money and in our deposit books. As matters stand, the legends (promises and statements as to security and redeemability) on our paper money are either outright dishonest, or misleading, or meaningless. It would be interesting indeed, though perhaps catastrophic, to see the principles of redeemability or non-redeemability, advocated by these Reserve authorities, printed accurately and lucidly on our paper money and in our deposit books.

The essence of this issue is whether or not the people should have power to control their Federal Government and Federal Reserve banks, who are the people's agents in the management of their national fiscal and monetary affairs, or whether these "agents" are to be free to control our people in the manner of dictators, accountable in practice to no one but themselves.

The desire of Treasury and Federal Reserve officials to be free of problems inherent in the fractional reserve system and of obligations to meet promises to pay

If the Federal Reserve banks and Treasury could maintain a gold reserve of 100% against their promises to pay on demand all problems of redeemability upon demand would be reduced to a minimum or disappear.

But the Federal Reserve banks and all banks—and the Treasury to some extent—operate on the system of fractional reserves. The proper and safe size of this reserve depends upon the organization of the banking structure, the effectiveness of the clearing and collection system, the practices of the banks and their depositors, and many other factors.

The problems inherent in banking which operates on a fractional reserve system cannot be solved properly by excusing the Federal Reserve banks from meeting in gold their promises to pay on demand. Nevertheless Congress has freed those banks from that proper responsibility and they have been, and are, fighting with every device at their command to keep this position of unwarranted privilege which is now free of a proper and corresponding responsibility.

Proper banking procedure and proper banking responsibility require that bankers understand the problems and appropriate practices that go with a fractional reserve system. They do not imply that because reserves are fractional they are not subject to withdrawal by all claimants or that they are not to be paid out except to foreign central banks and governments. They do not imply that bankers should be excused from meeting their demand liabilities in terms of gold and silver reserves.

Nevertheless, our Federal Reserve authorities have managed to escape their proper responsibilities in three fundamental ways: (1) they are not required to pay out their reserves domestically nor to anyone other than central banks and governments abroad; (2) they substitute one liability for another in making payment, except for the small percentage of non-reserve asset cash which they may use; (3) all their notes and deposits and all the asset cash they can pay out are irredeemable currency in so far as the use of gold for domestic currency is concerned.

This situation, defended by the Federal Reserve authorities, has become a case of the Federal Reserve banks and Treasury versus the welfare of the people of the United States.

The dangers to the people of this country, inherent in the demands of Federal Reserve and Treasury officials for privilege without corresponding responsibility, are further high-lighted by the fact that they advocate and fight for an irredeemable currency in the face of the huge volume of Federal debt already sold and still being sold to our people. Because of its nature, an irredeemable currency carries within itself the power to impair greatly, and even to destroy completely, the value of the savings of our people as represented by this great debt. Every experienced person knows that the value of the people's investment in this Federal debt has already been seriously impaired in recent years. Despite this fact, our Federal officials, as they ask people to buy more and more Federal securities, do not apprise the potential buyers of this depreciation nor of the fact that the risks of depreciation are increased because we employ an irredeemable currency.

The willingness of Federal Reserve and Treasury authorities to ask for an irredeemable currency in the face of the huge Federal debt owned by our people, to say nothing of the great volume of savings stored up in the form of pensions, savings accounts, annuities, fixed incomes from investments, and so on, is an arresting commentary on official ethics or morality in our Federal government and Federal Reserve circles today.

The contention that our gold standard and redeemable currency did not prevent the crash of 1929 and other wide fluctuations in business and prices

This contention implies that there is such a thing as a single cause for business and price fluctuations and that this single cause can be, or has been, a gold standard and redeemable currency.

Neither assumption can find support in fact. Our most competent and careful students of business and price fluctuations have accumulated sufficient evidence to justify the conclusion that the causal factors in such fluctuations are many and operate in various combinations, and that there is no single-cause theory that can be supported by fact.

Those who assert that the gold standard is defective because it did not do this or prevent that are offering an indefensible contention not only for these reasons but for others as well. The functions of a gold standard, of gold money, and of a redeemable currency, as presented by careful scientists in the field, have never included, in so far as this author knows, that of preventing business or price fluctuations. To advance such an unwarranted assumption would be analogous to an assertion that laying good steel rails on a railroad bed would prevent wrecks despite the quality of the rolling equipment and the behavior of the operating personnel.

The functions of gold in a nation's monetary structure are (1) to provide a standard of value; (2) to provide a standard for deferred payments; (3) to serve as a reliable storehouse of value; (4) to serve as a medium of exchange; (5) to serve as a reserve against promises to pay; (6) to serve as a settler of adverse balances of payments.[5]

On top of a gold money is built a variety of substitutes such as paper, silver, minor-coin money and bank deposits in the interests of convenience and economy in the use of valuable gold. The employment of these substitutes has often been pushed to great lengths and the proper connections with gold strained or broken. In so far as the nature of a country's currency becomes an important element among the causal factors in the fluctuations of business and prices, it seems quite clear that the trouble will invariably be found in people's mismanagement of paper money and other forms of credit.

A government and central banking system may extend credit to such an extent that the gold reserves can no longer support the superstructure of credit. Confidence in the credit may be weakened as people observe the fall of the reserve ratio to a low level, and fears may lead to widespread liquidation and to a fall in prices and a decline in business. We had such a state of affairs in 1920. In the first part of that year eight of the twelve Federal Reserve banks paid tax penalties for deficiencies in reserves. But, in so far as money and credit were involved as causal factors, the trouble lay with the over-expansion of credit, not with some defect in the gold standard, or in gold as a money, or in a redeemable currency.

When the crash came in 1929, the monetary gold stock was at a relatively high level—it was at its peak for 1929—and the ratio of the reserves of the Federal Reserve banks to their notes and deposits ranged in that year from 69.3 to 73.3%.

One might, with much accuracy, stress the low reserve ratio of the nation's gold and reserves of Federal Reserve banks against the greatly expanded credit as an important *proximate* causal factor among all that were operating to precipitate a sharp drop in prices and a contraction in business in 1920. But, even as one of the proximate causes, it was more a symptom of a situation than a basic cause.[6]

In respect to the collapse of 1929, any emphasis on gold and reserve ratios as causal factors, even as one of several *proximate* causes, would have no validity. Nevertheless one hears it stated over and over, as though the observation deserved serious consideration, that the gold standard either caused or did not prevent the severe business recession and drop in prices that began in October, 1929.

The simple answer is that no type of monetary standard known to man can prevent expansions and recessions in business and prices. Furthermore, there is no valid reason for supposing that it could or should. One of the practices of some defenders of irredeemable currency is to point out, quite correctly, that prices fluctuated widely under the gold standard while at the same time they fail to point out the part played by money managers and the fact that the greatest fluctuations that the world has ever seen have been those associated with irredeemable currencies.

The common practice of advocates of irredeemable currency, of contending that the gold standard and a redeemable currency either caused, or at least did not prevent, the severe recession beginning in 1929 in this country and the catastrophies abroad, seems to have developed early in the 1930's. And it has been cultivated persistently since.

A closely-related doctrine as to the evils of a gold standard and redeemable currency, also cultivated with persistence, during and since the early 1930's, was that business recoveries were caused by, and came quickest with, the introduction of irredeemable currencies. To test the validity of this widely-expounded and widely-accepted notion, Dr. Rufus S. Tucker examined the evidence provided by the experiences of thirty-four countries and published his observations and supporting statistics in a study called "Business Recovery Not Brought About by Suspension of the Gold Standard," in *The Annalist* (August 21, 1936). The net result of his study was that the common assertions that the suspension of specie payments and depreciation or devaluation of the currency caused a prompt turn toward recovery was not supported by the evidence. He said: "It is clear that the turning point in the United States and nine of the leading industrial countries of Europe came in the months of June, July, or August, 1932, whether or not the countries had abandoned the gold standard. It is also plain that recovery followed quickly on the abandonment of the gold standard in only two countries—Latvia and Japan. It usually came either before abandonment, or at least seven months later. In seventeen countries recovery came first; in sixteen countries depreciation came first; in one country, Palestine, the two came together. There is no reason to conclude that currency depreciation caused or helped recovery."

Apparently the evidence produced by Dr. Tucker has never been successfully challenged nor refuted by any equally responsible and careful investigator. Nevertheless, unsupported assertions, contradicted by the Tucker evidence, are commonly propounded as though they had a factual basis.

The argument that irredeemable currencies are managed and that the operations of a gold standard are automatic

The contention is common and widespread, even in academic circles where responsibilities to the standards of science are not always fulfilled, that an irredeemable currency is a managed currency whereas a gold standard is automatic in nature. Out of this common assertion is developed the further contention that a managed currency can be managed properly whereas a gold standard, being automatic, not only cannot be managed but brings disaster upon a people.

The fact is that all currencies, including a gold standard, are managed. Perhaps the chief difference in respect to management is that a gold standard and redeemable currency provide brakes that can operate on the management of a people's money and credit whereas an irredeemable currency provides no effective brake—chiefly an accelerator.

With the introduction of the Federal Reserve System in this country in 1914, the currency managers were given a large field of management even with the restrictions that a gold standard and redeemable currency can, but may or may not ultimately, bring. During World War I and up to May, 1920, the managers of our fiscal and monetary affairs, along with all the other forces operating on business and prices outside their control, were part of a picture in which credit expansion ran to a point at which the brake of gold-reserve ratios began to take hold.

When the crash of 1929 came, the brake of reserve ratios was inoperative. Management had no restraints upon it in so far as the functioning of the gold-reserve brake was concerned. And the economic crash was apparently one of the worst ever experienced in our country.

These two cases demonstrate that our currency managers have not been able to prevent nor to control sharp swings in productive activity and prices even when they knew they were running into the braking influence of gold reserve ratio in 1920 and when the reserve ratio was too high to exercise any influence in 1929.

In the face of such a record, our money managers wish to be free of any braking influence. In 1945, when the reserve ratios in the Federal Reserve banks began to fall close to the legal limits of 40% of gold certificates against Federal Reserve notes and 35% against their deposits, they simply persuaded Congress to lower the ratios to 25% after which they were free to go on with their expansion.[7] An irredeemable currency structure such as ours invites that sort of procedure. Although one cannot turn the clock back to see what might have been done were the currency redeemable in gold at that time, logic suggests, at least, that Congress might not have taken those steps with such ease if at all. In any event, it was not attempted in 1920.

The freedom that an irredeemable currency gives money managers not only makes possible extremely bad management but it invites manipulation. We were provided with an illustration of that in 1942-1943 when the Federal Reserve and Treasury, in collusion, engaged in a manipulation in the issuance of Federal Reserve bank notes. The Treasury issued $660,000,000 of these notes as Treasury currency, although under the law these notes could be issued legally only by the Federal Reserve bank as a bank liability. By this manipulation, the Treasury received $660,000,000 of deposit credit, to which it was not legally entitled, on the books of the Federal Reserve banks by depositing those notes for credit. The Federal Reserve banks received these notes as reserve whereas they should have been liabilities. By adding $660,000,000 of these notes—which were unsecured (fiat) money—to their reserves, they were able, at the legal reserve ratios then prevailing, to support an additional expansion of bank deposits in the banking system to the extent of $9,900,000,000.[8] It may be doubted that this manipulation could have been undertaken had our currency been redeemable.

The plea of our Federal Reserve and Treasury authorities that they should be free of any restrictions which gold reserve ratios and redeemability could ultimately place upon them finds its answer in what tends to happen when monetary managers are given such freedom. Monetary managers have not done well even when these ultimate restrictions have operated to call a halt on their great expansion of credit; but the story of monetary management has been infinitely worse when these managers have been free of these restrictions. The common practice today is to ignore these facts as though they did not exist.

We are living in a period in which the money managers, who want great, or practically abso-

5 Although this is one of the functions of gold, the fact should be recognized that gold is perhaps the most readily marketable commodity in foreign trade. As a consequence, gold movements are not confined to the settlement of some adverse balance of payments; they may be in response to many desires—to buy goods or services, to seek a place of safety, to escape currency depreciation, to buy another currency, and so on.

6 On the causes of the continued expansion of credit and of Federal Reserve notes, the Federal Advisory Council made the following statement to the Federal Reserve Board on May 18, 1920: "There are many contributing causes, of which the following may be regarded as paramount: (1) We recognize, of course, that the first cause is the Great War; (2) great extravagance, national, municipal, and individual; (3) inefficiency and indifference of labor, resulting in lessening production; (4) a shortage of transportation facilities, thus preventing the normal movement of commodities; the vicious circle of increasing wages and prices."—*Seventh Annual Report of the Federal Reserve Board* (1920), p. 602.

7 As a part of the way of doing things then current, Congress also gave the Federal Reserve banks authority indefinitely to use direct obligations of the United States as collateral security for Federal Reserve notes.

8 An account of this manipulation is given in a pamphlet by this author entitled *The Manipulation of Our Federal Reserve Bank Notes* (Economists' National Committee on Monetary Policy, 1 Madison Avenue, New York, 1944), 31 *pp.*

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Contentions of Advocates Of Irredeemable Currency

lute, freedom from any ultimate restrictions on themselves, have been able to make a majority of Congress and many of our people believe that their shortcomings in currency management were not really their shortcomings but rather a manifestation of the evils inherent in a gold standard and a redeemable currency. They ask for freedom to regulate the people's currency, but they do not wish the people to have any effective power to put any brakes on them at any time.[9]

The people of a nation are headed into trouble when they permit any such powers to reside in the hands of money managers. The lesson on that procedure has been repeated many times. If we are not intelligent enough to understand and to profit by it, we may be destined to learn it by first-hand and bitter experience.

Undoubtedly one of our great difficulties in respect to profiting from lessons experienced many times by others is an apparent conviction on our part that we are exempt from such experiences. We like to deplore the cry of Wolf! Wolf! We like to say, "Well, it hasn't happened yet!" Indeed, we seem to take the position that a sequence of unpleasant events that recurs with a high degree of regularity for others need not concern us unless the event that is supposed to arrive in due course arrives promptly and in advance of the predicted date as proof that the event will arrive! Until it occurs, we pretend that we have no satisfactory proof; the evidence on probability does not interest nor convince us; we are convinced only when the unpleasant event engulfs us. We seem to be inviting that sort of result for the people of the United States by continuing to adhere to a system of irredeemable currency.

The contention that the gold standard can operate only under favorable conditions

It is often stated by opponents of redeemability that the gold standard is a fair-weather standard and that since conditions are as they are it is both unwise and futile to institute a redeemable currency.[10] That contention raises the question of whether the conditions now prevail in the United States under which it could operate. Advocates of redeemability maintain that they do exist and have existed since the reopening of the banks in 1933. Evidence as to ratios demonstrates that to be a fact. But, in general, opponents of redeemability ignore such factual data; their arguments are fundamentally and essentially a defense of a governmentally-managed economy of which an irredeemable currency is a necessary part. Their basic position is that the people should not have the power over a government which a redeemable currency places in their hands.

Furthermore, when they point out that the gold standard cannot stand up under all conditions, they rarely if ever deal accurately with the logic involved in that contention. For instance, they neglect to point out that anything devised by man can be destroyed by man. Because there are limits to the abuse which gold will take from man—it will flee, if it can, to places where greatest value is attached to its services—people condemn it rather than the abusive practices that cause it to seek places of safety. Among varieties of money, gold stands at the top in value; but, like a fine watch or automobile, its best and proper use presupposes intelligence, rather than abuse. When it seeks safety to escape abuse, it leaves its abusers with silver, copper, nickel, or irredeemable paper. Then, by a peculiar process of reasoning, those left with a cheap paper money, which can be manufactured as rapidly as the printing presses can run, begin to argue that this is proof that an irredeemable paper money is superior and preferable to gold since it can stay with them despite any abuse. The simple facts are that an irredeemable currency not only stays with those who abuse better currencies but it tends to expand and to grow with abuse and to carry the abusers to their destruction.

Irredeemable currency is man's monument to his abuse and poor management of gold and a redeemable currency — the currencies to which the world attaches the greatest value.

The advocacy of delay in the institution of redeemability

Many who seem to find no satisfactory grounds on which to defend our system of irredeemable currency as one that we should wish to retain indefinitely nevertheless advocate delay in the institution of redeemability.

The common assertions are that the time is not propitious, we should wait until European countries stabilize their currencies, we cannot have a redeemable currency until other countries adopt a gold standard too, we must first reduce Federal expenditures and balance our budget, we must wait until we have the conditions which would insure the successful operation of the gold standard, we must wait until we have settled our differences with Russia lest Russian agents stir up runs on our banks, and so on.

None of these arguments has any validity. In general they seem to be offered as excuses by those who cannot readily be required to offer proof as to their validity. In part, they are the common material of those who employ hit-and-run tactics in opposing prompt provision for redeemability. In part, they seem to be the tools of those afflicted with what might be called a case of pernicious inertia but which is apparently regarded as a manifestation of wise caution. That they belong to the field of psychology seems clear.

The propounders of such arguments seem not to consider the fact that we have already delayed redemption for a period of seventeen years; that our gold ratio is ample to support redeemability; that this ratio has fallen from 24.6% in 1941 to a present ratio of 13%, and that, in the face of our Federal government's profligate spending and deficit financing, the sands of time are running out on this country with dangerous rapidity; that the delay they advocate is an invitation to continuation of wasteful Federal spending and to the introduction of thorough-going statism in this country. They ignore such facts as that we maintained a gold standard and redeemable currency during World War I and down to 1933 on gold reserve ratios ranging from 6.7% to 10.9%; that we maintained a redeemable currency while currencies abroad were depreciating, being devalued, and collapsing; that while Europe was experiencing such chaos during World War I and in the 1920's our dollar was regarded, and properly so, as a factor of stability in a world of great instability; that we maintained a redeemable currency during the period of unbalanced Federal budget in 1917, 1918, and 1919 with the budget unbalanced to the extent of $13,363,000,000 in 1919; and that, in so far as foreign central banks and governments are concerned, we have been maintaining a gold standard and redeemability at $35 per fine ounce for a period of seventeen years.

This author has yet to see an advocate of delay in our return to redeemability produce an argument that is supportable. Such advocates are engaging in a dangerous enterprise despite the fact that by conventional standards many of these people are commonly rated as among our most responsible leaders. They undoubtedly have fears regarding redeemability — perhaps in many cases arising from a confusion of those attitudes of people, including their own, which characterize a period of irredeemability with what they incorrectly suppose would exist if redeemability were instituted. Being thoroughly conscious of these fears under an irredeemable currency, they clutch at any vague argument that would seem to enable them to oppose with respectability a change to a state of affairs they obviously fear might be undesirable.

The fact that they cannot, and do not, produce evidence in support of the vague arguments they offer as an excuse for delay seems to be brushed by them to one side with relative ease. This is apparently because those who resort to this procedure cannot be held to an accounting before a critical and competent jury able to say publicly, "You stultify yourself unless you produce facts that will support your assertions."

The continuation of an irredeemable currency in this country is a dangerous undertaking. Every supposedly - responsible person who speaks out in public on this matter has the obligation to be as accurate as possible. It seems reasonably clear that for many people the battle over redeemability versus irredeemability is a sort of game in polemics or politics rather than a matter of scientific procedure in dealing with facts and principles. Congressmen seeking facts in respect to redeemability versus irredeemability will not get help in support of redeemability from that active group of economists who are Socialist or advocates of a governmentally-managed economy in some other form since an irredeemable currency is a necessary instrumentality of a dictatorial government. It is on the side of Socialists, Communists, and advocates of other forms of a governmentally - managed economy that the proponents of delay in instituting a redeemable currency find themselves.

For the first time in our history we have had, since 1933, a government that has been willing to take advantage of the ignorance of the mass of people regarding the principles involved in a redeemable versus an irredeemable currency. Similarly, for the first time we have had what appears to be a majority—or at least an aggressive minority—of the academic profession in the social science fields rushing into, and giving support to, a political movement in the direction of a governmentally - managed economy.

During past suspensions of specie payments in this country, there have been statesmen of the type of John Sherman who recognized full well that popular understanding and attitudes in respect to irredeemable currency were not reliable guides as to what is good or bad in money and who set about to give the people a good money despite the inability of the mass of people to distinguish the good from the bad in money and monetary principles. That sort of statesmanship has been lacking since 1933, and, unless it emerges, our people are apparently destined to continue with the poison of irredeemable currency permeating their economy and political and social system until a day of reckoning teaches once more a very old and oft-repeated lesson.

The advocates of delay in instituting redeemability are inviting that danger and result.

[EDITOR'S NOTE: The foregoing is the second of three instalments in which we are presenting Dr. Spahr's paper. The concluding instalment will appear in the "Chronicle" of Mar. 2.]

9 Some of the members of the Board of Governors and their staff have even gone so far as to urge that the Federal Reserve banks not be curbed or hindered by any reserve requirements.

10 Occasionally one can read or hear the contention advanced that the gold standard could and did operate only when most of the countries were on a laissez-faire basis. Laissez faire is a concept; it apparently never operated in pure form in any important degree; there has always been government control or regulation in some degree. That variety of argument or straw man is of the same class as the common assertion that the gold standard was, or is, an automatic standard.

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Observations . . .

loss of freedom. On the other hand, Food Minister Strachey writes under the appealing caption "Less 'Liberty' and More Life" (in "Why You Should Be a Socialist"): "When our contemporary kind of liberty was at its greatest, the oppression of the wage-workers was so terrible as to amount to almost complete slavery. There is far less 'liberty' of this particular, one-sided kind, in Britain today, than there was 140 years ago. There are literally hundreds of things which employers could then do, and which workers could agree to, which are now against the law. For instance, 140 years ago you could agree to work sixteen hours a day, and you could start doing so at six years old. Now the law prevents you doing that. When the laws were passed which forbade that, men got up in the House of Commons and said that this was a gross and unpardonable infringement of the liberty of the subject."

That Fair Deal Appeal

The electoral battle is between this kind of argument expounded by the solicitor-for-the-underdog candidate on the one side, versus the security-necessitates-regimentation rebuttal. A great difficulty of the anti-Socialist position in any democracy is that he must combat the urge of the man-in-the-street, irrespective of the verbiage or the logic, to give in to the "glandular" feeling that only the "Fair Dealer" genuinely has his interest at heart.

It is true that today the real Forgotten Man is the taxpayer who is expropriated to do the supporting and the subsidizing—and not, as depicted by Mr. F. D. Roosevelt Sr., the under-subsidence level recipient. But in the political arena, the decisive fact is that the receivers *outnumber* the givers.

Reasoned and logical condemnation of rent control on the broad merits can win a handful of votes. But the offer of material protection against "that unconscionable real estate lobby" wins elections.

Recently in England this columnist discussed individually with a number of Conservative M.P.'s their campaign strategy for reelection—with the finding that their task has been most difficult, with the inevitable compulsion—as it is on the Republicans here—to resort to "Me-Tooism," or "quasi"-Welfare stateism. Recognizing the difficulty of anti-Welfare-ism here, Governor Dewey in his recent Princeton lectures cautioned the Republicans that they must try to prove the "Fair Deal" is not "Welfare" but ruin.

Precept Versus Bread

"Man cannot live by bread alone" is a wonderful and valid precept—but awfully difficult to put over to the voters! In addition to "Santa Claus-ism," other continuing difficulties face the anti-Socialist liberals in all countries. Chief of these are popular-sounding slogans and fetishes. For example, take the term "Full Employment" which here as well as in England, has been masterfully concocted as a wonderfully-effective catchword to justify infliction of government controls. If a candidate realizes that as a true fact in objective economics, **full employment** *per se* should not constitute a first charge on the economy, that the concept is inflationary; and that instead, the emphasis should be on full **production**—nevertheless, he cannot say so, any more than he can be for sin, without committing stupid political suicide. To do so lays him open to the effective "go-back-to-McKinley-or-Hoover" taunts.

In the same way, the term "Welfare" is something sacrosanct that a political candidate must be "for." It has marvelously reassuring connotations—friendly, comforting, and brimful of emotional security.

Quite apt is the London "Economist's" (Feb. 18, 1950, p. 350) following description of one of the three "essential elements" in a voter's decision: "If the success of democracy depends upon the ability of the people to reach sound conclusions on a clear view of the facts, is it better to put into office a party that dares not say in public what it believes in private, or one that really believes in private the nonsense it talks in public?"

Complacency too is a foible difficult to overcome. Similar to the chidings of one drunk to his mate for worrying about his doctor's forebodings of stomach ulcers which have not yet materialized, was President Truman's last week's chastising of the Republicans for having "erroneously" predicted financial ruin because of government spending since 1933.

And the foreign issue is difficult to make a live one. The voter resident in the British Isles doesn't realize that his country's stock in international relations has never stood so low; from India to Arabia to Israel to San Francisco.

* * *

Thus the British election will constitute a landmark in the course of the democratic process in showing the relative weight of the objective issues on the one hand, and of subjective material and psychological self-interest on the other, in the electorate's choosings. And, incidentally, it will give light on the conjectures whether *anyone* other than Governor Dewey could have defeated **Mr. Truman in 1948. Perhaps it will prove that the only trouble with the Dewey mustache was that it should have been supplanted by a Santa Claus beard.**

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United Nations Experts Propose Nationally Planned Economies Subsidized by U. S. A.

provide employment and maintain a free society. We hold the view that a government has no means to maintain full employment except in a totalitarian society. In a brochure published in England by the Workers' Educational Association on the problem of full employment, the author of the study, Mrs. Joan Robinson, who is the spiritual mother of the "full employment" doctrine or myth, makes the following interesting statement:

"The only example known to history of full employment under partially planned capitalism (except in wartime) is the Nazi regime. The Nazis succeeded in overcoming the problems created by full employment because they had first broken the labor movement. Discipline in industry was ensured by substituting terror, along with a mystical propaganda appeal, for the fear of unemployment. The vicious spiral was cut at the root by fixing wages."

Assumes U. S. Full Employment Pledge

The report right from the beginning attempts to demonstrate that the United States is pledged to a full employment policy by its signature of the United Nations Charter. However, on one side, the U. N. Charter does not define full employment; and on the other side, Articles 55 and 56, read together, state that the United States pledges itself to take joint and separate action in cooperation with the U. N. for the **"promoting"** of full employment. It is not very clear what the drafters of the Charter meant by "taking action for the **promoting** of full employment." No country or government likes widespread and prolonged unemployment. Therefore a policy against unemployment is, so to say, a matter of course. We fail to see, however, how the United States could possibly have pledged itself to take action to eradicate unemployment, and have perpetual full employment. We doubt that the United States Government has pledged itself to do something that it cannot possibly do and maintain a free society. Besides, a pledge **"to take action** designed to achieve and maintain full employment" (which, by the way, is the language used in Article 3 of the I.T.O. Charter) was hotly debated and turned down by Congress in 1945 (the so-called Murray Bill), and Congress adopted "The Employment Act of 1946" which provided carefully worded safeguards to possible actions of the government in matters of employment. It is also interesting to note that "The Employment Act of 1946" was passed by Congress after the signature and ratification of the United Nations Charter.

(3) The report published by the U.N. states: "In the successful attainment of the twin goals of full employment and the creation of a relatively free multilateral trading system, the former must certainly take precedence over the latter: while countries can pursue full employment policies even without a multilateral trading system, the restoration of multilateralism without the attainment of internal economic stability in the trading countries is impossible." It is no wonder that such a statement should be found in the report published by the United Nations, which fundamentally is a plea for planned economy and state control of economic activity. We find in this statement by the experts the same thinking as in the Havana I.T.O. Charter. Therein also precedence is given to nationalistic economic policies over international economic cooperation.

The report, like the I.T.O. Charter, shifts the emphasis from the pursuit of freer trade to the pursuit of national full employment. Employment is not, for these experts, an aspect of a well-functioning economy, but an aim in itself.

It is evident that trade is greater among prosperous countries than among depressed ones. It is, however, also true that employment increases with the expansion of trade. But the nationalistic socialistic-minded countries which worked on the I.T.O. Charter were decided that the issue "trade through employment" or "employment through trade" should be solved in favor of nationalistic economic planning.

Nazi Germany had full employment, but also exchange controls and import quotas. Socialistic economic planning of economic activity inevitably creates balance of payments difficulties and therefore requires exchange controls and import quotas, the most diabolic instruments against international economic cooperation. The London "Times" of Jan. 20 reported the following statement made by Mr. Harold Wilson, President of the Board of Trade:

"Basic controls, such as those of the location of industry, **foreign exchange**, and the volume of investment, will be maintained as **permanent instruments** to ensure the maintenance of our economic position and the fulfillment of our full employment programme."

As if this statement were not enough to clinch the argument, one can read in a publication issued by the Labor Party, "Feet on the Ground, a Study of Western Union," the following statement:

"Little has been said about the relationship between a western union and socialism. . . . We as socialists believe that the type of economic planning and social reform required is incompatible with the survival of competitive capitalism."

(4) It ought to be obvious that the first essential for the cure of any malady is to have a clear diagnosis of its nature. Admittedly not all depressions are alike. The report is mainly directed to one sort of depression in one sort of country, particularly the United States (a diagnosis on the usual Keynesian pattern, completely inadequate). But the report does not consider the case of a country which maintains employment by inflation and thereby becomes unable to pay for its necessary imports of raw materials, which is, for instance, presently the case in Great Britain.

Concerned With Symptoms Not Roots

The report is mainly concerned with the symptoms of economic disorders but not with the root causes. The experts, therefore, propose various gadgets, mainly of an automatic nature, to cure unemployment. The whole approach to the problem is as if ours were a mechanical world. The report recognizes that the methods proposed are still in their infancy, and yet by over-simplifying the difficulties of the problem they propose devices which may work or not, and which may undermine our social economic structure. As the London "Economist" puts it:

"Perhaps the greatest present threat to it (the full employment policy) lies in the over-confidence of governments that they have mastered the trade cycles."

Professor Alvin Hansen in his book "Economic Policy and Full Employment" states:

"Modern governments are just at the threshold of this great experiment (mastering the trade cycle). We are, however, still in the kindergarten stage."

Specific Objections

We wish now to comment specifically on a few points in the report:

(a) The report states, in paragraph 75, "this stabilizing influence, moreover, will be all the greater the larger the normal share of governmental expenditure in the total national expenditure." We believe that this view is completely erroneous. High government taxes make for high prices. High government expenditures mean high government taxes. High government expenditure is disruptive of the flow of savings at its source and destroys the incentive essential to individual enterprise.

(b) The report minimizes the danger of inflation in countries which make full employment the over-all objective of economic policy. We are referring not only to the balance of payments difficulties which are an inevitable result of socialistic economic planning for full employment, as proven recently by Great Britain and by Sweden: we are referring to the danger of inflation created by full employment policies. Mrs. Joan Robinson makes the following pertinent remarks in her brochure on the problem of full employment to which we referred before:

"Another problem created by full employment is the tendency to inflation. When labour is scarce relatively to the demand for it the Trade Unions are in a strong position to force wages up, and employers do not object to raising wages since it is easy for them to pass on extra costs to the consumer in the form of higher prices. But, as prices rise, the workers demand still higher wages, and the "vicious spiral" of wages and prices sets in.

"A continuous rise of prices involves serious dangers. First, it brings about an arbitrary and unfair change in the distribution of income, all those with incomes fixed in terms of money suffering a loss of real income. The worst suffers are pensioners, and the workers who are ill-organized and do not succeed in getting their wages up as fast as the rest. The most vocal sufferers are the middleclass bondholders and salary earners. The loss of their good will may have serious political consequences for the government attempting to carry out a full employment policy.

"Second, a general expectation of rising prices may lead to a complete collapse of the value of money such as occurred in the great inflations on the Continent after the last war.

"To a remarkable extent an appeal to the patriotism of the Trade Unions during and since the war has kept the 'vicious spiral' within bounds, but the position has been, and remains, highly precarious."

Dr. Nourse, who resigned last November as Chairman of the President's Council of Economic Advisors, recently stated that "the unions were generally looking to the Federal Government either to strengthen further their legal position or to supplement their incomes . . .; they seem willing to accept dollar gains on the basis of the Federal deficits and are not much concerned at the inflationary results in either deficits or wage rises that induce equal or greater price advances." It is, therefore, strange, to say the least, to find in the report the following statement in Para. 84 dealing with full employment and inflation:

". . . it is nevertheless true that the government's general responsibilities for maintaining the stability of the price level are enhanced by their adoption of full employment policies."

Price Stabilization Theories

(c) The experts consider that it is the responsibility of the government to stabilize the price level. They believe in panaceas to solve our economic problems. In the last fifty years, there are few subjects on which so much ingenuity and ink have been used as on the question of stabilization of prices. First of all, the experts seem to forget that the greatest depression we have ever known started after a relatively long stability of the price level. In point of fact, it is this stability which fooled many an economist in the belief that they were living in a new era. Those who favor a government policy for the stabilization of the price level are thinking mainly of the monetary aspect of this question. The fact that money, and its role in an economy, has for most economists a mysterious character leads them to believe that they can manage the monetary system so as to secure the stability of prices. They don't seem to realize that the level of prices is influenced by money but also by production, and that, therefore, even if we assume that they could manage the money side of the equation they would also have to control the production of goods in the world. Professor Charles Rist, one of the greatest living economists, recently stated:

"One should say without hesitation that the stabilization of prices is like squaring the circle. There is even an unwitting deceit to let the public believe that the economists and the government have available means capable of insuring the stability of prices, either in the world or in a particular country. It would be a great achievement if we could only convince the governments not to themselves create instability of prices in the world by the creation of paper money and the maintenance of disorder in their economies."

(d) In the discussion of the international aspects of full employment policies the national consequences of what the report calls "the international propagation of cyclical fluctuation" are overstressed and therefore nationalistic remedies are proposed. Here again the experts are concerned with the symptoms of economic disorder rather than with the causes. They hardly take notice of the existence of the price mechanism and the market place for the reestablishment of equilibrium between imports and exports. Instead of thinking in terms of solidarity of world economy, they argue in favor of insulating nationalistically planned economies from countries which may not be able to avoid a certain degree of economic depression or recession.

We are of the opinion that if a country, pursuant to a depression, suffers a reduction in its exports, such a problem can be solved not by the economic insulation of such a country, but by close economic cooperation with other countries and by the flexibility of its cost-price structure.

"International" Recommendations Unrealistic

The so-called "international" recommendations related to the full employment policy are most unrealistic. For instance, the experts recommend a stable flow of international investment by government, for economic development of underdeveloped areas. We believe, however, that there is a strong conviction in the United States, shared by practically everyone, that private capital and not our government should make the major contribution to the economic development of undeveloped areas. The experts' report also contains a proposal for stabilizing the flow of international trade through the machinery of the International Monetary Fund. The plan provides that countries which experience a decline in their imports, as compared with a given selected year, shall deposit with the Monetary Fund an amount of their own currencies equal to that decline, less any fall in exports. These funds would be made available to countries which had experienced a decline in exports and which assumedly would manage their economy so as to maintain full employment. This proposal amounts to a kind of penalizing of countries which may be suffering from unemployment and therefore may experience a fall in their imports. This proposal would involve liability for potentially large and indeterminate payments. No country will be willing to commit itself blindly, in advance, to payments of possibly considerable magnitude. Both the London "Times" and "The Economist" think that this proposal, while new, is too theoretical and over-ambitious. It seems to us that this is the least that can be said about this unrealistic proposal.

(e) The London "Observer" of Jan. 22 remarks that the proposal for the maintenance of domestic full employment is primarily addressed to the United States. The London "Economist" in its issue of Jan. 28, with reference to the proposal for stabilizing the flow of international trade, states that "the report clearly has the United States in mind when it contemplates a reduction of imports as a result of unemployment."

Main Recommendations Slanted At U. S.

It is obvious that the main recommendations of the report are directed at the United States. On the argument that our country is pledged to maintain full employment constantly, the United States is requested to make readjustments and material sacrifices so as to enable other countries to isolate themselves from the rest of the world in order to pursue nationalistically planned economic policies. This conception of a world economy and international cooperation seems to us simply fantastic, particularly so from experts selected by the United Nations.

Taylor & Company Is Formed on Pacific Coast

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Taylor & Co. has been formed with offices at 170 South Beverly Drive to act as dealers in government, municipal and corporation securities. Partners are Gifford Phillips, Howard L. Taylor and Roland Maroney. Mr. Taylor was formerly associated with Sutro & Co.

Davies & Mejia Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Frederick P. Kimbley is with Davies & Mejia, Russ Bldg., members of the New York and San Francisco Stock Exchanges.

Now Sole Proprietorship

(Special to THE FINANCIAL CHRONICLE)

QUINCY, ILL.—Frederick A. Lagemann is now sole proprietor of Lagemann & Son, Illinois National Bank Bldg.

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Financial and Economic Aspects of Social Security

while the cost of living has risen about 69%. But, in addition, a large expansion of nonwage labor costs and nonwage income has taken place. A recent comprehensive study of these supplementary benefits and costs indicates that they average about 15.4% of payroll 20.5c per hour, or about $424 per worker per year. These figures include only employers' expenditures for private pensions, cash sickness benefits, paid vacations and many other items, as well as compulsory social security expenditures.[6] They are based on 1947 data. Since then, these items have grown substantially, and are destined to grow still more. To a large degree they are a part of our social or economic security programs. They must be financed.

Social security programs generally begin on a modest basis and subsequently expand. Dr. Palyi says: "Institutions on the political level are subject to the dynamics of the political arena." In 1929, about $1 billion was expended on a needs basis and by 1947 this figure exceeded $12 billion, 6% of all personal income, and almost twice as large as the dividends of all American corporations.

The accompanying table indicates the prospective growth of social security. The actuaries of the Social Security Administration make estimates from time to time of these costs. Because of many indeterminate and uncertain factors, they make both "low cost" and "high cost" estimates. This table is in part based on such estimates.[7]

BENFITS AND COSTS

Estimated Aggregate Cost of Major Social Security Programs and Veterans' Benefits, 1960-2000*

(In billions of dollars)

I. Low-Cost Estimates

Program—	1960 $	1970 $	1980 $	1990 $	2000 $
All benefits under H.R. 2893 except Temporary Disability	4.65	7.54	10.07	12.15	13.24
Temporary Disability	1.45	1.56	1.65	1.75	1.87
Compulsory Health Insurance	6.60	6.90	7.20	7.30	7.40
Unemployment Compensation	2.95	3.12	3.30	3.50	3.74
‡Workmen's Compensation	---	---	---	---	---
Total major insur. programs	15.65	19.12	22.22	24.70	26.25
Public Assistance	.90	.80	.70	.60	.50
Veterans' Benefits	5.00	6.00	7.00	6.00	6.00
Total Low Cost	21.55	25.92	29.92	31.30	32.75

*"Cost and Financing of Social Security," Brookings Institntion, Washington, 1950, page 149.
‡No satisfactory data available.

II. High-Cost Estimates

Program—	1960 $	1970 $	1980 $	1990 $	2000 $
All benefits under H.R. 2893 except Temporary Disability	7.16	10.91	14.69	18.27	20.60
Temporary Disability	2.18	2.34	2.48	2.63	2.81
Compulsory Health Insurance	15.50	16.30	17.00	17.20	17.30
Unemployment Compensation	4.43	4.68	4.95	5.25	5.64
‡Workmen's Compensation	---	---	---	---	---
Total major insur. programs	29.27	34.23	39.12	43.35	46.35
Public Assistance	1.50	1.20	1.00	.80	.60
Veterans' Benefits	5.00	6.00	10.00	9.00	8.00
Total High Cost	35.77	41.43	50.12	53.15	54.95

‡No satisfactory data available.

It will be noted that for the following major hazards: old age, temporary disability, compulsory health insurance, unemployment compensation, public assistance and veterans' benefits, the "low cost" estimate for 1960 is approximately $22 billion. The "high cost" estimate is $36 billion, not far below our present Federal budget for all activities of the government.

These estimates assume, of course, a certain growth in the labor force and in the economy. If this growth takes place, the relative burden 10 years from now will not be as high, or seem as high then as it does from this vantage point.

Allowing only for existing and urgently proposed plans, one study indicates that the total cost of compulsory programs will amount to from 20 to 23% of payroll, the bulk to be borne by employers.[8] The following is a summary of this analysis:

Cost as Percent of Covered Payroll

Program—	
(1) **Old-Age and Survivors' Insurance** — Under existing benefit provisions cost will come to 6 to 8% of payroll. Pending proposals to increase benefits and to add to disability protection, along with other proposed liberalizations, will more than double these figures. So—and it's a fair estimate—let's say	14%
(2) **Socialized Medicine**—No one knows what a system would cost in the United States. Certainly statements by proponents cannot be taken as a guide. However, foreign experience and some domestic studies suggest that such a system could not operate on less than	5%
(3) **Unemployment Compensation**—More than 12 years of experience indicate that this type of protection costs about	2%
(4) **Workmen's Compensation**—The cost, because of experience rating, varies widely: as a rough average, however, this protection costs	1%
(5) **Cash Sickness Insurance**—Our limited experience suggests that this program costs at least (More, if cash maternity benefits are provided.)	1%
Total of the foregoing	23%

Whether we can absorb this burden will depend a great deal on how it is financed. It needs to be noted that to some extent these burdens must be borne whether we have social security or not. Compulsory health insurance, or "free" medicine, will lead to more expenditures on health. But, in part, this program would take the place of what is now and would be expended by private individuals without health insurance. The same is true of some of the other programs.

The Incidence of Payroll Contributions

There has been a disposition in this country to levy a very high proportion of premiums and tax contributions upon employers. But they are a penalty on job-making. They are a tax on a factor of production, labor, and the higher they are, the more will the employer be constrained to disemploy labor. Only in the case of old-age and survivors' insurance is the burden divided equally between beneficiaries and employers. Employers finance unemployment compensation; they finance workmen's compensation. Under most voluntary programs, the employers finance the bulk of the temporary disability costs either through wage continuation plans or other systematic programs. Many employers provide pensions, life insurance, hospital insurance, and, to some extent, surgical insurance to their employees without cost to them. A close analysis probably would show that employers today finance three-fourths or more of the cost of all compulsory and voluntary insurances. The remainder is paid for by the workers. Relief needs are financed by general taxation resting heavily on business and upper income groups.

The incidence of social insurance premiums or taxes is complicated and uncertain. The levies upon workers undoubtedly for the most part rest on workers. The levies upon the employers initially tend to drain the employer's working capital and reduce profits. While profits are generally defined as a residual income, they do perform an essential function in our economy and are a cost. They cannot be destroyed or even reduced substantially without, concurrently, creating unemployment because they are payment for an indispensable function.

In every line of business there are high-cost and low-cost producers. The former undoubtedly could absorb part of these payroll costs. Insofar as output of the high-cost producers (marginal) is required to meet the total demand for the product or service, the increased labor costs as expressed by payroll levies must find their way into the cost and price structure of the industry. For this reason it must be concluded that, by and large, these payroll levies upon employers do not come out of profits, but rather find their way into the wage-cost-price structure. Most economists would say that these burdens are absorbed either by retarded wage increases or by price increases, or a combination of the two.

Were we able to maintain a steady rise in output per man-hour, and were the workers not unduly persistent in pressing wage increases, there is no inherent reason why financing on a moderate benefit scale of the major economic hazards such as unemployment, old age, illness, etc., cannot be done through these payroll levies.

Anglo-Saxon society has always taken care of people in need. Formalized social security may take care of these needs on a somewhat more liberal, or some would say, on an extravagant, level. Some of the social security programs are expensive to administer, and thus part of our human and other resources are diverted to administration.

Furthermore, because these formal social security programs set up some presumption as a matter of right in favor of replacing wage losses or providing other benefits, there is a constant tendency in a democracy for a relaxation of standards and qualifications. For this reason all of these programs are likely to be more costly over the long run than is initially or commonly assumed.

The modest cost of unemployment compensation (1.5% of payroll in 1948) to date is no proof that this favorable condition will continue. This program has existed in substantial form only during the post-depression decade of unprecedented prosperity and high employment. Several states are already forced to raise the tax rates, New York to the maximum of 2.7%. The real test still lies in the future.

Demands for liberalizing benefits and relaxing the qualifying standards are persistent. These programs began with the idea of compensating short-run unemployment of 13-15 weeks. Today, 22 states compensate five months or longer, and a recent bill introduced in Congress would extend benefits for two years.[9] The pressure for financing strike benefits and for payment of benefits to the worker who gives up his job for "suitable" personal reasons is strong. The Department of Labor, now housing the Bureau of Employment Security, is vigorously promoting relaxation all along the line. This will mean a further shift of incomes from the working elements of society to those not working.

The penchant to look only at benefits and ignore costs is more prevalent than is commonly supposed.[10] Government bureaus have generally understated and underestimated costs. Labor leaders seeking more public and private benefits, frequently ignore the cost side completely. Thus, L. S. Buckmaster, President of the United Rubber, Cork, Linoleum and Plastic Workers of America—CIO, in comparing a rubber tire company's private plan with OASI, said: "Significantly, the cost for the $37 a month under the private program amounts to almost 6% of the employee's earnings, whereas under the Federal program the cost of the $48 pension amounts to only 2%." This is an understatement of costs by several hundred percent.

Conclusions

President Truman has repeatedly asserted his dislike for deficit financing. He argues, however, that we are at a critical period in history, and asserts that when we get over this difficulty the normal growth of the economy will make bearable our present social security program and general tax burden.

This is a commendable outlook, but history will probably demonstrate it to be unrealistic for some combination of the following reasons:

(1) We cannot be certain that the prewar rising trend of per capita production will be resumed.

(2) Our postwar prosperity was fed by a plethora of liquid assets and inflationary buoyancy.

(3) The "cold war" is almost certain to continue without substantial let-up.

(4) That Western Europe will become self-supporting is doubted by many.

(5) Governmental expenditures of virtually every variety are pressing for expansion at Federal, State, and local levels. We have just embarked on public housing. Federal aid to education is being pushed with much force. H. L. Mencken, the sage from Baltimore, once said that if the politician found that he had cannibals among his constituents, he would promise them missionaries for their Sunday dinner.

(6) We are subsidizing important sectors of our economy. We are expanding the scope of non-revenue producing governmental activities.

(7) With the excessive pressure for tax revenue, it remains an open question whether we can expand our job-making facilities at an adequate rate.

(8) The syndicalistic policies of our labor unions are to a considerable degree antiproductive. Their expanding encroachments on the freedom of management will thwart production.

(9) Even if we get the kind of economic expansion for which we hope, there is little reason to believe that governmental expenditures will constitute a reduced share of our national income. The growth of the population and the expansion of new regions will entail heavy public outlays for a wide range of facilities and services.

Undoubtedly, we can finance a minimum layer of basic protection for people in need, but there can be no doubt that we will be confronted with more severe testing as to the priorities of public expenditures.

For these reasons, the Brookings Institution goes so far as to suggest that we abolish old-age and survivors' insurance entirely, and substitute a modest pension, financed by a flat-rate income tax, for people in actual need. This is not an attractive solution to most people, but it is of some significance that this research institution would come to such a conclusion after a comprehensive survey of the *total* pressures upon our economy.

The basic characteristic of "the welfare state" is the separation of the individual's income from his economic contribution. The theory is that people's income should not be tied, or at least should not be too closely tied, to their economic value to society. This means a growing potential destruction of incentives—incentives for beneficiaries to work and incentives to save, to invest and to expand our productive capacity for those who bear the tax burden.

This is a grim prospect. We should not lose sight of the fact, however, that America is not Europe. We still have an abundance of resources, vitality, know-how, and a considerable range of incentives. The potentials for economic progress almost defy the imagination. But progress is not automatic. The hurdles are great, but not insurmountable.

But of far greater importance than social security is a healthy, dynamic, effectively-functioning economic society. This will minimize the economic hazards, reduce the number of people in need, and provide the only foundation on which security can rest.

6 *The Hidden Payroll*, Chamber of Commerce of USA, Washington, 1949, 50c.

7 For cost estimates of H. R. 6000, see "Actuarial Cost Estimates for Expanded and Liberalized Benefits of H. R. 6000," by Robert J. Myers, prepared for the House Committee on Ways and Means, 1949.

8 *Nation's Business*, Washington, May 1949, p. 54.

9 For a tabular presentation of the liberalization of benefit formulae and standards in state laws see: *American Economic Security*, Chamber of Commerce of USA, Washington, December, 1949, p. 30.

10 For a little-known but important critique of the 1949 Steel Industry Board decision see: "Some Anomalies in the Steel Board's Report," by T. R. Iserman, attorney, New York City.

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Treasury Tax Proposals— Analysis and Suggestions

at the source and the small stockholder whose tax liability is less than that rate presents this tax notice and gets a refund.

An increase in the corporation income tax is also an increase in the undistributed profits tax. Yet undistributed profits constitute a source for expanding and modernizing industry. It is also a reserve for increasing business and employment during depressions. Therefore, the proposal was made by the London "Economist" (September 18, 1943) that the undistributed profits tax be used as an incentive to private employment during depressions. The tax previously paid could either be refunded to the corporation when spent in expansion or the tax due could be impounded by the corporation in a separate reserve, to be spent within a five year period; otherwise the tax becomes payable.

In most foreign countries, the corporation tax is either low or non-existent and taxes are levied on dividends, but undistributed profits are not taxed. Some countries even prohibit paying out liberal dividends and require undistributed profits so as to keep the accounting conservative and to have a reserve for expansion.

Who pays the corporation income tax but the consumer? Studies made for a series of companies under varying corporation tax rates show that the net income on sales was fairly constant. In other words, **the tax was considered an item of cost, and like all costs, passed on to the consumer. The corporation income tax is a sales tax in disguise.** Companies making essential goods, like shirts and shoes, would under the Treasury proposal pass the tax on to the poorest while consumers in the highest income brackets would obtain "relief" on luxury excise taxes. **Why decrease an open sales tax on luxuries and increase the disguised sales tax on necessities?** Pressure for budget economies arises when the sales tax is open, not disguised.

A rise in the corporation income tax on utilities, electric, gas or railroads, will cause a rise in consumer rates, which constitute a burden even on the lowest income groups. As corporation income taxes are increased, utilities should be allowed to adjust their rate schedules so as to shift the tax to the consumer as they now pass on local taxes, either by adding a percentange to the total bill or as a surcharge to the prescribed rates. **The utility company merely acts as a revenue collecting agent between the consumer or shipper and the Treasury.**

The corporation income tax was thus revealed as a true sales tax by the United States Supreme Court when it ruled that a tax on a public utility should be deducted in figuring its net return from rates charged to the cosumer. See Galveston Electric Co. v. Galveston 258 U. S. 388, 399 (1922).

If the increased tax on income of corporations is not shifted to the customer but falls on the stockholder, share prices will fall and new issues of common stock will be difficult to sell. **Thus the necessary expansion of industry, both for peace and defense, will be hampered.** Is not this too high a price to pay for a small increase in revenue?

When the original income tax law was passed in 1913, the normal rate of tax was 1% both on dividends and on corporate income. Therefore, dividends did not pay the normal tax which was considered paid and deducted at the source. Dividends continued exempt only from the normal individual income tax rate even though the corporate income tax rate rose above it. Thus double taxation began. In 1936 when stockholders' dividends were made taxable under normal rates, the same income became subject to deliberate and complete double taxation.

High rates of tax on corporate income and on dividends are a deterrent to private enterprise. **The money taken by the government would be available for lowering costs to the consumer.** An increase in the corporate income tax plus the graduated individual income tax increases the risks of buying stocks. It taxes the little stockholder at a higher rate than if he were a partner in the business. It dries up the source of funds of private enterprise. **A tax on the income of corporations is a tax on employment. The "ability to pay" is also the "ability to employ."**

By reason of the high corporate income tax, the small stockholder in the United States pays a much higher rate than does the small British stockholder. Uniting the corporate income tax and the individual income tax, a stockholder in the United States with a surtax net income of $2,000 actually pays over 50% of his pro rata share of the corporate income.

The burden on the small stockholder was described by Professor W. L. Crum in the "Quarterly Journal of Economies" for February, 1950. His analysis was based on the tax returns filed by millions of taxpayers at 42 levels of income in ranges from less than $750 to more than $5 million. **At all levels of income, the rate of tax on income for stockholders, produced by corporations, is sharply higher than the tax rate on income derived by taxpayers from other sources. This inequity is most striking at very low levels of income.** In the range from zero to $10,000, the rate of federal tax on stockholders' corporate net income is several times, as much as twenty times, the tax rate on income from other sources, according to Professor Crum. The proposed increase in corporation taxes would aggravate this inequity.

A high corporation income tax discourages stock financing and thus checks the expansion of industry, for risk capital is needed as a cushion for bonds. The greater the cushion, the safer the bonds. If yields on old securities are too high due to heavy taxes, prospective buyers will not buy new risk securities. Where a public utility commission limits the return to 5%, or 6%, stock yields of 6% to 7% deter new financing. Again, as stockholders, **educational and philanthropic institutions, which are exempt from tax on their incomes, actually pay the tax through the corporation.**

A rising corporation income tax depresses the price of shares and thus reduces the inheritance tax. When share prices are thus reduced, yields are very high compared to government bonds. But in England where the corporation tax is a withholding tax on the stockholder, stock prices did not fall as much and the yields on stocks are closer to government bonds than in the United States.

The higher the corporation income tax, the greater is the incentive to finance by bonds instead of stock, because interest on bonds is a deductible expense. **Heavy debt is a danger in depressions.** Besides, because the tax must be paid in cash, corporations might be driven to the banks for financing to replenish cash.

The corporation income tax operates against private enterprise and in favor of state enterprise. This is particularly true of utility companies where state-owned utilities pay no Federal income tax and their bondholders pay no income tax on their bond interest.

To offset the adverse effects of the corporate income tax, the dividends on the preferred stocks, like interest on bonds, ought to be deductible from the corporation's taxable income as a prior charge.

III

Individual Income Tax

The present individual income tax is based on the theory that the volume of tax receipts rises with the rates. **But experience shows that if tax rates are reduced, the total volume of tax receipts increases.** Between 1919 and 1929, when tax rates in the higher income brackets were steadily reduced, the volume of taxes increased so that actual receipts exceeded budget estimates and the national debt was cut from $26 billion to $16 billion. Several of the European countries after World War I had a similar experience of lowering income tax rates and collecting more revenue due to the stimulation of business. Within limits, rate reductions may again increase total tax receipts.

IV

Capital Gains Tax

Capital gain is essentially not income. Income is regular and recurrent. It may decline, but it never becomes a minus. However, **capital gain in one year may be followed by capital losses for several years. It is undependable and unpredictable as a source of revenue.**

For example, the receipts from capital gains were as follows:

($ Million)

Year	Actual	Cumulative	Average
1941	— 86		
1940	— 7	— 93	—47
1939	+ 4	— 89	—30
1938	+ 12	— 77	—19
1937	+ 41	— 36	— 7
1936	**+171**	**+135**	**+23**

The above table shows the returns over a period of prosperity and depression. The average receipts for most years were minus and the average for the entire period was insignificant. **The returns for 1942-1945 during the rising market must be analyzed in conjunction with the returns for 1946-1948, not yet published, when the markets were declining.** A true picture of capital gains receipts will not be available until after the next recession. Of course, if the law were ethical and equitable and treated losses and gains alike, instead of limiting deduction of losses, the figures would prove that the capital gains tax is unproductive. It always deters investment and expansion, and is deceptive. Even under the unequal treatment of gains and losses, little revenue is received.

Over a long period of years, capital losses offset almost all capital gains and for short periods, capital losses greatly exceed capital gains.

The distinction between long and short term gains is arbitrary and meaningless. By waiting one day, a taxpayer in the high bracket can cut his capital gains tax from 80% to 25%. **That is fiscal nonsense. The capital gains tax does not reach the rich. Persons in the high income brackets take practically no short term gains.** Only the taxpayer in low income brackets can afford to do so.

On high tax rates, holders do not sell. Therefore, the market fluctuates but produces no revenue. A low flat tax would produce revenue. Senator Connally stated, "As to capital gains and losses, we should make it more attractive to sell, instead of offering a premium to hold." The capital gains tax is not a steady revenue producer but often an administrative nuisance. It is the most difficult and expensive feature of the tax law to administer. **Because a high capital gains tax deters taking profit, it tends to exaggerate the market's rise and, therefore, also the subsequent decline.** The market moves more violently than it did before capital gains were taxable. **A low rate and brief holding period would encourage profit taking, check a wild rise, encourage buying at low prices and thus stabilize stock markets.** Because the capital gains tax makes investors hold rather than sell, it freezes funds, which thus prevents the movement of risk capital from mature situations to new enterprises and new industries.

The capital gains tax is a form of capital levy or an advance or duplicate inheritance tax. It is a tax on the estate of the taxpayer. Therefore, investors tend to hold securities until death instead of risking money in new fields. If a business starting from a modest beginning grows greatly, then the 25% capital gains tax is virtually 25% of the value of the estate. The inheritance tax is 25% at $110,000 of taxable estate. Thus, an investor who has a taxable estate of $110,000 would be subject to a 50% tax if he first paid a 25% capital gains tax, shifted into new securities, and then died, for his estate would have to pay another 25% inheritance tax.

The country is in the midst of an inflation. All prices have risen because the value of the dollar has declined. As real estate and shares rise in value and are sold, the increase represents a paper profit. **Taxing this increase at 25% as a capital gain is unsound and unjust.** First the government depreciates the dollar and then when values rise to reflect the decrease, the government proceeds to expropriate part of the fictitious increase resulting from currency depreciation.

In countries where the currency fell very greatly, the real evil was exposed. In several countries of Europe, the government permitted rewriting the income account and the balance sheet in terms of gold instead of depreciated paper currency and basing its taxes on real values. **There is no capital gains tax in Canada or even in Laborite and regimented Britain** and most other countries.

On the capital gains tax, the record shows that the lower the rate of tax, the greater are the gains realized and the greater the tax receipts. The higher the tax rate, the less is the gain realized and the less are the receipts. I proved this conclusively from abundant Treasury data, available in 1942, by comparing the heavy volume of short-term capital gains taken in various low income groups, with the insignificant long-term gains taken. But in the highest brackets, capital gains were practically nil at high short-term rates and very substantial at low long-term rates.

Comparing the capital gains tax at the peak of 1936 with the peak of 1945 (the latest figures available), **the receipts increased by over 400%, or from $171 to $721 million.** Before the House Ways and Means Committee in 1942 I predicted a rise in receipts to a range of $200 to $600 million (compared with $30 million average for the decade 1931-40) if the holding period were eliminated as against 18 months then in effect. The Treasury spokesman thought my estimate "extravagant." Subsequent statistics even exceeded my forecast. **What was the cause? The increase cannot be due to the rise in rate for this rose only 1.6 times, from 15% to 25%. Was it not the shortening of the period from 18 months to six months? If so, a further reduction from six months to three months should increase the yield still further.**

At present, Congressional tax committees are working in the dark. They should demand the facts brought up-to-date from the Treasury records. The figures would probably show that in the high income tax brackets, long-term gains taken, increased greatly but short-term gains probably decreased. A taxpayer in the high brackets cannot afford to take a short-term gain. Similarly, it would show that in the low income tax brackets, the gains taken were generally in the short-term category, for the taxpayer in these brackets does not have to wait six months for the 50% tax ceiling.

The following data such as I analyzed in 1942 are again required for a meaningful appraisal of the effect of the changes in the 1942 law regarding the rates and the holding period.

Years 1948 to 1950—

Short-term Gains—Losses.
Tax receipts.
Long-term Gains—Losses.
Tax receipts.
Total tax receipts.
Deductions from other income.
Net tax receipts.

We should try for one year the experiment of reducing the capital gains tax to 10% after three months holding and record the results in revenue. Revenue would undoubtedly rise. There would surely be a great increase in transfer tax receipts, increase in income tax receipts from brokers, increase in the number of new issues and a reopening of the market for new stocks.

Midwest Exch. Members

CHICAGO, ILL. — The Executive Committee of the Midwest Stock Exchange has announced the election to membership of the following:

Richard J. Buck, R. J. Buck & Co., New York, N. Y.; W. Power Clancey, W. P. Clancey & Co., Cincinnati, Ohio; Cecil J. Downs, Chicago, Ill.; Thomas Graham, The Bankers Bond Co., Louisville, Ky.; Paul B. Hanrahan, Hanrahan & Co., Worcester, Mass.; John B. Joyce, John B. Joyce & Co., Columbus, Ohio; Burney J. Simpson, Webber-Simpson Co., Chicago, Ill.; William F. Van Deventer, Laidlaw & Co., New York, N. Y.; John E. Welsh, M. W. Welsh & Co., Inc., Vincennes, Ind.

To Be NYSE Members

On March 2 the Board of Governors of the New York Stock Exchange will consider the transfer of the Exchange membership of the late Carl F. R. Hassold to John F. Bunn, Jr. Mr. Bunn will continue as a partner of Bioren & Co., Philadelphia.

The Board will also consider the transfer of the Exchange membership of William M. Walther to Maurice F. Summers on the same date. Mr. Summers it is understood will act as an individual floor broker.

With Zuckerman, Smith

Zuckerman, Smith & Co., members of the New York Stock Exchange, announce that Irvin B. Blum is now associated with the firm as a registered representative in its midtown office, 1441 Broadway, New York City.

Representing Courts

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, N. C.—Darrell W. Swope is representing Courts & Co. of Atlanta, Ga., members of the New York Stock Exchange.

With Westheimer & Co.

CINCINNATI, OHIO—Paul C. Dennis is now with Westheimer & Co., 322-326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Continued from first page

As We See It

uncertain of itself, and all too often afflicted with a "me-too-ism" of which some influential elements in the party appear to be rather proud although, of course, they resent the term itself.

At the same time we do challenge the notion that the New Deal or the Fair Deal have been or are constructive or forward-looking and that any set of policies or programs which take direct issue with most of the work of Presidents Roosevelt and Truman and their associates is by definition mere obstructionism, or, as the President puts it, an effort to return to the days of McKinley. Such a notion is not fanciful in the sense that no one, or almost no one, entertains it. On the contrary, it is the essence of virtually all the President and the politicians by whom he has surrounded himself have to say. It was the burden of the Rooseveltian song.

Strange Ideas

Social security and all that it implies; the set of laws surrounding the Securities Acts of 1933 and 1934 as well as those Acts themselves; the labor pampering legislation which the Taft-Hartley Act was designed to amend; the largesse to the farmers running into many billions of dollars; the various laws through which the banking system of the country has become hardly more than a door mat for the Treasury, as Senator Glass was fond of saying; and all the rest of kindred legislation—to suggest that any of this vast mess of paternalism, statism, semi-socialism, and anti-Americanism be repealed or replaced is now day by day made to appear "reactionary," backward-looking, almost incredibly out of touch with the world in which we live today, indeed not very far from treason itself. And thoughtful persons have reason to be almost daily astounded how successful this type of propaganda appears to be among large segments of the American people.

There can be no question that is what the powers that be in the Democratic party would have us believe. Here is in part what the President had to say at the half-a-million-dollar dinner last week:

"In 1933, this country faced some of the greatest problems in its history—the problems of providing food and work for millions of jobless persons and their families, of saving millions of farms and homes from foreclosure, of restoring a banking system that had collapsed, of placing the entire economy on the way to recovery.

"The Democratic party rolled up its sleeves and went to work. It took steps to provide relief and jobs, to save farms and homes, to restore banks and businesses. Bit by bit the economy responded to those vigorous measures. Income began to grow, confidence returned, business activity mounted. This was the response of the economy to our farm and labor and business programs—our programs for resource development and public works and the building of homes.

"As this miracle of recovery unfolded, what was the attitude of the Republican party?

"In 1934, the Republican National Committee issued a policy statement. And in that statement they said:

" 'American institutions and American civilization are in greater danger today than at any time since the foundation of the Republic.' . . .

* * *

"In their policy statement issued 10 days ago, the Republican National Committee declared: 'The major domestic issue today is liberty against socialism. . . . Basic American principles'—they said—'are threatened by the Administration's program. . . .'

"It's the same old story—the same old words and music—the same empty and futile attempt to scare the American people. . . ."

And he finds the Republicans wholly destructive and unworthy of trust for the reason that they (or some of them) are on record as opposing this sort of thing. For our part, incidentally, we only wish he could have said that all of the Republicans had taken such a stand, but such considerations aside, let us see what the President really did say:

"Today, we are proposing further development of our resources, further strengthening of our economy, new measures for the welfare of the people. And what do we hear? The same old story. It is all repeated in that latest statement of the Republican National Committee:

" 'This program'—they said, and they were talking about the program of the Democratic party— 'this program is dictated by a small but powerful group of persons who believe in socialism, who have no concept of the true foundation of American progress, and whose proposals are wholly out of accord with the true interests and real wishes of the workers, farmers and businessmen.' "

Now let us take an independent look at the record of parts of this magical program about which the President is so boastful.

Potatoes at 1 Cent Per Hundred

Take a few rather conspicuous facts about that miraculous farm program. Word comes from Washington about the Government offering potatoes at one cent per hundred pounds, potatoes which it originally bought from the farmers at $2.15 per hundred pounds. But not even that much is being obtained for the dried milk and eggs being given away wholesale—at the same time that the prices of these products are being "supported" by the Federal Government. It would be interesting to know how large a mountain all the potatoes and eggs that have been destroyed would make if placed in one pile!

What we do know is that funds in the amount of some $4.75 billion have been appropriated to the Commodity Credit Corporation, and another measure is even today before Congress to add another $2 billion to that staggering figure. Washington dispatches estimate that by the end of this crop year, the national Government will have "invested" some $6.3 billion in price support programs. The President, instead of poking fund at the Republicans, had better start explaining what the American people (other than farmers, of course) have gotten or will get for these astronomical sums of money. Federal expenditures and taxes are mountainous, and whatever any figures may show, business is being obliged to work out its own salvation in an atmosphere definitely deleterious to its progress. The figures the President so proudly cites about national income lose much of significance when the current price level and the course of such things in the past are taken into account.

Opposition to such "programs" as these seems to us to be *per se* the quintessence of constructive statesmanship.

Continued from page 2

Securities I Like Best

The company has no funded debt and no preferred stock.

An excellent financial position is consistently maintained.

It has paid dividends continuously for 62 years through two world wars and a major depression.

If an investor had purchased West Point Manufacturing stock at the very peak of the stock market in 1929, and readers will recall that that was no time to buy stocks, he would have paid $14,000 for 100 shares at $140 a share. Without any additional investment he would today have 2,000 shares worth about $36 a share or $72,000. While it is true that West Point stock could have been bought at more advantageous times than during the peak of 1929, I select that period as a starting point for obvious reasons.

How come the 2,000 shares? There was a five for one split in 1937 and a four for one in 1946.

In the meantime, 1930 to 1949, inclusive, the investor would have received $39,800 in cash dividends, making a total gain of $97,800.

The $39,800 in cash dividends, when divided by the 20 years (1930 through 1949) equals $1,990 a year, or an average yearly return of 14.20%.

The same original 100-share holder would have received an additional $1,500 in dividends the first of this month.

West Point Manufacturing Co. ended its fiscal year Aug. 27, 1949 with

Total Assets of	$48,587,000
Cash & Gov't Securities of	12,694,000
Working Capital of	23,554,000

Plant and Equipment at a cost of $35 487,000 was carried at a depreciated value of only $15,903,000.

West Point's achievements prior to 1929 were such as to prompt one to say it had reached maturity. I have just given a picture of what happened in the following 20 years and because of the company's current position I believe there are many good years ahead. The stock is traded over-the-counter and I recommend it for inclusion in proper proportionate amount in the equity part of any investment portfolio.

GEORGE WEISS

Partner, Bache & Co., N. Y. City

On the third anniversary of the armistice following the First World War, the nations of the world met in Washington and agreed upon a limitation of armaments program. Today, almost five years after the cessation of hostilities of the Second World War, the expenditures and appropriations for arms dwarf the figures of all previous peacetime periods.

George Weiss

There is little to be happy about in this situation, but the unmistakable fact exists that such large-scale expenditures mean activity for certain types of business. This is especially true of the aircraft manufacturing industry and allied companies. In this category, the following should continue to receive at least their share of record orders:

Boeing
North American Aviation
Sperry

As time goes on, the word "jet" will be more and more in the headlines. This will apply to the jet plane and perhaps as well to the self-propelled projectile. One of the publicly-owned companies important in this field is **Pierce Governor**, traded on the New York Curb. The bread-and-butter business of this company is the automatic choke used extensively by the automobile industry. As the name implies, Pierce also makes governors for all types of engines and recently is becoming increasingly important in the field of jet controls.

HAZEL ZIMMERMAN

Los Angeles, Calif.

When you have lived with a security for 25 years, through a war and several market panics, and today it is far ahead of where you bought it; and it has paid a dividend every quarter, from $2 to $2.50 a share, without interruption for each of those 25 years . . . when, over the past ten years (since 1939) an investment of 225 shares has returned in income *more* than its total cost . . . *then* it becomes, without competition, *the security I like best!* This is the record of Boston & Albany, one of the oldest guaranteed rail stocks carrying New York Central's guarantee of dividend payments for 100 years. By the terms of the lease, drawn some 50 years ago by Commodore Vanderbilt, between New York Central and Boston & Albany, this guarantee has almost 50 more years yet to run.

Hazel Zimmerman

Life and Fire Insurance Company portfolio ownership of the guaranteed Rail stocks attracted me to them early in my career because these portfolios employ some of the best brains in the financial field for the selection and supervision of their funds. Metropolitan Life Insurance Company, America's largest investor, is a good example. In its published statement of its portfolio holdings it shows, out of an investment in stocks of over $100 million, all but a few thousand dollars are invested in preferreds and guaranteed Rails . . . possibly because, among other favorable factors, income has been on a guaranteed basis for many generations. I call to mind one of New York Central's other senior guaranteeds that has paid dividends for 76 years, or ever since the Indians burned Buffalo!

The reason why I like Boston & Albany guaranteed, especially for widows, was summed up for me by a new client sent to me from San Diego the other day. She was recently widowed and had some $50,000 left her in securities, many of them in speculations that here husband could afford, but not suitable to a widow. Her first words were, "I want 200 shares of Boston & Albany Guaranteed, and please do not try to suggest anything else. I have seen my sister-in-law cashing her dividend checks from Boston & Albany for *years* and I always said if I ever had my own money, that is what I would have." What a joy to find a new client agreeing with you without a word on your part.

From the ledger side, let's take a quick look at Boston & Albany. Debt maturities coming due in the next ten-year period are composed of the following: 1951, $642,000 in term mortgages 3½s, and in 1952, $1,368,000 3½% mortgage bonds, or a total of $2,010,000. Against which Boston & Albany owns the following: $5,500,000 New York Central bonds, $82,713 A. T. T. bonds, $943,234 U. S. Governments, $76,094 other bonds, or a total of $6,602,041.

In addition, in May, 1949, Port of Boston agreed to purchase a pier from Boston & Albany for $3 million cash, bringing the total with which to meet obligations to $9,602,041.

New York Central, as was pointed out in an article in the "Chronicle" some months ago, is in good shape with $50 million cash on hand. Free Treasury assets sufficient to secure a $30 million loan, if needed, and no large bond maturities occurring for the next 50 years!

Net current assets of Central run to $60 million. (Lessor Companies hold over $20 million of U. S. Treasury bonds.) Equipment obligations run to $17,325,280, but by 1958 these will be reduced to $3,920,000.

Charges which will produce cash for the next ten years, such as average depreciation of road property . . . of equipment . . . of shop property, runs to $29,435,000, while charges, which take cash, such as average maturities (funded debt coming due) . . . equipment-trust certificates coming due . . . and average grade crossing obligations total only $16,642,000. All bond maturities will be honored as written in the bond.

Because I believe firmly in the survival of private enterprise, because Central, under Vanderbilt ownership, has, for generations, been a great institution among major railroads, because I like proven quality with generous ($8.75 a share) income on a guaranteed-basis, because I distrust the pension plans and the inroads they will make on industrials, plus the anti-trust suits against the "Bigs," I continue to feel that at these levels, New York Central's Boston & Albany is underpriced, and is especially suitable for widows because of its guaranteed-basis income provisions.

Smith-Bishop & Co. Formed in Syracuse

SYRACUSE, N. Y.—Wesley M. Bishop has been admitted to partnership with Edward J. Smith, State Tower Building, forming the firm of Smith-Bishop & Co. Mr. Bishop has been associated with Mr. Smith and in the past conducted his own investment firm in Syracuse.

John J. O'Brien Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Nadine R. Smith has been added to the staff of John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Charles L. O'Brien has become associated with Hornblower & Weeks, 134 South La Salle Street. He was previously with Doyle, O'Connor & Co., Inc.

Bowers Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — Earl C. Laidlaw has become affiliated with Bowers & Co., Bank of Commerce Building, members of the Boston Stock Exchange.

With Chesley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Lewis A. H. Caldwell has joined the staff of Chesley & Co., 105 South La Salle Street.

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The State of Trade and Industry

facturers of consumer goods are jumping back on the conversion merry-go-round, too. These include appliance and farm implement makers.

But the wild element that came with conversion in the steel market three years ago is not present this week. The scrap market is on an even keel, and the scramble for ingots is much more restrained. Ingots are reported selling in the conversion market for $60 a ton, which is a lot better than the former "circus" market prises. Lining up rolling space is currently a big bottleneck in the conversion market.

Tom C. Campbell, Editor of "The Iron Age," who has just returned from an eye-witness inspection of U. S. Steel's sensational ore discovery in Venezuela, reported that the fabulous ore bodies in Venezuela and Quebec-Labrador are vital to American security. They will be used to augment and conserve domestic ore reserves so that the United States will not be dependent on foreign ore in the event of a third world war.

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 88.8% of capacity for the week beginning Feb. 20, 1950. This is a decline of 1.9 points from last week's rate of 90.7%.

Operations have fallen steadily since the Jan. 16 week, due to diminishing coal reserves.

This week's operating rate is equivalent to 1,692,800 tons of steel ingots and castings for the entire industry compared to 1,729,000 tons one week ago. A month ago the rate was 93.9% and production amounted to 1,790,000 tons; a year ago it stood at 100.3% and 1,849,000 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT SHOWS FURTHER DECLINES IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 18 was estimated at 5,931,351,000 kwh., according to the Edison Electric Institute.

It was 39,568,000 kwh. lower than the figure reported for the previous week; 281,072,000 kwh., or 5.0% above the total output for the week ended Feb. 19, 1949, and 677,349,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS DECLINE FURTHER AS A RESULT OF REDUCED COAL SHIPMENTS

Loading of revenue freight for the week ended Feb. 11, 1950, totaled 568,841 cars, according to the Association of American Railroads. This was a decrease of 43,683 cars, or 7.1% below the preceding week this year, due to a further reduction in coal shipments.

It also represented a decrease of 130,601 cars, or 18.7% below the corresponding week in 1949 and 165,029 cars, or 22.5% below the corresponding week in 1948.

AUTO OUTPUT MAKES ADDITIONAL SLIGHT GAINS IN LATEST WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada is estimated at 125,936 units compared with the previous week's total of 125,737 (revised) units.

Despite the Chrysler shutdown and curtailment of General Motors overtime due to the coal strike, vehicle production is still hitting a 6 million unit annual rate, the agency stated. It said record production by Studebaker, Nash, Ford, Mercury, and General Motors divisions were keeping the output volume high.

The total output for the current week was made up of 95,434 cars and 22,898 trucks built in the United States and 5,717 cars and 1,887 trucks built in Canada.

The week's total compares with 114,207 units produced in the U. S. and Canada in the like 1949 week.

BUSINESS FAILURES ALTER LOWER TREND BY MODERATE ADVANCES

Commercial and industrial failures rose to 218 in the week ended Feb. 16 from 195 in the preceding week, Dun & Bradstreet, Inc., reports. Although more casualties occurred than in the comparable weeks of 1949 and 1948 when 180 and 170 concerns failed, the total was 26% lower than the prewar total of 293 in the similar week of 1939.

Failures involving liabilities of $5,000 or more increased to 166 from 159, exceeding the 151 of this size which occurred a year ago. Small casualties with liabilities under $5,000 rose to 52 from 36 and were almost twice as numerous as last year.

Manufacturing and construction accounted for the week's increase. Retail failures decline in the week. More businesses succumbed than in the corresponding week of 1949 in all lines except wholesaling. The sharpest relative increase appeared in construction where failures reached their highest level to date in 1950 and were almost twice as numerous as last year.

The Middle Atlantic, the East North Central and the Pacific States reported increases for the week. An increase from the 1949 level prevailed in five areas, with the most noticeable rises appearing in the West North Central and Mountain States. The New England, South Atlantic and West South Central States reported fewer casualties than a year ago.

WHOLESALE FOOD PRICE INDEX ATTAINS SIX MONTHS HIGH PEAK

The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose another 6 cents in the latest week to stand at $5.86 on Feb. 14, the highest level since Aug. 16, 1949, when it stood at $5.89. The latest figure shows a gain of 1.7% over the comparable 1949 index of $5.76.

Aiding in last week's advance were higher prices for flour, wheat, corn, rye, oats, beef, hams, bellies, lard, butter, cottonseed oil, beans, eggs, potatoes, hogs and lambs. Declines occurred only in sugar, cocoa and steers.

The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX SHOWS MILD ADVANCE

The steady upward pressure in food and grain markets resulted in a further mild rise in the Dun & Bradstreet daily wholesale commodity price index last week. The index closed at 249.20 on Feb. 14, as compared with 247.09 a week earlier, and with 258.61 on the comparable date a year ago.

Grain markets displayed a somewhat firmer tone the past week despite continued uncertainties surrounding the farm support program.

Strength in wheat reflected a scarcity of country offerings although reports of rains over the week-end in parts of the Winter wheat belt where moisture had been deficient exerted a depressing influence in late dealings. Corn prices finished higher than a week ago. Increasing tightness in the cash market was attributed to a recent decline in prices which resulted in more grain being pledged for loans than had been anticipated. Oats showed relatively more strength than other grains, aided by smaller receipts and some improvement in domestic and export demand. Domestic bookings of hard wheat bakery flours continued in small volume with most jobbers and bakers showing extreme caution in making commitments.

Buying of soft wheat flours was also slow; rye flours showed a little improvement. Cocoa prices continued to weaken as the result of recent large arrivals, substantial quantities reported afloat, and indications that the Gold Coast crop would be larger than anticipated.

Despite some buyer resistance, live hogs continued to show strength aided by a continuing falling off in receipts.

Raw cotton values continued to climb during the past week. In fairly active trading both futures and spot quotations advanced more than 50 points to reach new high ground for the season. Early strength reflected mill and export price-fixing, and the encouraging outlook for future exports.

Other bullish influences included reports that the CCC has already disposed of its stock of low-grade cotton and that it will sell 1948 pooled cotton at 105% of the current loan price plus full carrying charges.

The ten spot markets reported sales of 180,300 bales last week, compared with 209,800 the previous week and 147,100 in the corresponding week a year ago. Exports of cotton during December totaled 657,000 bales, according to the Bureau of the Census.

This was the heaviest monthly volume since February, 1940, and compares with 434,000 bales in November and with 522,000 in December, 1948.

Consumption of cotton during January on a daily average basis was estimated by the New York Cotton Exchange at 37,400 bales per day, as against 36,700 in December and 32,100 in January a year ago. Last month's daily rate was the highest since May, 1948, when it was 37,900 bales. Loan entries reported for the week ended Feb. 2 amounted to only 90,600 bales, the smallest for any week since early this season.

RETAIL TRADE HOLDS AT PREVIOUS WEEK'S LEVEL—WHOLESALE TRADE DOLLAR VOLUME SLIGHTLY ABOVE COMPARABLE 1949 WEEK

Although February promotions were numerous, the volume of consumer buying, dollarwise, was about the same in the period ended on Wednesday of last week. Total retail sales volume continued slightly below the level of the corresponding 1949 week, according to the current trade review of Dun & Bradstreet, Inc. The continuation of unseasonal weather in many localities was reflected in generally apathetic buying.

Apparel purchasing increased slightly last week as many shoppers started their buying of Spring clothing spurred on by prevailing mild temperatures in many parts of the country. Gingham dresses and light lingerie were popular with women, as were sport clothes in general; suits and formal attire did not receive much attention despite intensive promotions. Men's sport jackets and slacks were in increased demand, while socks and neckwear were slightly more popular than in the corresponding period a year ago.

The previous week's drop in the retail volume of durable goods was reversed last week as over-all dollar sales rose slightly above those for the similar week in 1949.

Much of the increase was registered in a demand for large appliances, television sets and case goods. Some other large sellers were bedroom and dining-room furniture. Watches and rubber-cushioned furniture were featured in scattered promotions. Record buying dipped slightly.

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:

East and Pacific Coast —3 to —7; South and Northwest —2 to —6; Midwest and Southwest —1 to —5 and New England + 2 to —2.

Wholesale orders rose slightly in the week as an increase in apparel bookings brought the aggregate dollar volume to a level slightly above that for the comparable week in 1949. There was a slight drop in the number of buyers at the various wholesale centers last week with attendance moderately below the figure for the similar period last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 11, 1950, showed no change from the like period of last year. In the preceding week a drop of 1% was registered from the like week of 1949. For the four weeks ended Feb. 11, 1950, sales reflected no change from the corresponding period a year ago, but for the year to date show a decline of 5%.

Retail trade in New York last week suffered from inclement weather thus erasing in part the lift usually afforded by a step up in shopping volume on Lincoln's birthday.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 11 1950, fell 6% from the like period last year. In the preceding week a drop of 3% was registered from the similar week of 1949. For the four weeks ended Feb. 11, 1950, a decrease of 2% was reported from the like week of last year. For the year to date volume decreased by 8%.

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."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Action of motors and steel stocks will provide good evidence of market's likely trend.

Having just returned to a record low temperature, I am still confused. A few short hours ago I was looking for shade to avoid a broiling Florida sun—now I am looking for a place to get in out of the cold. I realize all this has nothing to do with the market, but it serves one purpose —it allows me to hem and haw until I see what has been going on.

* * *

In my previous column I indicated that the long-awaited reaction was at last a promise. In going over the market, I now have serious doubts that wishful thinking didn't have something to do with that opinion. The market shows two conflicting factors. The first points to a major distributing area which may well be the last one before a general decline sets in. The second point is something else completely.

* * *

Here and there are signs that instead of a major distributing zone the market is building up to a new up move. The stocks in the forefront sustaining this theory are the leaders, particularly the steels and motors, but before we decide it is a "bull market" we have to recognize that on the down-side there are equally respectable stocks. For example, such blue chips as American Viscose, Union Carbide and American Tobacco have penetrated the long-term support levels and now indicate lower prices for the immediate future. For those who own such stocks a bullish interpretation is Pollyanna-ish. For that matter, being a bull or a bear always depends on the stocks one holds. A trader long of a stock that keeps going up, or at least holding up, in a down market is obviously optimistic. By the same reasoning, the holder of a stock that keeps dribbling down while the rest of the market is dull or perhaps even strong is naturally pessimistic. It always depends upon where one sits.

* * *

Summing up all the foregoing, it begins to look as if nothing has really been settled since I left New York. The Dow Industrials still meet support around 201 and resistance around 204. A breakthrough either figure would be significant.

* * *

Bringing this down still closer, I suggest a close watch of the more positive stocks like the motors and steels. If these start breaking through their recent lows, the chances are that the main move will be down. Holding at current levels will not be enough. They have to creep up every day, even if only fractionally, to stay out of the danger area. If that occurs, the indications will be that a new up move is in the offing.

* * *

The news does not impress me as particularly important for the moment. The coal strike or "work-stoppage" makes excellent headlines. I doubt that its impact on security levels will go much beyond that.

* * *

You are still long of two stocks, Cooper-Bessemer and Mead. The first came in at 24 with a stop at 22. The second came in at 16 with a stop at 14½. The former is now about 26, the latter is about 17½. So long as these stocks stay in these ranges, there is little to do except hold on. Should either of them have advances, the suggestion is to sell Cooper-Bessemer at 28 or better and Mead at 19 or better.

—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.*]

Two With W. E. Bell Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Amon J. Dean and John S. Jones are now associated with W. E. Bell and Co., Federal Securities Bldg.

Continued from first page

How "Good" Will 1950 Be?

stantly in fear of onerous restrictions by government agencies and of crippling strikes by organized labor, and

(4) The intensification of competition is almost sure to make it considerably more difficult for individual concerns to hold their positions in the markets and to maintain satisfactory levels of profits.

The probability is that 1950 will bring a continuation of the "long readjustment" from the war and early postwar booms and, therefore, it would be a mistake to minimize the risks which are inherent in a situation where the present level of demand is dependent on such temporary, artificial or "shot-in-the-arm" stimulants as the disbursement of veterans' insurance funds, the rapid expansion in instalment and mortgage credit, artificially high agricultural price pegs, level of exports supported by foreign-aid grants, a large deficit, abnormally easy money policies, and a high level of capital expenditures by business.

It therefore would appear prudent in the present environment to exercise more caution than is implied by the use of the word "good" in describing the outlook for the next year or so.

Guideposts for Planning in 1950

In making up production schedules and financial budgets and in setting purchasing, promotion and personnel policies for 1950 allowance might appropriately be made for the following:

(1) **No Boom and No Bust**—The year 1950 is not expected to witness a major depression comparable to those experienced in the early 20s or the early 30s and, in view of the extensive readjustment now under way in agricultural incomes, foreign trade and some of our major markets, no sustained and substantial expansion in demand appears to be likely. Some individual industries may decline sharply while others may continue to expand, but the chances seem to be heavily against either a boom or a bust this year.

(2) **A Set-back in the Second Half of the Year**—With the order books as full as they are the basis for several months of good business volume has been laid. However, before the year is out it is likely that some of our major industries will be ready for the transition to buyers' markets, that inventory accumulation will have brought an unbalanced position in certain commodities and that the adverse effect of devaluation on our exports and imports will be felt. It is likely, of course, that if signs of a downturn occur in the pre-election months, the Administration will use the powers at its disposal in an effort to prevent a politically embarrassing recession, in which event the initial impact of the decline might well be moderated and its full force delayed. Even though it is not possible to be sure that a sharp decline will be experienced in the last half of the year, it probably is prudent to be prepared for one if it does come.

(3) **No Pronounced Inflation or Deflation**—Commodity prices are expected to be mixed but generally steady in the first few months of the year with a tendency toward weakness for a time thereafter. This is not to say that over the years ahead the inflationary influences inherent in the Nation's labor, fiscal and monetary policies are unlikely to bring one or more upsurges in the price level. But during the coming year agricultural surpluses, exhaustion of the backlogs, higher efficiency in the new plants recently brought into production and devaluation of the soft currencies probably will prevent inflationary forces from becoming effective. On the other hand, the Administration appears to be determined to use a variety of pegs, subsidies, etc., to hold in check what otherwise might be serious declines in some markets.

(4) **Intensification of Competition**—In general the profit situation probably will be more difficult in 1950 than it was in 1949 and many business managements are likely to find it either desirable or necessary to accelerate the efforts started in 1949 to reduce costs, increase efficiency, limit exposure to risk, strengthen promotional effort and, in general, "button up their organizations." Such policies may be essential not only to meet the sharper competition which clearly seems to be in prospect but also to take full advantage of the opportunities for expansion which will develop when the readjustment finally has been completed.

Beyond 1950

While the outlook for the next year or two is clouded by inevitable uncertainties, several developments of 1949 provide a solid basis for confidence that the stage is slowly but surely being set for another of the periods of expansion, progress and prosperity which have punctuated the history of this Country.

(1) **The Psychological Position Has Improved Considerably**—Several research agencies and distinguished students (the Brookings Institution, the Twentieth Century Fund, The National Planning Association and others) have recently appraised the Nation's economic potential with a degree of optimism which is in pointed contrast to the prevailing fear a decade ago that the Nation was moving inexorably toward economic maturity and industrial stagnation. Optimism is again becoming fashionable.

(2) **The Upsurge in Population Has Continued**—The postwar reduction in family formation has been much smaller than expected. In addition, accomplishments in medical research during the past two decades have extended the life expectancy of our people and cut the number of working days lost due to illness—developments which pressage a substantial growth in the consumption potential.

(3) **The Rate of Technological Progress Has Accelerated**—More and more money is being spent by business concerns, associations, educational institutions and government for more productive research, which provides a fabulous scientific frontier of new industries and the means by which costs can be reduced and markets widened.

(4) **The Trend Away From Radicalism Is Gaining Strength**—In what people pay to read, see and hear there is evidence that they are less susceptible to the flimsy promises of Welfare Socialism and are returning to the middle road of Progressive Capitalism.

Thus, while the next two or three years will doubtless bring their quota of difficulties, perplexities and danger and while it is quite improbable that we have achieved a depression-proof economy, the longer trend in the United States is likely to be so strongly upward as again to provide an opportunity for accomplishment and satisfaction in building successful business enterprise.

Conclusion

There is no reason for deep pessimism about our economic future for there isn't anything the matter with this nation's economy that a moderate reduction in government expenditures and taxes, a modification of our labor laws and of government policy toward business and a moderate change in our fiscal and monetary policies won't correct. And there is very little that is either mysterious or controversial about these changes. They have been spelled out in detail by many national business organizations and research agencies and between the various recommendations there is now no substantial disagreement as to what must be done.

The vital consideration in our long-range outlook is that we are now in a uniquely favorable position since, with population increasingly rapidly and with the nation in the midst of a profoundly significant revolution in industrial, agricultural and medical technology, there is little reason to doubt that if the recommendations of these organizations were adopted, the risk of a serious depression would be virtually eliminated for many years to come and we would be at the beginning of one of the greatest periods of industrial expansion, business prosperity and increased public welfare any people ever experienced. The alternative is an unpleasant one, however, for if we fail to make the moderate but essential changes in our policies, we shall be running the risk of debilitating economic instability and of general stagnation both of which would make for economic weakness in a world where we cannot afford anything less than maximum development of our economic strength.

Tellier & Co. Offers Eastern Harness Racing Club Stock

Public offering of 1,000,000 shares of common stock (par 5c) of Eastern Harness Racing Club, Inc. (Steubenville, O.) is being made by Tellier & Co. at $1 per share. An unusual feature of the underwriting agreement, Tellier & Co. states, is the fact that certain directors and controlling stockholders have deposited $30,000 in cash with the escrow agent to guarantee full commissions to brokers and dealers in the event that the deal is canceled. Unless the underwriter secures firm commitments for the purchase of $200,000 of this stock prior to April 10, 1950, all subscriptions will be canceled, subscribers will be returned their full payments and the offering will be discontinued.

It is the present intention of Eastern Harness Racing Club, Inc., to assume directly the active operation of the Fort Steuben Raceway to carry out property additions and improvements in addition to those already made. Proceeds from the sale of the offered stock would be used to pay off existing indebtedness of Fort Steuben Raceway Corp., to finance the improvement program, to purchase the raceway situated on a tract of land comprising approximately 51 acres, which is now leased, and to provide additional working capital.

Randall Keator Co.

RUMSON, N. J.—Randall M. Keator is engaging in a securities business from offices on Ward Avenue under the firm name of Randall M. Keator & Co. Mr. Keator was formerly a representative for Lord, Abbett & Co.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—William G. Clements is now connected with Slayton & Co., Inc., 408 Olive Street.

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Register Opposition to Frear Bill

of the original provisions of the 1933 act.

Frear Bill Contrary to Intent of Congress

The Frear bill goes far beyond the original concept of the Securities Act of 1933 and would place companies under the jurisdiction of the SEC which have not sought new capital nor are registered on a national security exchange. It should be recalled that the Securities Act of 1933 originally required the issuer of securities in an aggregate amount of over $100,000 to file a registration statement before such securities could be sold to the public. This limit was subsequently raised to affect sale of securities in an aggregate amount of $300,000 or more. Consequently all securities which have been offered to the public in excess of the limit provided, unless privately placed or otherwise exempted, have been distributed only after a registration statement had been prepared in accordance with the requirements of the commission.

For the most part the issuers affected by the Frear bill are relatively small companies which in a great majority of cases have enjoyed close, friendly and satisfactory relationships with their security holders. They are companies which have not sought new capital above the limit provided—otherwise they would currently be registered with the SEC. It is important that a distinction be made between the position of a purchaser of a new security and that of an existing security. In the case of the companies affected by the proposed Frear bill, recent buyers of their securities, in the main, have not contributed any new capital. Instead they have bought securities in these companies because they were recommended to them by an investment dealer or because of their own knowledge, analysis and volition they believed it worthwhile to make these investments. Thus when new securities are marketed the issuing company approaches a potential investor and encourages him to risk his funds in the enterprise. When existing securities are bought by an investor the company is not directly involved and has played no part in the sale of the security.

Objections of Small Business

The objections of the smaller businesses which would be affected by the Frear bill may be summed up as follows:

I

Most of the smaller companies do not have the facilities to meet the requirements of the bill either from a legal or accounting standpoint. The proposed bill would impose a substantial financial burden upon these concerns without proportionate benefit to the investors. Moreover executives and employees would be required to divert a considerable amount of their time toward complying with the provisions of the bill at the expense of their regular and income producing business activities. Certainly no evidence has been forthcoming to justify such imposition on smaller businesses.

(a) Experienced outside specialized legal advice would be required in practically every instance since most of the companies coming under the provisions of the proposed legislation are relatively small; their local lawyers, although well versed in local and state statutes, have not had occasion to study and advise clients concerning the many ramifications of the Securities Exchange Act. Specialized legal counsel would have to be retained which for remotely located companies is difficult to obtain and in all cases financially burdensome.

Even in larger urban areas such counsel is difficult to secure. For instance one of our members recently in conferring with four of the largest legal firms in a city upwards of 500,000 population asked if any of them had ever prepared a registration statement under the Securities Exchange Act. The answer was "NO." He further asked if any of them had ever advised a client with respect to the preparation of a proxy statement. The answer again was "NO."

(b) From an accounting standpoint it would be necessary in many cases to engage outside firms to set up the principles and procedures required to comply with the bill, which is another additional financial burden. There are many well qualified, dependable certified public accountants whose certificates have for many years been highly acceptable both to stockholders and to banks but whose experience has not led them to be students of the many requirements and regulations adopted by the commission either with respect to the information required on the registration statement, the type of annual and quarterly reports stipulated, or details required under proxy regulations. As a matter of fact, the multitudinous detail which is now required in the preparation of statements to meet the requirements of the commission, far from serving any protective purpose, have had the result of making stockholders so confused in many cases that they could not understand the simple facts about the business of their company.

(c) With respect to proxy solicitation here again an added financial burden would be imposed upon companies since it would be necessary for them to comply with such rules and regulations as the Commission may prescribe. These rules and regulations have been altered and changed many times since the Commission was created. As an example, when the first rules were adopted by the Commission on Dec. 24, 1935, they comprised **three** mimeographed pages. On Aug. 11, 1938, the Commission revised its rules and they then comprised **11** mimeographed pages. The present rules now comprise **21** full pages of **printed** matter. This is not a surprising development but is not one which the smaller companies affected by the proposed bill can view with comfort.

II

A large number of companies affected are owned and controlled locally or primarily within the confines of the state in which located. Their securities do not have wide distribution and consequently are of slight public interest from a national viewpoint. The regulations of such companies, it would seem, should be a matter to be determined by the statutes of the individual states.

III

Many of these companies have built up over the years an amicable relationship with their stockholders inasmuch as adequate information has been furnished. Such stockholders have been kept well informed and able to evaluate the financial status of these companies. The net result of the proposed bill would be to penalize such stockholders because of the financial burden on the company resulting from the detailed reports required.

IV

Various types of information of a confidential nature, such as a breakdown of inventories and working capital, would have to be disclosed. We again raise the question whether the alleged advantages accruing to security holders outweighs the competitive disadvantages to the smaller companies affected.

V

The bill, in its present form, definitely tends to grant further legislative power to an administrative commission without prescribing adequate statutory standards. For example, the bill states, peculiarly enough, that its provisions shall not apply in respect of any issuer, security, transaction, or person which the Commission may by rules and regulations exempt under certain conditions if in the public interest or for the protection of stockholders. This proviso, in itself, recognizes the many attendant difficulties in administering the act and, in addition, puts the entire burden of proof for exemption upon the company, leaving wide discretionary powers in the Commission. From a company's viewpoint, it would be practically impossible to anticipate whether or not the Commission would be inclined to exempt it from the provisions of this bill. Moreover the Commission can always withdraw any exemption granted.

VI

By expanding the jurisdiction of the Securities and Exchange Commission to nearly 2,000 additional companies, the expenditures of the government would be increased materially as a result of the employment of additional personnel required to administer the Act. This is particularly objectionable when the Federal Government is operating at an annual deficit of over $5 billion.

VII

A number of objections could be raised regarding the phraseology but since we can find no need for the proposed bill, no purpose would be served in listing them in detail. For example, phrases such as "less than $3 million in assets" and "held directly or indirectly by fewer than 300 persons" are not defined. Instead the Commission can make its own definitions as it pleases. This is another example of unnecessary power given an administrative commission.

In summary we find that no conclusive evidence has been brought to light that the public interest will be served by the passage of S. 2408. Instead it has been demonstrated that smaller companies would be hampered and financially burdened by the passage of the bill.

With Elmer H. Bright

(Special to The Financial Chronicle)

BOSTON, MASS.—Kenneth P. Hill is with Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

Charles W. Merrill Co.

Elizabeth L. Merrill is conducting an investment business from offices at 36 West 10th Street, New York City, under the firm name of Charles W. Merrill Company.

First California Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, CAL.—Lon S. Garrett is now with First California Co., 300 Montgomery Street.

Carl Lough Opens

(Special to The Financial Chronicle)

DENVER, COLO. — Carl L. Lough is engaging in a securities business from offices in the California Bldg.

Continued from page 10

Taxes and Take-Home Income

much government do we need and how much do we have to pay for the kind of government that we want? If you are really interested in take-home income and if you want to see it increase, as organization representatives and organization leaders, I suggest that you start with our own N. A. M. budget for 1951 or with Senator Byrd's budget for 1951. And by sheer coincidence Senator Byrd and the N. A. M. Government Spending Committee came out to a similar figure of $35 to $36 billion dollars as all that the government needs to spend in 1951.

This would keep us well in the black and stop the concealed robbery that goes on whenever the government incurs a deficit and resumes inflationary financing. But even so, suppose that we could persuade Congress to cut the budget down to $35 or $36 billion and stop deficit financing. There would still remain the question of what kind or kinds of taxes to use.

All taxes come out of income. The only way the government can get revenue by taxation is to take a part of the citizen's income. There are two ways of taking taxes out of income. One is to take out the tax as the income is received, that is, by income tax. The other is to collect the tax as the income is spent. Thus the two principal forms of taxation are income taxes and excise taxes. There are hundreds of different things on which taxes are levied, and these have given the names to many different methods or forms of taxation. For instance, we have a property tax, a gasoline tax, a sales tax, and so on, but all of them are merely different ways of taking taxes out of income. For the present purpose, therefore, we shall classify all taxes as income or excise taxes.

Ideal Tax System

In my opinion, both kinds are useful and should be used. In part, it is proper to get revenue out of income as it is received; but it is also proper to get some revenue as income is spent. Ideally, if we had the necessary understanding of sound finance and sufficient political courage, we should aim at making the Federal tax receipts something like 50-50 from these methods. For every dollar of income tax get a dollar of excise tax. But this standard is probably not attainable, so the best practical counsel would be to maintain a substantial contribution from excises. The reasons are these:

First, excise taxes are stable and dependable. They do not vary greatly, at given rates, in boom and depression years. Therefore, they tend to support the budget on an even keel. By contrast, income tax yields are unreliable. In boom periods they rise rapidly, and thus provide a temptation to enter upon spending programs that cannot be carried in ordinary or depression years without a deficit. In lean years income tax receipts shrink rapidly, thereby making deficits and debt increase more likely if there is too great reliance on this form of taxation.

Second, there is a large pool of individual income which is not reached by the income tax. For example, in 1946, when the Department of Commerce reported total personal income of almost $175 billion, the taxable income reported in tax returns was only $65 billion. Granting the differences between the two income concepts to be considerable, as they are, it is still true that the gap is wide and that it can be covered only by a broadly based excise system.

Third, payment of excise tax is to a certain degree optional, for the individual can time his buying, pay less for a cheaper article, or do without if he objects too seriously to the excise tax. On the other hand, there is no choice or option about paying income tax. If any person has income above the exempt minimum, he must pay income tax. We have lost a lot in this country when we let complete strangers pry into every aspect of our business, and often our private affairs, merely to enforce a tax. There was a time when people would not have stood for it. We have become so regimented that we put up with the kind of thing that once would have started Boston Tea Parties all over the place. In paying excise tax the citizen does not have an income tax examiner looking over his shoulder. By Dec. 31 he has paid in full for the year and need have no worry about Jan. 15 or March 15.

Excise vs. Income Taxes

Fourth, by getting more revenue from excise the income tax can be kept down. Take-home income is increased. Here's my own philosophy. I think that when the income you can take home is increased, you don't care so much about what you have to pay for something. That is my own interpretation of consumer psychology. If everybody has a roll of spending money, when they want something they get it. They don't stop to worry about the amount of tax. On the other hand, if all the excises were repealed and if the government were to depend solely on income tax, everybody would be poor and wouldn't buy, and would have less inclination to buy even though the price tag didn't have excise in it. It would be better for business, better for consumers, better for production, better for the saving and investment that we must have, if we had a greater emphasis on excise taxes and less emphasis on income taxes.

Hewitt, Wolforth With Brand, Grumet

Brand, Grumet & Tenser, 150 Broadway, New York City, members of the New York Stock Exchange, announce that W. Wilson Hewitt has become associated with them as manager of the bank and insurance stock department and that John H. Wolforth is also associated with them.

Mr. Hewitt in the past was a partner in Fransioli & Wilson, did business as an individual floor broker and conducted his own investment firm in New York. Mr. Wolforth was with Ward & Co. and Prince & Byrne and in the past did business as an individual dealer.

Emerson & Co. Opens Branch in Tampa

TAMPA, FLA.—Emerson & Co., San Antonio investment firm, has opened a branch office in the Henson Bldg. under the management of J. Edward Jones.

E. M. Bradley Dead

Edward Mix Bradley, President of Edward M. Bradley & Co., Inc., New Haven, Conn., died on Feb. 14, after a long illness. He was 85 years old.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HLLS, CAL.—Frank A. Wurster is with Waddell & Reed, Inc., 8943 Wilshire Blvd.

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. 26	88.8	90.7	93.9	100.3
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 26	1,692,800	1,729,000	1,790,000	1,849,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 11	4,951,250	4,945,100	*4,924,800	5,386,750
Crude runs to stills — daily average (bbls.)	Feb. 11	¶5,362,000	5,420,000	5,487,000	5,447,000
Gasoline output (bbls.)	Feb. 11	17,887,000	17,330,000	18,422,000	17,754,000
Kerosene output (bbls.)	Feb. 11	2,327,000	2,513,000	2,679,000	2,485,000
Gas, oil, and distillate fuel oil output (bbls.)	Feb. 11	6,741,000	7,335,000	7,596,000	7,786,000
Residual fuel oil output (bbls.)	Feb. 11	8,693,000	8,121,000	8,059,000	8,974,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 11	129,362,000	127,437,000	118,844,000	119,780,000
Kerosene (bbls.) at	Feb. 11	17,120,000	18,095,000	19,217,000	20,389,000
Gas, oil, and distillate fuel oil (bbls.) at	Feb. 11	60,602,000	64,039,000	71,075,000	57,496,000
Residual fuel oil (bbls.) at	Feb. 11	52,865,000	54,590,000	60,003,000	61,264,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 11	§568,841	§612,524	§631,018	699,442
Revenue freight received from connections (number of cars)	Feb. 11	§542,099	§571,508	§545,838	618,412
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 16	$120,000,000	$141,900,000	$182,177,000	$146,600,000
Private construction	Feb. 16	85,100,000	69,400,000	103,902,000	112,800,000
Public construction	Feb. 16	35,000,000	72,500,000	78,275,000	33,900,000
State and municipal	Feb. 16	21,600,000	66,800,000	55,613,000	31,300,000
Federal	Feb. 16	13,300,000	5,600,000	22,662,000	2,700,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 11	2,500,000	6,540,000	7,420,000	11,440,000
Pennsylvania anthracite (tons)	Feb. 11	701,000	703,000	660,000	748,000
Beehive coke (tons)	Feb. 11	5,400	*16,600	28,500	153,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 11	238	*226	233	238
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 18	5,931,351	5,970,919	6,041,158	5,650,279
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Feb. 16	218	195	231	130
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 14	‡3.837c	3.837c	3.837c	3.717c
Pig iron (per gross ton)	Feb. 14	$46.38	$46.38	$46.05	$46.74
Scrap steel (per gross ton)	Feb. 14	$27.25	$27.25	$26.42	$37.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 15	18.200c	18.200c	18.200c	23.200c
Export refinery at	Feb. 15	18.425c	18.425c	18.425c	23.500c
Straits tin (New York) at	Feb. 15	74.500c	74.500c	76.250c	103.000c
Lead (New York) at	Feb. 15	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Feb. 15	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Feb. 15	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 20	103.54	103.75	104.57	101.63
Average corporate	Feb. 20	116.41	116.41	116.02	113.12
Aaa	Feb. 20	121.46	121.46	121.46	119.00
Aa	Feb. 20	120.02	120.02	119.82	117.20
A	Feb. 20	116.02	115.82	115.63	112.19
Baa	Feb. 20	108.70	108.70	107.98	104.83
Railroad Group	Feb. 20	111.62	111.62	110.88	108.70
Public Utilities Group	Feb. 20	117.40	117.40	117.20	113.50
Industrials Group	Feb. 20	120.43	120.43	120.02	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 20	2.24	2.23	2.16	2.38
Average corporate	Feb. 20	2.83	2.83	2.85	3.00
Aaa	Feb. 20	2.58	2.58	2.58	2.70
Aa	Feb. 20	2.65	2.65	2.66	2.79
A	Feb. 20	2.85	2.86	2.87	3.05
Baa	Feb. 20	3.24	3.24	3.28	3.46
Railroad Group	Feb. 20	3.08	3.08	3.12	3.24
Public Utilities Group	Feb. 20	2.78	2.78	2.79	2.98
Industrials Group	Feb. 20	2.63	2.63	2.65	2.79
MOODY'S COMMODITY INDEX	Feb. 20	356.5	358.9	352.5	373.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 11	201,511	248,603	198,135	155,095
Production (tons)	Feb. 11	209,827	202,942	207,624	177,390
Percentage of activity	Feb. 11	93	91	94	86
Unfilled orders (tons) at	Feb. 11	365,243	383,173	388,173	319,066
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 17	120.9	120.9	122.3	140.1
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	Feb. 4	33,790	27,823	27,570	24,046
Number of shares	Feb. 4	1,014,757	822,964	833,663	654,909
Dollar value	Feb. 4	$39,840,155	$33,473,610	$31,554,124	$26,219,172
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 4	35,523	28,330	28,152	20,495
Customers' short sales	Feb. 4	317	267	167	245
Customers' other sales	Feb. 4	35,206	28,063	27,985	20,250
Number of shares—Customers' total sales	Feb. 4	998,842	770,638	791,777	537,377
Customers' short sales	Feb. 4	11,036	10,014	5,892	8,772
Customers' other sales	Feb. 4	987,806	760,624	785,888	528,605
Dollar value	Feb. 4	$35,505,730	$28,919,865	$27,165,478	$19,547,124
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 4	307,570	269,550	238,150	164,810
Short sales	Feb. 4	------	------	------	------
Other sales	Feb. 4	307,570	269,550	238,150	164,810
Round-lot purchases by dealers—					
Number of shares	Feb. 4	340,560	303,470	291,480	247,310
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 14	152.2	151.6	150.9	158.5
Farm products	Feb. 14	159.2	157.2	153.4	169.5
Grains	Feb. 14	161.1	158.5	159.6	158.6
Livestock	Feb. 14	202.6	199.2	190.6	198.4
Foods	Feb. 14	156.9	156.0	155.0	161.4
Meats	Feb. 14	215.5	211.5	210.0	208.3
All commodities other than farm and foods	Feb. 14	145.3	145.1	145.2	151.7
Textile products	Feb. 14	137.2	137.4	137.5	145.2
Fuel and lighting materials	Feb. 14	130.5	130.5	130.5	137.0
Metals and metal products	Feb. 14	169.3	169.3	169.4	175.6
Building materials	Feb. 14	191.2	191.2	190.3	201.7
Chemicals and allied products	Feb. 14	115.4	*115.6	116.0	121.8

*Revised figure. ¶Includes 481,000 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
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (bbls. of 42-gallons each)	170,550,000	*168,873,000	183,158,000
Domestic crued oil output (bbls.)	156,285,000	*154,908,000	170,242,000
Natural gasoline output (bbls.)	14,235,000	13,935,000	12,888,000
Benzol output (bbls.)	30,000	30,000	28,000
Crude oil imports (bbls.)	12,938,000	*15,242,000	12,923,000
Refined products imports (bbls.)	8,051,000	9,060,000	4,555,000
Indicated consumption—domestic and export (bbls.)	195,988,000	*185,350,000	185,260,000
Decrease—all stocks (bbls.)	4,449,000	†*7,845,000	†15,376,000
AMERICAN ZINC INSTITUTE, INC.—Month of January:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	69,948	*71,327	75,815
Shipments (tons of 2,000 lbs.)	82,576	*66,125	76,234
Stocks at end of period (tons)	81,593	*94,221	20,429
Unfilled orders at end of period (tons)	52,941	42,625	75,858
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of January (in thousands)	$106,636,000	$118,177,000	$105,192,000
COAL OUTPUT (BUREAU OF MINES)—Month of January:			
Bituminous coal and ignite (net tons)	31,277,000	34,838,000	47,802,000
Pennsylvania anthracite (net tons)	2,907,000	2,746,000	3,722,000
Beehive coke (net tons)	100,600	*80,000	657,500
COKE (BUREAU OF MINES)—Month of Dec.:			
Production (net tons)	5,617,906	*3,504,656	6,770,400
Oven coke (net tons)	5,537,941	3,471,060	6,100,300
Beehive coke (net tons)	79,965	*33,596	670,100
Oven coke stocks at end of month (net tons)	1,713,836	2,017,301	1,560,581
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of Jan. 31 (000's omitted)	$258,000	$257,000	$268,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Nov. 30:			
Total consumer credit	$17,823	*$17,220	$15,739
Instalment credit	10,450	*10,162	8,322
Sale credit	5,894	*5,661	4,310
Automobile	3,095	*2,986	1,922
Other	2,799	*2,675	2,388
Loan credit	4,556	*4,501	4,012
Noninstalment credit	7,373	*7,058	7,417
Charge accounts	3,454	*3,197	3,557
Single payment loans	2,922	*2,864	2,892
Service credit	997	*997	968
FAIRCHILD PUBLICATION RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED AS OF FEB 1):			
Composite index	137.0	137.0	141.0
Piece goods	127.7	127.9	139.7
Men's apparel	138.6	138.7	140.5
Women's apparel	130.2	130.3	134.2
Infants' and children's wear	129.4	129.7	130.7
Home furnishings	145.6	145.4	149.8
Piece goods—			
Rayons and silks	114.0	114.5	129.5
Woolens	138.9	139.3	140.7
Cotton wash goods	145.2	144.6	158.3
Domestics—			
Sheets	167.1	166.0	180.6
Blankets and comfortables	143.0	142.5	141.4
Women's apparel—			
Hosiery	102.8	102.6	107.2
Aprons and housedresses	141.8	141.8	144.8
Corsets and brassieres	130.8	130.8	132.4
Furs	134.6	136.1	146.9
Underwear	133.2	133.2	138.7
Shoes	140.5	140.3	141.3
Men's apparel—			
Hosiery	139.5	139.5	140.2
Underwear	152.3	152.3	155.8
Shirts and neckwear	129.5	129.5	132.1
Hats and caps	127.4	127.4	128.1
Clothing, including overalls	130.9	131.3	132.2
Shoes	168.0	168.0	169.3
Infants' and children's wear—			
Socks	130.4	130.4	131.5
Underwear	119.1	119.8	120.7
Shoes	143.9	144.2	144.9
Furniture	146.4	146.5	150.4
Floor coverings	156.4	155.4	158.4
Radios	117.7	117.7	123.2
Luggage	128.3	128.3	131.1
Electrical household appliances	138.8	138.8	143.8
China	133.1	134.0	136.2
METAL OUTPUT (BUREAU OF MINES)— Month of December:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	62,565	62,243	50,668
Gold (in fine ounces)	167,850	172,178	151,267
Lead (in short tons)	33,868	31,186	36,997
Silver (in fine ounces)	2,761,679	2,348,222	2,925,798
Zinc (in short tons)	41,687	40,112	55,141
RR. EARNINGS — CLASS I ROADS (ASSOC. OF AMERICAN RRS.)—Month of Dec.:			
Total operating revenues	$710,829,884	$704,805,862	$806,596,673
Total operating expenses	568,291,720	537,354,373	649,012,986
Operating ratio—per cent	79.95	76.24	80.46
Taxes	$57,508,091	$77,190,410	$81,535,825
Net railway operating income before charges	69,309,386	75,582,128	64,501,945
Net income after charges (est.)	82,000,000	54,000,000	45,000,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of November:			
Net railway operating income	$75,582,130	$46,878,473	$84,067,642
Other income	21,754,801	17,529,984	20,767,223
Total income	97,336,931	64,408,457	104,834,865
Miscellaneous deductions from income	3,818,574	2,706,615	4,867,907
Income available for fixed charges	93,518,357	61,701,842	99,966,958
Income after fixed charges	57,743,306	26,962,378	65,066,542
Other deductions	3,318,190	3,369,937	2,949,756
Net income	54,425,116	23,592,441	62,116,786
Depreciation (way & structures & equip.)	35,130,793	34,064,427	32,277,112
Amortization of defense projects	1,367,669	1,360,623	1,396,566
Federal income taxes	30,383,515	21,379,133	41,338,248
Dividend appropriations:			
On common stock	36,223,051	5,240,956	52,961,970
On preferred stock	5,245,742	4,371,855	6,853,158
Ratio of income to fixed charges	2.61	1.78	2.86
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of January:			
Net sales	$6,577,800	$131,450	------
Net purchases	------	------	$8,758,000

*Revised figure. †Increase—all stocks (bbls.).

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ings, of all income classifications, have become acutely conscious of the fact that we seem to be trying for a new world's record on spending beyond our income. And a lot more people, who never quite get around to thinking of these things, are uneasy. What is the result, and where do we stand? We have a 257-billion-dollar national debt which is being increased at the rate of four or five billions a year and no one in the seat of authority in our government has yet shown any real intention of paying it off. It's only money, as the saying goes, and we owe it to ourselves! That's no mere saying; it is an inscription, fit to be carved in granite and placed over the grave of financial integrity, and economic achievement.

I am under no illusion that anything I can personally say or do, tonight or at any other time, will serve to turn this tide. To paraphrase the inscription—we are only people, but we do owe it to ourselves to keep on trying. If we have to choose between political action and economic consequences, then I am for political action, because that has always been the American solution which worked best. Political action need not wear the label of a party. It is the combined force of men with a purpose, who have exhausted the softer remedies to no avail and who will now resolve that we have had enough pretty words, enough vague promises to do better next year or next decade, enough planned devaluation of sound money, enough economic confusion, enough frustration of productive enterprise, enough of the nightmare schemes to dig new holes and fill them up with tax money, enough mortgaging of the resources of our future generations. In short, we have had enough. It is long past time when we must accept that classic advice to the debtor: Get out of debt—stay out of debt.

Volumes are written every day by experts and semi-experts on the complexities of the situation in which we find ourselves as a nation. Admittedly we have certain very tough jobs to do if we are going to keep the social and economic sphere from cracking at the seams. Money and banking, international credit, price support programs, armament programs of both the domestic and international variety, social security systems, development and conservation of our national resources—all involve the application of substantial technical ability, all are pregnant with controversy and honest difference of opinion, all must be weighed on the delicate scales of overall policy, all have a claim to our best efforts—but when the experts and policy makers and politicians have all had their say, there remains one hard and realistic consideration which no argument can get around, and which the humblest citizen of the republic is capable of judging wisely—we can only do what we have the strength to do and what we can afford to do, because to attempt any more is dishonest, improvident, and dishonorable.

The Tax Burden

Senator Taft recently pointed out that the federal tax system was estimated to produce in 1949 some $41 billion, plus about $15 billion for state and local governments. This represents 25 per cent of the national income. The President's request last year for another $4 billions increases the figure to 27 per cent of the national income. The Brannan plan, compulsory health insurance, and universal military training would add another 6 per cent, or a total of 33 per cent of the national income. Even this is a figure that must be examined together with some other facts, because most of this tax revenue comes from the great economic machine of private enterprise. As the tax burden is increased, operation of business becomes less and less profitable, and the number of people and enterprises paying the tax shrinks. We are then faced with a situation where a government policy of excessive spending progressively narrows the tax base, progressively penalizes industrial initiative and chokes off business investment, and creates the climate for increased regulation and socialization. This is not a cycle that is as vicious, apparently, to the unpracticed eye as is the depression cycle, but it is actually much more vicious, since it is accomplished under the banners of prosperity and free spending, instead of those of hunger and despair.

Some time ago, in transmitting a progress report on the government reorganization program, your Dr. Robert L. Johnson, of Temple University, passed along one of those observations which serve to pinpoint and dramatize this whole business when he said that the present cost of the Federal government is five times what it was before World War II and ten times what is was 20 years ago—that 50 years ago we spent $500 million a year for the whole Federal government, but that now we lose that much on the Post Office Department alone.

For our purposes, and I mean for the purposes of all Americans sincerely interested in seeing government fiscal policy restored to the realm of reason and elementary arithmetic, there is little or nothing to be gained in questioning the motives of those who make and execute our national policy. It can be pointed out, and it will be interminably, that there are proved political advantages attaching to this farm program and that labor program. No man in his right mind, who is dependent upon votes for his continuation in office, is ever going to be disinterested in voters. We are all responsible for our political system and we must live and work with it. Nevertheless good motives are not necessarily accompanied by infallibility, and that is a very conservative statement. I am sure you do not look upon the President's economic report as a political document. It is not a party platform; without questioning the motives or good faith of its chief protagonist, we are free to examine it in terms of our own experience and beliefs.

The President's Equivocal Statement

"As 1950 opens", said the President in its opening sentence, "renewed confidence prevails in the American economy." I find that an equivocal statement, because it is not clear whether it is meant that business men have confidence in their own activity, or that government is the one that has the confidence. Presumably it is the latter, as the report then says: "We are able to continue and advance the domestic and international programs which are the hope of free peoples throughout the world."

Confidence in an economic system is a splendid thing to have when you are the President of the United States. And if you happen to be a small businessman or a small investor, it is something that you must have. But confidence is not produced goods, nor is it realized profits. It is not money in the bank to be drawn on in advance, to the extent that this government is already planning to draw on it in the continuation and advancement of its "domestic and international programs." I do not see how a prudent man would be warranted in drawing on it all until he had made some modest provision to begin meeting that 257-billion-dollar national debt, not to mention a determination to first balance his budget. When you set out to spend confidence instead of dollars, you end up by spending promissory notes which you may be unable to meet. And if you have been making a practice of not meeting them for several years, you are not an attractive risk. And if you announce in advance that you do not intend to meet them, you are a very poor risk indeed, and your confidence in your ability to obtain indorsers may be without foundation. This is no idle figure of speech—it is simply applying the principles of business to the business of government, and finding the latter wanting.

Mr. Truman has said that he tends to tap the dynamic forces of economic expansion for his purposes, and that one of the most important of these dynamic forces is the process of business investment. To quote his words:

"There is no need for this decline (in business investment) to continue. There are immense opportunities for business investment in nearly every segment of the economy. There are . . . sufficient funds available to business men who want to seize these opportunities. The initiative of business men, aided by proper government policies, can and should soon reverse the trend of business investment."

Which is all very well. But does a 257-billion-dollar debt, an unbalanced budget, and a high tax rate during the time of our greatest prosperity add up to anybody's idea of "proper government policies?" As David Lawrence has said, is an economic downturn met "when the government pours billions into the economic stream, and doesn't heed the warnings of history about nations that live beyond the means of governments to collect enough taxes to pay for its spending?"

The economic report declares that government fiscal transactions in 1949 helped to stabilize the economy—one of those half-truths that depends for its validity upon your definition of a stable economy. You can be the judge of that. The conclusion is based on the fact that cash payments by Federal, state, and local governments were about $8 billions higher in 1949 than in 1948. Federal cash payments alone were $6.2 billions higher. Nearly half of this rise, the report says, resulted from the impact of recessionary forces on such programs as unemployment compensation and agricultural price supports, and the remainder was mainly the result of larger expenditures for international and defense programs. This is a classic statistical chicken-and-egg situation of course, The motives behind each of these programs were exemplary. But can we afford, in the long run, to support farm prices and help other countries and build our defenses with money that we do not have? Can we afford to do all of these things? Can we afford to do just part of them, or what is the answer? The report gives one answer when it states that with increasing government payments and with a slight decline in the gross national product, the ratio of all government payments to total output increased from 20 per cent in 1948 to 23½ per cent in 1949. And as a result of these changes the cash surplus of the federal government, which amounted to $8 billions in 1948, became a cash deficit of about $1.7 billions in 1949. If this is an approved way of stabilizing the economy, then it makes sense to put out a fire in your house with your own blood. It would undoubtedly stabilize temporarily your economic situation, but at the cost of your physical condition. "These facts", concludes the distinguished author of the report in the next sentence, "show our tremendous economic strength." To which I am prompted to add: You take your definition and I'll take mine. With such tremendous strength did Samson bring down the temple.

The President's Five-Year Plan

As you know, because it has been well advertised, the President has now provided us with a five-year plan. At the end of this time he believes that we can achieve an annual output in excess of 300 billion dollars, a gain in national income equal to an average of nearly $1,000 for every family in the United States. I do not believe that such a goal is beyond the capacity of our economy; in fact it is well within that capacity. But I believe that in the doing we must take care that we are still dealing in dollars at the end of five years, and not in cigar coupons. Industry, with its splendid technological performance, with its real desire to distribute its products and services ever more widely, with its demonstrated pattern of consistent improvement in productive efficiency, will put its back into such a task and will deliver the goods if it is allowed to do so. But no group, industry or agriculture or labor, can guarantee the value of those dollars. That is government's task and its duty. I do not see that a 300-billion-dollar output would necessarily improve the living standards of every American family five years hence if the same proportions are drawn off in taxes as is now the case, or if the ratio of federal expenditures to output continues to rise annually, or if the budget continues to be a measure of a planned failure to meet it, or if our total debt continues to rise. Under such rules, American families will be in very much worse shape. Yet there is no one in this room, I dare say, who would not subscribe to this statement from the report:

"To promote an environment in which businessmen, labor, and farmers can act most effectively to achieve economic growth is a major task of the government. It must perfect measures for helping to stabilize the economy. It must build up the natural resources which are essential to economic progress, and expand the protective measures against human insecurity. It must keep open the channels of competition, promote free collective bargaining, and encourage expanded opportunities for private initiative."

These are worthy objectives. They light the road down which we must travel, and which we have not yet traveled very far. We have not yet had such an environment. We have not even had free collective bargaining. The sentence which I like most of all is the one that immediately follows this paragraph. It should have been printed in red letters on the cover of the report, because it states that "The fiscal policy of the Federal government must be designed to contribue to the growth of the economy."

There are many contradictions in government policies with which we are probably entitled to have a limited amount of impatience, but which in a period of vast readjustment can be excused on the grounds of good intentions. Such, for instance, are those activities of the Department of Agriculture which concern themselves simultaneously with increasing production and with limiting production. Unfortunately they have one thing in common, and that is that they are carried out at considerable and increasing public expense. But the moral issue is not so clear here as it is, to take another example, in the recommendations for the continuation of rent controls. So many of our fellow citizens pay rent and that any policy of discontinuing controls is bound to be widely unpopular. Yet I do not know, for my part, what special kind of moral adjustment we can make that justifies keeping the owners of rental properties from their right to operate in a free market while we are extending this privilege to almost every other kind of business. Labor has been set free to obtain whatever the traffic will bear, and even a little more. Industry has been freed of price controls. Farmers have not only been set free but have been given special consideration and protection against adversity. Practically every segment of the economy has been permitted to seek its level under postwar inflation except the man who has a house or an apartment to rent. His costs of doing business have certainly matched those of every one else, and yet he has clearly been discriminated against. This is all the more strange under the administrations of a government that has loudly and often proclaimed its jealous consideration for the small business man. If the millions of owners of real estate for hire in the United States are not predominantly small business men, I am very much mistaken. You have only to look around you to document that statement. The fundamental solution of our very real housing problem is no more to be found in rent controls than it is to be found in the so-called non-profit housing ventures.

The Farm Problem

It is likely that there is no more complex problem which our economy has to face—and it has a wide choice—than that of the farmer. Probably no other segment of our economy so fully justifies special handling by government. Few problems are more potent politically, or more costly to the taxpayer. Yet, in the face of some of the most spectacular and expensive experimentation ever attempted we seem farther than ever from a solution. The President now calls for a shift in emphasis, in his administration's farm policy, from the support of prices of particular commodities to the support of farm income. The reasons are not hard to find. We are currently giving a very good imitation of a land of plenty, in fact of embarrassing plenty, in respect to certain items. We are the proud possessors of a hundred-million-dollar surplus in eggs, but the government has continued its price-support purchase program for another month and will continue to buy. The Department of Agriculture now holds the equivalent of two billion, seven hundred million eggs in dried form, as well as 189 million pounds of dry skim milk. It has other problems, also, such as the lowly potato, of which it now holds 50 million bushels. It hopes to make from 25 to 40 million bushels unfit for human consumption by dyeing them purple and

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selling them for livestock feed for one cent per hundred pounds. It also had the very worthy notion of giving them away to welfare agencies, but the welfare groups are unable to kick in the cost of transportation. Mr. Brannan-estimates that transportation will cost the government an additional 20 million dollars. You probably read the other day, as I did, how food brokers in New Orleans, Savannah, Tampa, Jacksonville, and other southern cities were buying choice Canadian potatoes, paying shipping charges and import duty, and still doing better than they could if they bought Maine and Idaho potatoes. That is because the government guarantees the farmer a price that he cannot obtain on the open market. It is little wonder that the administration is seeking to change from a price-support program to an income-support program for the farmer. We could all have a good laugh at this spectacle if it were not so tragic, if it were not for the fact that the solution which will be investigated next, if Congress approves, will be even more costly. And it is our money, some of it still unearned.

It is difficult to keep a promise of brevity once you begin to invade even a few of the specific areas of Federal operation in this most exciting, demanding, and extravagant of all centuries. As an amateur, the citizen taxpayer is entitled to take as long a look, and make as approving or disapproving a judgment, as he desires. As an amateur he is not expected to propose expert solutions. Nevertheles he has every right to sit as as examiner of broad moral issues, and with that right goes the privilege of passing judgment and the obligation to implement his decision, within the somewhat limited powers at his disposal. He can vote, he can speak and write to his Congressman, he can nudge his fellow man. These things, small as they may be, we must do. I believe with all my heart that we must seize every weapon and wield it with all our strength today and tomorrow and every day until we can turn the tide of waste, extravagance, and moral dishonesty which today characterizes the deliberate and calculated fiscal policy of this government. This is a hard duty to perform because the subject is dull and complex. We are in no danger of shedding our blood, just our national integrity. But somehow we must unite in political action. We must raise a voice that will be heard and heeded before it is too late, a voice that will drum out the refrain with words and with votes. Balance the budget—reduce the debt. We have been put off long enough. Perhaps these leaders of governmen who have forgotten that they are also servants of the people will recall these other words, spoken in Pittsburgh on October 19, 1932, by a man I am sure they have not forgotten; Franklin D. Roosevelt:

"Taxes are paid in the sweat of every man who labors. If those taxes are excessive, they are reflected in idle factories, in tax-sold farms, and in hordes of hungry people, tramping the streets and seeking jobs in vain. Our workers may never see a tax bill, but they pay. They pay in deductions from wages, in increased cost of what they buy, or in unemployment throughout the land."

Halsey, Stuart Offers Lake Superior District Power 1st Mtge. 2¾s

Halsey, Stuart & Co. Inc. on Feb. 20 publicly offered $2,000,000 Lake Superior District Power Co. first mortgage bonds, series C, 2¾%, due Jan. 1, 1980 at 100.75% and accrued interest. The firm was awarded the bonds Feb. 16 on its bid of 100.16%.

Proceeds from the sale of the bonds and from the sale of 40,962 shares of common stock are to be applied to pay or reimburse the company in part for the cost of additions, extensions and improvements to the electric properties of the company.

Beginning in 1951 the company is required to retire bonds annually and for this purpose the bonds may be redeemed at prices ranging from 100.80% to 100%. Additional bonds may be retired at prices ranging from 103.75% to 100%.

Lake Superior District Power Co. is engaged principally in supplying electric energy in parts of northern Wisconsin and in the western portion of upper Michigan. The territory has an estimated population of approximately 118,000 and includes the cities of Ironwood, Michgan, and Ashland, Wis.

Joins Pohl Staff

(Special to The Financial Chronicle)

CINCINNATI, OHIO—John J. Armbrust has become associated with Pohl & Co., Inc., Dixie Terminal Building. Mr. Armbrust was previously with Weiss, Work & Co.

With R. H. Johnson

(Special to The Financial Chronicle)

BOSTON, MASS. — James W. Ireland is with R. H. Johnson & Co., 70 State Street, Boston 9, Mass.

With Barrett Herrick

(Special to The Financial Chronicle)

FLORA, ILL. — Norman E. Prince is now affiliated with Barrett Herrick & Co.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

All American Assured Securities Co., Inc., Lafayette, La.
Feb. 6 (letter of notification) 5,876 shares of preferred stock (par $20) to be offered in exchange, on a share for share basis, for the stock of The United National Insurance Co., Atlanta, Ga. No underwriter.

• **American Business Shares, Inc., N. Y.**
Feb. 17 filed 3,000,000 shares of capital stock. **Selling Agent**—Lord, Abbett & Co., New York. **Business**—Diversified, open-end management investment company.

• **American Israel Foundries Corp., N. Y.**
Feb. 16 filed 5,000 shares of common capital stock (no par). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To erect, equip and operate a foundry in Israel. **Business**—Non-ferrous foundry products. To be offered "as a speculation."

• **American Mutual Fund, Inc., Los Angeles**
Feb. 3 filed 2,000,000 shares of capital stock (par $1), of which 910,000 shares will be issued in exchange for Security Co. stock, 790,000 shares will be reserved for non-transferable rights under merger plan, and 300,000 shares are to be offered publicly. **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.

• **Appalachian Electric Power Co. (3/21)**
Feb. 17 filed $25,000,000 first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; First Boston Corp. **Proceeds**—To finance construction program. Expected about March 21.

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.

Bond Fund of Boston, Inc.
Feb. 10 filed 100,000 shares of capital stock (par $1). **Underwriter**—Vance, Sanders & Co., Boston. **Business**—Open-end diversified management investment company.

Broadway Angels, Inc., New York City
Nov. 14 filed 2,000,000 shares (1c par) common stock and 500,000 management shares of 0.1 of a cent par value, to be sold at 50 cents and 12.5 cents respectively. **Underwriter**—Hugh J. Devlin, New York. **Proceeds**—For working capital. **Business**—To back theatrical productions, distribute tickets and act as an agent for talent.

Canam Mining Corp., Ltd., Vancouver, B. C. (3/2-3)
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 March 2 or 3.

• **Casa de Paga Gold Co.**
Feb. 10 (letter of notification) 175,000 shares of (1c par) common stock to be sold at one cent each and $35,000 of 6% promissory notes, with the purchase of each $1 note enabling purchase of five shares of common stock. No underwriter. Proceeds to pay obligations. **Office**—513 Hoge Bldg., Seattle, Wash.

• **Chemical Crops, Inc., Morrill, Neb.**
Feb. 15 (letter of notification) 3,060 shares of common stock to be sold at par ($5 per share). No underwriter. Proceeds for financing corporation.

Chemical Crops, Inc.
Feb. 8 (letter of notification) 184,400 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—Robert D. Bowers & Co., Denver, Colo. **Proceeds**—To build and equip an oil seed processing plant.

• **Colorado Central Power Co.**
Feb. 6 (letter of notification) 10,690 shares of $10 par value common stock (par $10). **Price**—$28 per share. **Underwriter**—None. Unsubscribed shares will be taken up by a group of dealers for public offering, who will probably include Woodcock, Hess & Co.; Bosworth, Sullivan & Co.; and Boettcher & Co. **Proceeds**—To finance construction, develop facilities, and for other corporate purposes.

• **Columbine Development Co.**
Feb. 9 (letter of notification) 965 shares ($10 par) common stock at $10 each. No underwriter. **Proceeds**—To establish wood pulp and paper industry. **Office**—614 Rood Ave., Grand Junction, Colo.

• **Committee for Incorporation of Urban Redevelopment Corp.**
Feb. 13 (letter of notification) pre-organization certificates for 1,000 shares of 5% non-cumulative preferred stock (par $100) and for 1,000 shares of common stock (1c par) to be sold in units of five shares of preferred and five of common for $500 a unit. No underwriter. Proceeds to be used to plan, finance, build, and rent land areas in Washington to rid the area of slums. **Office**—1757 K St., N. W., Washington, D. C.

Credit Acceptance Corp., Rochester, N. Y.
Feb. 9 (letter of notification) $239,000 of 5% debenture bonds. Each $100 bond has stock purchase warrants attached to buy four shares of common stock at $2.25 per share before Dec. 31, 1951; at $3 thereafter and before Dec. 31, 1953; at $3.50 thereafter and before Dec. 31, 1954. **Price**—$95 per $100 bond. **Underwriters**—CAC Associates, Inc., Rochester, N. Y., and R. M. Horner & Co., New York. **Proceeds**—To be added to working capital.

• **Cretshire Corp., Philadelphia, Pa.**
Feb. 16 filed voting trust certificates for 2,815.6 shares of no par value common stock. **Voting Trustees**—George E. Roosevelt, Ernest L. Davis and Clayton McElroy, Jr.

• **Daniels & Fisher Stores Co., Denver, Colo.**
Feb. 13 (letter of notification) 2,404 shares of common stock to be offered at $32.50 per share, the proceeds going to the estate of Arthur H. Bosworth, deceased. **Underwriter**—Bosworth, Sullivan & Co., Inc., Denver. **Office**—16th and Arapahoe Sts., Denver, Colo.

• **Darwin Lead Consolidated Mining Co.**
Feb. 13 (letter of notification) 863,000 shares of common stock to be offered at par (25c per share). No underwriter. Proceeds to be used to expand lead mining operations at Darwin, Calif. **Office**—8350 W. 3rd St., Los Angeles, Calif.

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.

Detroit Edison Co.
Feb. 14 filed $35,000,000 of general and refunding mortgage bonds, series J, due 1985. **Underwriter**—To be supplied by amendment, along with offering price. Bidders for the series I issue in September, 1947, were: Coffin & Burr, Inc. and Spencer Trask & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Dillon, Read & Co. Inc. **Proceeds**—To redeem on May 15, a like amount of general and refunding mortgage bonds, series G, due 1966.

• **Development Credit Corp. of Maine**
Feb. 13 (letter of notification) 500 shares of common stock, at par ($100 per share). No underwriter. Proceeds for development. **Office**—15 Grove St., Augusta, Me.

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 part-

ners 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. Statement effective Feb. 14.

East Tennessee Natural Gas Co. (2/27-3/3)
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 week of Feb. 27.

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 the exchange will be sold at $10 each. No underwriter. **Proceeds**—For working capital.

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.

• **General Public Service Corp.**
Feb. 17 filed 1,250,000 shares of common stock (par 10c). **Underwriter**—Stone & Webster Securities Corp. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from additional bank loans "to increase the size of the corporation and at the same time retain its leverage character and at the same time to add further investments to its portfolio."

• **Gold Producers, Inc.**
Feb. 2 (letter of notification) 300,000 shares of common treasury stock (par 10c) at $1 each. No underwriters. Proceeds to equip mine at Shoup, Idaho. **Office**: 501 Peyton Building, Spokane, Wash.

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.

• **Granville Mines Corp., Ltd., British Columbia, Canada**
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital.

• **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. (3/7)**
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 and will close on March 7. **Proceeds**—To finance part of construction program for 1950 and for general corporate purposes.

NEW ISSUE CALENDAR

February 23, 1950
Belt Ry. of Chicago, noon (CST)___Equip. Tr. Ctfs.
Central RR. of Pennsylvania____Equip. Trust Ctfs.
Virginia Electric & Power Co.__________Common

February 27, 1950
East Tennessee Natural Gas Co._____Notes & Com.
Lowell Adams Factors Corp.______Preferred & Com.
Shedd-Bartush Foods, Inc.______________Common

March 1, 1950
Chicago & North Western Ry. Noon (CST)_________________Equip. Trust Ctfs.
Chicago, St. Paul, Minneapolis & Omaha Ry. 11 a.m. (CST)____Equip. Trust Ctfs.
Kansas Gas & Electric Co.______________Preferred
Louisville Gas & Electric Co.____________Common
Pennsylvania RR., noon (EST)__Equip. Trust Ctfs.

March 2, 1950
Canam Mining Co._____________________Common

March 6, 1950
Missouri Pacific RR.___________Equip. Trust Ctfs.

March 7, 1950
Gulf States Utilities Co._________________Common
International-Great Northern RR.__Equip. Tr. Ctfs.
Mississippi Power Co., 11 a.m. (EST)_______Bonds
St. Louis, Brownsville & Mexico Ry.__Eqp. Tr. Ctfs.

March 8, 1950
Virginia Electric & Power Co.___________Preferred

March 9, 1950
Southern Pacific Co.__________________Debentures

March 13, 1950
Pennsylvania Power Co., 11 a.m. (EST)____Bonds

March 14, 1950
New Jersey Bell Telephone Co.________Debentures

March 20, 1950
Texas Utilities Co.____________________Common

March 21, 1950
Appalachian Electric Power Co.______________Bonds
Jamaica Water Supply Co.______Bonds & Common

March 23, 1950
Seaboard Air Line RR.___________Equip. Trust Ctfs.

March 28, 1950
Monongahela Power Co.________________Preferred
Northern Indiana Public Service Co.________Bonds

April 4, 1950
Georgia Power Co._______________________Bonds

April 10, 1950
Utah Fuel Co., 11 a.m. (EST)_____________Common

April 21, 1950
Kansas City Power & Light Co.___________Common

May 2, 1950
Public Service Electric & Gas Co.___________Bonds

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. Expected early in March.

• **Heat-O-Matic, Inc., Pittsburgh**
Feb. 10 (letter of notification) 99,800 shares of common stock (par $3). **Price**—$3 per share. **Underwriter**—Graham & Co., New York, and Pittsburgh. **Proceeds**—For new equipment and additional working capital.

• **Housing Securities, Inc.**
Feb. 10 (letter of notification) 2,700 shares of common capital stock (par $100). **Price**—$110 per share. **Underwriter** — None. **Proceeds** — For expenses and working capital. **Office**—205 Commonwealth Building, Washington 6, D. C.

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.

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. Holders of "American shares" of record Feb. 14 have the right to subscribe on or before 12 o'clock noon on March 1, purchases to be filed with The Chase National Bank of the City of New York. **Underwriter**—Banco Nacional de Mexico, S. A. **Proceeds**—To reduce outstanding short-term indebtedness and for working capital. Statement effective Feb. 9.

• **Interchemical Corp.**
Feb. 14 (letter of notification) 3,334 shares of common stock (par $5). **Price**—At the market (about $18 per share. **Proceeds**—To selling stockholder. To be sold on New York Stock Exchange.

• **Iowa Public Service Co., Sioux City, Iowa**
Feb. 21 filed 50,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. 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. **Proceeds**—For payment of bank loans and for construction. Expected in March.

• **Jamaica Water Supply Co. (3/21)**
Feb. 17 filed 50,000 shares of common stock (no par) and $7,995,000 first mortgage bonds, series C, due March 1, 1975. Price of common to be supplied by amendment. **Underwriter**—For common stock: Blyth & Co., Inc. will head syndicate. For bonds—Names to be determined by competitive bidding. Probable bidders for bonds: 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, Rhoades & Co. Expected about March 21. **Proceeds**—To redeem as of May 1, 1950, $5,745,000 first mortgage 3¾% bonds, series A, and $1,250,000 first mortgage 3¼% bonds, series B, to repay bank loans, and for construction and other corporate purposes.

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).

• **Johnston Mutual Fund, Inc., N. Y.**
Feb. 16 filed 16,000 shares of capital stock. **Manager**—Douglas T. Johnston & Co., Inc., New York City. **Business**—Investment management company.

• **Juneau Lumber Co., Inc.**
Feb. 8 (letter of notification) 100,000 shares of preferred stock to be sold at par ($1 per share). No underwriter. Proceeds to buy Juneau Spruce Corp. property and for initial operating caiptal. **Address**: Box 1121, Juneau, Alaska.

• **Kansas City Power & Light Co. (4/21)**
Feb. 17 announced that it is expected that United Light & Rys. Co. stockholders of record about March 20 will be given the right to subscribe for 1,904,003 shares of Kansas City Power common stock at $12 per share on the basis of three shares of Kansas City stock for each five shares of United stock held. Rights are expected to expire some time around April 20. Company states that additional public financing will also be necessary by mid-year, probably $20,000,000 of funded securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers and Bear-Stearns & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.

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. Unexchanged portion to underwriters at $110 per share. **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.

• **La Crosse Telephone Corp.**
Feb. 15 (letter of notification) 839 shares of common stock to be sold at $10.12½ per share. **Underwriter**—Bell & Farrell, Inc., Madison, Wis. **Proceeds** — To pay advances from the company's parent, Central Telephone Co.

Lake Superior District Power Co.
Jan. 23 filed $2,000,000 of series C first mortgage bonds, due 1980, and 40,962 shares of $20 par value common stock (par $20). Bonds were awarded Feb. 16 to Halsey, Stuart & Co. Inc. on its bid of 100.16% and reoffered on Feb. 20 at 100.75 and interest. Stock was offered to common stockholders of record Feb. 9 at the rate of one new share for each four held, at $22.25 per share, with Robert W. Baird & Co., Inc., as principal underwriter, with rights to expire Feb. 27. **Proceeds**—Property additions and betterments. Statement effective Feb. 10.

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.

• **Longstreet-Abbott & Co., Clayton, Mo.**
Feb. 14 (letter of notification) not more than $217,700 of "Commodity Syndicate Contracts." No underwriter. The "capital in the syndicate is used as margin for the purchase and sale of commodity futures in a joint venture between 'cash participants' who furnish the capital, and (the) firm." **Office**—8135 Forsyth, Clayton 24, Mo.

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Loomis-Sayles Mutual Fund, Inc., Boston, Mass.
Feb. 17 filed 75,000 shares of capital stock. **Investment Manager**—Loomis, Sayles & Co., Inc., Boston. **Business**—An investment fund.

Louisville (Ky.) Gas & Electric Co. (3/1)
Feb. 8 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. Expected about March 1.

Lowell Adams Factors Corp. (2/27)
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 fiied 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.

Metropolitan Edison Co.
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.; White, Weld & Co. (bonds); Lehman Brothers (bonds); Kuhn, Loeb & Co. (bonds); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly on preferred); Glore, Forgan & Co. and W. C. Langley & Co. (jointly on pfd.). **Proceeds**—For construction and to reimburse treasury for past capital expenditures. Expected mid-March.

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.

Mid-States Equipment Co., Detroit
Feb. 13 (letter of notification) 300,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—Greenfield, Lax & Co., Inc. **Proceeds**—To retire debt and for additional working capital. **Office**—8641 Linwood Ave., Detroit 6, Mich.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock to be offered to common stockholders at $50 per share on a one-for-five basis. **Underwriter** — Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital.

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 Union Securities Corp. (jointly); Otis & Co.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Kidder, Peabody & Co. **Proceeds**—To finance construction program. The SEC will hold a hearing Feb. 17.

Muter Co., Chicago, Ill.
Feb. 13 filed 53,000 shares of common stock (par 50c). 50,000 shares are offered by Leslie F. Muter, President, and 3,000 are owned by the underwriter. **Underwriter**—Dempsey & Co., Chicago. **Price**—To be filed by amendment. **Business**—Radio and television parts.

Mutual Shares Corp., New York
Feb. 15 filed 2,000 shares of capital stock (par $5). No underwriter. Corporation is a diversified, open-end investment company.

National Research Corp., Cambridge, Mass.
Feb. 14 (letter of notification) 4,000 shares of common stock (par $1), to be offered at the market price for the account of Clara A. Coolidge and others. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston. **Office**—70 Memorial Drive, Cambridge, Mass.

New Jersey Bell Telephone Co. (3/14)
Feb. 10 filed $15,000,000 of 40-year debentures, due 1990. **Underwriter**—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. **Proceeds**—To pay off indebtedness owing to American Telephone & Telegraph Co., the parent. Expected March 14.

Omar, Inc., Omaha, Neb.
Feb. 6 filed 20,000 shares of 4½% cumulative convertible preferred stock ($100 par), of which 16,933 shares are first 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 and free (3,067 shares) 4½% preferred at $103 per share.

Otter Tail Power Co.
Feb. 14 filed 125,000 shares of common stock (par $5). **Underwriters**—Names to be supplied by amendment and may include Glore, Forgan & Co. and Kalman & Co., Inc. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans. Expected to be issued after March 1.

Palisades Nepheline Mining Co., Ltd.
Feb. 21 filed 1,000,000 shares of capital stock (par $1 Canadian funds). **Price**—40 cents per share. **Underwriter**—F. W. Macdonald & Co., Inc., New York. **Proceeds**—For mining costs. **Business**—Mining nepheline syenite deposits.

Pennsylvania Power Co. (3/13)
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.; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly); Kidder, Peabody & Co.; Otis & Co. **Proceeds**—To reimburse treasury for construction expenditures. **Bids**—Bids are expected to be received at 11 a.m. (EST) on March 13.

Pioneers Oil Co., Conrad, Mont.
Feb. 3 (letter of notification) 50,000 shares of ($1 par) common stock at $1 each. No underwriter. Proceeds to develop oil leases in Hoole County, Mont.

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.

Radio & Television, Inc.
Feb. 16 (letter of notification) not to exceed 2,600 shares of capital stock (par 10¢), to be offered at market (about $2.50 per share) for account of selling stockholder. **Office**—244 Madison Avenue, New York 16, N. Y.

Ramie Products Corp., Pittsburgh, Pa.
Feb. 10 (letter of notification) 21,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriters**—Smith, Talbott and Sharpe, Pittsburgh. **Proceeds**—For additional operating expenses.

Roanoke Pipe Line Co.
Feb. 14 (letter of notification) 17,202 shares of common stock to be sold at par ($10 per share), with the company offering 15,202 shares and Roanoke Gas Co., the parent, offering 2,000 shares. No underwriter. Proceeds will be used to construct and operate a pipe line from Gala, Va., to Roanoke. **Office**—123 Church Ave., S. W., Roanoke, Va.

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.

Sentinel Radio Corp., Evanston, Ill.
Feb. 15 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$6.50 per share. **Underwriters**—Sulzbacher, Granger & Co., New York, and ten individuals. **Proceeds**—For working capital.

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.

Shawmut Association, Boston, Mass.
Feb. 16 (letter of notification) 5,500 shares of common stock (no par) to be sold at $16 per share (subject to change due to market conditions) by the National Shawmut Bank of Boston. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston.

Shedd-Bartush Foods, Inc., Detroit (2/27)
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. Expected about Feb. 27.

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.

Slick Airways, Inc., San Antonio, Texas
Feb. 10 (letter of notification) $194,000 of 4% convertible income debentures, due 1957 (non-interest bearing until March 1, 1952), and 19,400 shares of common stock (par $10), into which the debentures will be convertible. **Underwriter**—Fridley & Hess, Houston. **Proceeds**—For general corporate purposes.

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.

Sta-Kleen Bakers, Inc., Lynchburg, Va.
Feb. 15 (letter of notification) 1,895 shares of common stock to be sold at $11 per share by two stockholders. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg.

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.

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.

Sun Valley Lead-Silver Mines, Inc.
Feb. 9 (letter of notification) 400,000 shares of unissued capital stock (par 10c). **Price**—25 cents per share. No underwriter. Proceeds for mine development. **Address**—Box 545, Hailey, Idaho.

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.

Tect, Inc.
Feb. 14 (letter of notification) 50,000 shares of 6% cumulative profit-sharing preferred stock (par $1) and 10,000 shares of common stock (par $1), to be offered by company at par. No underwriter. Proceeds for manufacture and sale of products and purchase of equipment. **Office**—556 Grand Avenue, Englewood, N. J.

Texas Utilities Co. (3/20)
Feb. 16 filed 400,000 shares of common stock (no par). **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Goldman, Sachs & Co. and Harriman Ripley & Co., Inc. (jointly); 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). **Bids**—Expected to be received on or about March 20. **Proceeds**—To increase common stock investments in subsidiaries.

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.

Upper Peninsula Power Co.
Feb. 10 (amendment) 200,000 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., Middle West Corp., Copper Range Co. and private individuals will sell 120,000 shares, 34,000 shares, 34,800 shares and 11,200 shares, respectively.

Valley Forge Golf Club
Feb. 14 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $50) and 3,300 shares of common stock (no par), the preferred and 1,000 shares of common stock to be offered in units of one preferred and one common share at $51 per unit; 2,100 shares common will be reserved for exercise of options; and 200 shares will be offered to employees at par. No underwriter. Proceeds to repay loan of $10,000 and to reduce principal of first mortgage. **Office**—Care of Edward Davis, Treasurer, Times Medical Building, Ardmore, Pa.

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. Expected end of this month.

Virginia Electric & Power Co. (2/23) (3/8)
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. Common stock offering expected Feb. 23 and preferred stock on March 8.

• Volunteer Gas & Oil Corp.
Feb. 10 (letter of notification) 1,500 shares of class A common stock (no par) and 1,000 shares of class B common stock (no par) with the class A to be sold at $100 each. No underwriter. Proceeds to drill test well. **Office**—304 S. Gay St., Knoxville, Tenn.

Prospective Offerings

Alberta (Province of)
Feb. 5 reported considering refunding callable dollar bonds and payment of its internal and sterling debt through issuance of about $60,000,000 bonds in mid-March. Probable underwriters: The First Boston Corp.

Arkansas Louisiana Gas Co.
Feb. 6 company reported to be considering offering of $27,500,000 new first mortgage 3% bonds, the proceeds to be used to repay $21,125,000 bank loans and to provide additional working capital. The sale of these bonds is contingent upon approval by SEC and favorable Court action on Arkansas Natural Gas Corp.'s plan to split itself into two new companies. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp.

Arkansas Natural Gas Corp.
Feb. 6 announced unexchanged new 3¾% preferred stock (issuable in exchange for 6% preferred stock, share for share, under proposal to split company into two units) will be sold publicly.

Belt Ry. Co. of Chicago (2/23)
Bids will be received by the company at Room 211, 47 West Polk Street, Chicago 5, Ill., at or before 12 o'clock noon (CST) on Feb. 23 for the purchase from it of $2,832,000 equipment trust certificates of 1950, to mature serially in 24 equal semi-annual instalments beginning on Oct. 1, 1950, and ending on April 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); Lee Higginson Corp.

Boston Edison Co.
Jan. 26 reported company is planning to issue $18,000,000 of first mortgage 30-year bonds due 1980, probably about the middle of April. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; First Boston Corp.; Harriman, Ripley & Co. Inc.; White Weld & Co.

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 March.

Central RR. of Pennsylvania (2/23)
Jan. 24 reported company may issue $3,180,000 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 & North Western Ry. (3/1)
Bids for the purchase from the company of $7,065,000 equipment trust cetrificates, series of 1950, to be dated April 1, 1950, and to mature in either 10 or 15 equal annual instalments beginning on April 1, 1951, will be received at the office of R. L. Williams, Persident, in Room 1400, Daily News Building, 400 West Madison Street, Chicago 6, Ill., up to 12 o'clock noon (CST) on March 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; and Lehman Brothers (jointly); The First Boston Corp.; Harris, Hall & Co. (Inc.).

Chicago, St. Paul, Minneapolis & Omaha Ry. (3/1)
Bids for the purchase from the company of $915,000 equipment trust certificates, series of 1950, to be dated April 1, 1950, and to mature in either 10 or 15 equal annual instalments beginning on April 1, 1951, will be received at the office of R. L. Williams, President, in Room 1400, Daily News Bldg., 400 West Madison St., Chicago 6, Ill., up to 11 a.m. (CST) on March 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

Chicago & Western Indiana RR.
Jan. 31 reported company will probably 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.

• Cincinnati Gas & Electric Co.
Feb. 20 announced that common stockholders of record March 15 will be given the right to subscribe on or before April 7 for 498,666 shares of common stock on a one-for-five basis. In addition, employees and officers may subscribe for 58,000 shares, and any shares not taken by the stockholders. A registration statement is expected to be filed with the SEC on Feb. 24. The proceeds will be used to finance construction program.

• Columbia Gas System, Inc.
Feb. 17 company applied to the SEC for authority to reclassify and change 1,000,000 shares of its unissued common stock (no par) into 1,000,000 shares of unissued preferred stock (par $50). While it is anticipated that additional equity financing of the construction program will be required in 1950, it has not been determined whether or not part of such requirements should be obtained from the sale of preferred stock. Such determination will be made when the financing "is closer at hand." The company's program currently calls for the sale of $10,000,000 of additional common or preferred stock and $17,000,000 of debentures to finance its expansion program. **Underwriters**—May be named by competitive bidding. Probable bidders for equities: Blyth & Co., Inc.; Shields & Co. and R. W. Pressprich & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Morgan Stanley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

Commercial Credit Co.
Feb. 8 company reported to be planning issuance of $25,-000,000 of new cumulative non-convertible preferred stock (par $100) following redemption of a like amount of outstanding 3.6% cumulative convertible preferred stock not taken up in conversion of 3.6% stock will be vertible into 1¾ shares of common stock. The common stock not taken up on conversion of 3.6% stock will be sold to underwriters. Traditional underwriters: Kidder, Peabody & Co.; The First Boston Corp.

• Delaware River Development Corp., Jersey City, N. J.
Feb. 10 it was announced that the estimated over-all cost of the proposed development of hydro-electric power on the Delaware River in New Jersey, Pennsylvania and New York is approximately $47,000,000, which would be financed through the issuance of $23,200,000 bonds, $14,-100,000 preferred stock, $4,700,000 convertible common stock and 100,000 shares of no par value common stock.

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.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Union Securites Corp. and Equitable Securities Corp. (jointly); Shields & Co.; Drexel & Co.; Morgan Stanley & Co.; Harriman Ripley & Co. **Proceeds**—To finance construction program.

• Gulf States Utilities Co.
Feb. 16 reported company may offer $7,500,000 preferred stock and $13,000,000 "new money" bonds later in April or May, this year. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co., Inc. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Glore, Forgan & Co.; Kidder, Peabody & Co.

• Hamilton Watch Co.
Feb. 20 announced that stockholders on April 20 will vote on a proposal to authorize the directors to incur up to $3,500,000 of indebtedness on a long-term basis, so as to place the company in a position to do such financing when deemed necessary.

Hytron Radio & Electronics Corp.
Feb. 10 reported company plans issuance of about 200,-000 shares of convertible preferred stock at around $8 per share and about 400,000 shares of common stock at between $4 and $5 per share. 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 underwriters: Blyth & Co., Inc.; Wegener & Daly Corp., Boise, Idaho.

• International-Great Northern RR. (3/7)
Feb. 15, trustee issued invitations for bids March 7 on $900,000 equipment trust certificates, due serially 1951-1965. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Laclede Gas Light Co.
On Feb. 14 stockholders voted to authorize a new issue of 480,000 shares of preferred stock (par $25), of which 160,000 may be presently issued, and to change the 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.

Louisiana Power & Light Co.
Feb. 6 reported company may sell between $4,000,000 and $6,000,000 of bonds, and refund the outstanding $6 preferred stock. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co., and Lehman Brothers (jointly); Shields & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.

• Metropolitan Edison Co.
Feb. 9 company informed SEC it intends (in addition to current financing) to sell in September, 1950, $4,000,000 bonds and $2,000,000 preferred stock. Probable bidders on bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Lehman Brothers. On preferred stock: Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Drexel & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.

• Missouri Pacific RR. (3/6)
Feb. 15 trustee issued invitations for bids March 6 on $3,000,000 equipment trust certificates, due serially 1951-1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Drexel & Co., Union Securities Corp. and Stroud & Co., Inc. (jointly); Lehman Brothers, Bear, Stearns & Co. and Paine, Webber, Jackson & Curtis (jointly); Harris, Hall & Co. (Inc.).

• Monongahela Power Co. (3/28)
Feb. 20 reported company filed an application with the SEC covering 60,000 shares of cumulative preferred stock, series C (par $100), to be sold through competitive bidding. Bids are expected to be received around March 28. It also sought authority to issue 230,770 shares of common stock (par $6.50) to West Penn Electric Co., the parent. Probable bidders for preferred stock: Blyth & Co., Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Goldman, Sachs & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). Proceeds will be used for construction expenditures.

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.

New York State Electric & Gas Corp.
Feb. 14 announced stockholders will vote in March on increasing the authorized preferred and common stocks. Future equity capital will be necessary in connection with the construction program. Traditional underwriter: The First Boston Corp. Other probable bidders for preferred issue: Kuhn, Loeb & Co.; W. C. Langley & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Harriman, Ripley & Co., Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Northern Indiana Public Service Co. (3/28)
Feb. 8 reported company is planning sale of approximately $12,000,000 new first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Central Republic Co., and Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; First Boston Corp.; Harriman Ripley & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co.; Equitable Securities Corp. Proceeds to be used to pay for construction costs. Registration expected about Feb. 23 with offering about March 28.

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.

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● **Otter Tail Power Co.**
Feb. 15 said 25,000 shares of cumulative preferred stock may be offered publicly or placed privately. Probable bidders: Glore, Forgan & Co.; Kalman & Co.

Pacific Gas & Electric Co.
Feb. 8 company announced its plans to issue and sell 1,656,156 shares of common stock to common stockholders about March 20, 1950, at the rate of one new share for each five shares owned. The subscription period is expected to close April 5, 1950. The offering will be underwritten by a nationwide group of underwriters probably headed by Blyth & Co., Inc. The proceeds are to be used for expansion.

● **Pacific Gas & Electric Co.**
Feb. 18 it was reported company may offer this Summer or early Fall an issue of $75,000,000 of bonds. Inquiry brought official word that no new financing was imminent. Traditional underwriter: Blyth & Co., Inc. Proceeds for new construction.

Pennsylvania Power & Light Co.
Jan. 26 company announced that it may be necessary to issue sometime this year about $18,000,000 of new securities (probably preferred and common stock) to finance balance of 1950 construction program. Traditional underwriters: First Boston Corp.; Drexel & Co.

Pennsylvania RR. (3/1)
Bids will be received by the company at Room 1811, Broad Street Station Bldg., Philadelphia 4, Pa., at or before 12 o'clock noon (EST) on March 1 for the sale by it of $10,200,000 equipment trust certificates, series Y, to be dated Jan. 1, 1950, and to mature in 15 annual instalments of $680,000 from Jan. 1, 1951 to Jan. 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman, Ripley & Co. Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); First Boston Corporation.

Pennsylvania RR.
Jan. 9 also reported company is expected to take care of additional equipment financing through issuance of series Z certificates.

● **Public Service Co. of Colorado**
Feb. 16 reported company expects to sell $7,500,000 of first mortgage bonds or debentures. Underwriting accounts are now reported to be forming.

Public Service Electric & Gas Co. (5/2)
Feb. 7 announced company plans to offer $26,000,000 refunding mortgage 30-year bonds. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.; Union Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To refund 3¼% bonds due 1966. Expected about May 2.

● **St. Louis, Brownsville & Mexico Ry. (3/7)**
Feb. 15 trustee issued invitations for bids March 7 on $750,000 equipment trust certificates, due serially 1951-1965. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

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; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.

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. and Harriman Ripley & Co. (jointly); Union Securities Corp.

● **Seaboard Air Line RR. (3/23)**
Feb. 15 it was said the company plans to sell $7,050,000 1-to-15 year equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.) and Lee Higginson Corp. (jointly). Bidding expected about March 23.

Southern California Gas Co.
Dec. 19 reported company may issue and sell approximately $20,000,000 of bonds, probably in May. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Harris Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; the First Boston Corp.; Shields & Co.; Kidder, Peabody & Co.

● **Southern Pacific Co. (3/9)**
Feb. 16 directors approved, subject to ICC approval, the offer to stockholders of record March 10, 1950 of the privilege to subscribe, at par, on or before March 31, 1950, for $37,727,600 of convertible debentures, due April 1, 1960, convertible into common stock at $55 per share. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co. Inc.; White, Weld & Co. Bids to be opened at noon on March 9. **Price**—Bidders to name the price, with the minimum set at 100.

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.

● **Utah Power & Light Co.**
Feb. 17 it was announced that company proposes during 1950 to issue and sell common stock on the minimum basis of one share of new stock for each eight shares of common now outstanding, and to issue and sell $10,000,000 of first mortgage bonds. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers; Carl M. Loeb, Rhoades & Co. **Proceeds**—To be used to repay loans and for construction.

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.

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Why Not Use Diplomacy?

resemblance to diplomacy, dead or alive, was purely accidental. By contrast, General MacArthur's astute handling of the Communists recognizes this ingredient of the oriental mind.

Must Redesign Baruch Plan

We are now once more confronted with this situation, for Russia, once having declined the Baruch Plan, cannot without face losing jump belatedly on the bandwagon. We will have to redesign the Baruch Plan, sugarcoat it and ask for the same thing, substantially, in a different name. This is precisely what Senator McMahon did in his highly meritorious proposal, and so did Senator Tydings in his.

On Jan. 21, 1948, the Miami "Herald" published my address before the Palm Beach County Federation of Womens Clubs in which I advocated first a direct meeting between President Truman and Marshal Stalin, and second, "if we could find that such an attempt at reconciliation would fail and end up in another Godesberg, we should then with top speed create a protective system of quasi-alliances among the democratic powers."

The first suggestion was torpedoed then, and again later, and the second alternative now known as the Atlantic Pact took almost two years to go into effect. Now comes Mr. Churchill suggesting a three-cornered Stalin meeting after Secretary Acheson has just slammed the door on this very sort of thing in his February 8th statement. Here is a sharp divergence of major policy, with Truman, Clayton and Attlee in one corner, and Churchill, McMahon and Tydings in the other. The former are embracing the get-tough policy, with variations to the theme; the latter are working in the direction of what one might call cautious reconciliation. If the Administration, under the seething impact of public opinion and Mr. Churchill's return to his original 1945 position, will modify its policy remains to be seen. The Hickerson retreat statement would indicate that its policy of "now you see it, now you don't" continues. But we can say that to the extent that it moves away from its own concept and toward the Churchill concept, the danger of war will be lessened to just that extent. The get-tough-with-Russia policy has now become highly dangerous as, with the atom and hydrogen bomb, both parties can play at the same game, one of which is in a notoriously bad temper; not to speak of the potential 500 Russian divisions which we would largely have to beat with our own forces, let alone the five-cent dollar which would follow in the wake of such a strain on our economic system.

All of this is said from a strictly non-partisan standpoint for certain Republicans with their "occupy Formosa" policy have hardly shown good judgment. Had we followed Senator Knowland's advice, the following would have happened: (a) we would have lost all chance to establish Titoism in China; (b) we would have thrown Nehru and Ali Khan into the Communist camp; (c) we would have delayed economic recovery in China, for a continuous battlefield cannot produce recovery, and only recovery can beat Communism; and (d) a large Communist army would have had to look for militaristic adventures elsewhere in Asia.

Communism Preys on Weakened Bodies

Communism is like a germ that enters a weakened body. Where the body is strong, as in the United States, Sweden or Switzerland, it cannot get to first base. Where it is partially weakened, as in Italy and France, it can raise temporary havoc, but it cannot conquer. Where, as in the Balkans or China, the system has been frightfully weakened through preceding exploitation, it enters completely and takes over. The arch enemy of Communism is normalcy and recovery. The entire concept of converting a Communist into a good democrat by shooting him in the head is a fallacious product of "Chenaultism," the by-product of which was the $5 billion Chinese "operation rathole." Today we have the spectacle of brave little Finland electing an anti-Communist head of state in a free election with the vast Russian army poised at its door. It is in realization of the logic of this concept, namely that Communism can best be beaten on the ideological and economic front, that Senator McMahon's proposal of enlarging the economic weapons has great merit. This does not mean unilateral disarmament, which would be folly; it just means that we would put the accent on those weapons where we are strongest and which would give the greatest promise to succeed.

We are today way behind our time table on the problem of defeating Communism. After World War I, the various Communistic and other radical governments fell within the first few years. Bela Kun, Eisner, Scheidemann and Ramsay McDonald were in many cases succeeded by outright conservative governments simply because "you can't fool all of the people all of the time." The one glaring exception was Russia itself, and the explanation for this is to be found in the Redbaiting speeches of Hitler and Rosenberg which propped up the shaking body of Russian Communism, as the Communists were able to use this as a nationalistic rallying point. Otherwise, Communism could have collapsed very neatly from within. We should learn a lesson from this and adopt a policy of astuteness rather than a policy of irritation. Belonging to the unpopular school of "rugged individualism," I have written and spoken against Communism and its twin, Socialism, for 30 years, all of which is in cold evidence, and I cannot therefore get enthusiastic about the last minute bandwagon jumpers whose noise is as harmful as their pretensions are opportunistic. The danger of all of us being blown to pieces through the advent of an Asiatic or European Sarajevo is too serious to ignore the necessity for calm, non-hysterical considerations with constant attempts at reconciliation, negotiation and the creation of an atmosphere which might bridge over to a condition where the return of normalcy all over the world will drown out the forces of radicalism. But we cannot expect this phenomenon to occur if we should have a prior explosion.

Our opinions are of necessity colored by the experiences within our own frame of life. When I was taking a few courses at the University of Berlin in 1913, the fateful year preceding World War I, it was like sitting in a laboratory and watching a war being born. As today here in the United States, there were then warning voices who spoke of areas of possible agreement between the Germans and the French, but they were howled down by the "practical men." The final outcome was that 19 billion marks deposited by the German people in their savings banks dropped to the fantastic level of one quarter of a cent in American currency; and the returning conquering heroes, what was left of them, had to fish rats out of garbage cans. Heaven save us from those so-called "practical men." I take the high idealism of a Jefferson, Lincoln or Benjamin Franklin any time in preference.

Said His Holiness Pope Pius on New Year's day in his address before the diplomatic corps at the Vatican: "You can foresee better than others what joy it would be for us to see this year, the Holy Year, mark the point of departure for a new orientation of spirits and hearts; of a return of the bewildered to an exact conception of the true foundations of a peace assured in the social domain and in international relations. . . . There awakens in the most healthy part of all the peoples and all nations the hope for a reconciliation."

And thus let me close by saying that we have today the choice of following the teachings of Christ, or the teachings of Machievelli. Five thousand years of history and its failures and fallacies should certainly teach us which road to follow.

With McDonald, Evans

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Alton Gumbiner has become associated with McDonald, Evans & Co., 1009 Baltimore Avenue. He was formerly with A. H. Bennett & Co. and George K. Baum & Co.

Merrill, Turben Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—John W. Mitchell has been added to the staff of Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Spaulding Joins Thorsen

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—James H. Spalding has become associated with Adolph G. Thorsen, 735 North Water Street. He was formerly with the Marshall Co. and Loewi & Co.

E. E. Mathews Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. —Samuel S. Magid is with Edward E. Mathews Co., 53 State Street.

Our Reporter's Report

Underwriters never have been known to yield easily once they get an idea that a new issue may be in the making. That was proved again early this week.

Talk got around suggesting that the Pacific Gas & Electric Corp., was looking over the market with a view to undertaking a substantial piece of new financing.

Reports put the prospective issue around $75,000,000 which, in itself, was enough to make the bankers' mouths water, considering the dearth of new business.

They immediately started with the customary formality of organizing groups to bid for the reported business. But then came the awakening. Inquiry to the big Coast utility brought official word that the company had no new financing in immediate consideration.

One of the larger firms, and presumably the one that made the inquiry, brushed off suggestions to form a group, much to the chagrin of some of the other houses.

As a banker, active in the underwriting field put it, this is one of the bitter sides of competitive bidding. His personal observation was that "too much lost motion" is involved.

If half the energy so consumed was directed toward promoting actual sales, he feels the whole industry would be better off.

Rock Island's Clean Up

Relentless pressure of institutional funds seeking profitable outlet is helping to clear away unsold portions of recent issues.

Rock Island's $45,000,000 of 2⅞s, brought out several weeks ago, is a case in point. These bonds were off at 99½ to yield 2.90%.

For a while the issue lagged, but late last week a large insurance company came into the market and picked up a substantial block.

As frequently happens this was all that was needed to clean the slate. Other buyers quickly moved in and took up the balance, all at the issue price.

Penna. Bonus Bonds

Current reports indicate that while Pennsylvania's big $375,000,000 bonus bond issue got a remarkably good reception, it was not a complete "sell-out" in the strict sense of the word.

There are bonds around, that is in dealers' hands, although they are not pressing the market, as witness the long maturities commanding premiums of three-quarters to a full point.

Virginia Electric & Power

Public offering of 290,000 shares or thereabouts of new common stock of Virginia Electric & Power Co., was expected to reach market today, through a negotiated underwriting.

The financing groups out of the recent call by the company, for conversion, of its $4,000,000 of 3⅛% debentures, due 1967.

Meanwhile Appalachian Electric Power Co. has filed registration to cover $25,000,000 of new first mortgage bonds, due 1980. This issue will be offered under competitive bidding, and proceeds will be applied toward financing construction planned by the company which it is estimated will require $59,700,000 in the next two years.

DIVIDEND NOTICES

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company on February 21, 1950, declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A, payable April 1, 1950, to the holders of such stock of record at the close of business March 7, 1950.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on February 21, 1950, declared a quarterly dividend of sixty-two and one-half cents (62½¢) per share on the outstanding shares of the Common Stock of the Company, payable April 1, 1950, to the holders of such stock of record at the close of business March 7, 1950.

R. S. KYLE, *Secretary*

Bayuk Cigars Inc.

A dividend of twenty cents (20c) per share on the Common Stock of this Corporation was declared payable March 15, 1950 to stockholders of record Feb. 28, 1950. Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
Feb. 17, 1950

PHILLIES
America's No. 1 cigar

DIVIDEND NOTICE

GEORGE A. FULLER COMPANY

The Board of Directors declared a quarterly dividend of fifteen cents per share on the Common Stock, payable March 31, 1950 to stockholders of record at the close of business March 17, 1950.

H. S. LOCKWOOD, Secretary.

February 17, 1950.

FERRO ENAMEL CORPORATION

CLEVELAND, OHIO

The Board of Directors of the Ferro Enamel Corporation has this day declared a Dividend of thirty-five cents ($.35) per share on the outstanding common stock of the Company, payable March 25, 1950, to shareholders of record on March 8, 1950.

February 13, 1950 G. W. WALLACE, Treasurer

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 103

A quarterly dividend of fifty cents (50¢) per share on the issued and outstanding common stock, without par value, of this Company has been declared, payable March 31, 1950, to stockholders of record at the close of business March 3, 1950.

PREFERRED DIVIDEND NO. 14

A quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1950, to stockholders of record at the close of business February 20, 1950.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Secretary and Treasurer.

February 9, 1950.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

At a meeting of Directors held February 14, 1950 in London it was decided to pay on March 31, 1950 first Interim Dividend of One Shilling for each One Pound of Ordinary Stock for the year ending September 30, 1950 on the issued Ordinary Stock of the Company, free of United Kingdom Income Tax.

Also decided to pay on the same day half-yearly dividend of 2½% (less tax) on issued 5% Preference Stock.

Coupon No. 206 must be used for dividend on the Ordinary Stock and Coupon No. 93 must be used for dividend on the 5% Preference Stock. All transfers received in London on or before February 28th will be in time for payment of dividends to transferees.

Also decided to pay on April 29, 1950 half-yearly dividend of 3% (less tax) on issued 6% Preference Stock. All transfers received in London on or before April 4, 1950 will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

BRITISH-AMERICAN TOBACCO COMPANY, Limited

February 14, 1950.

DIVIDEND NOTICES

Tobacco and Allied Stocks, Inc.

DIVIDEND NOTICE

The Board of Directors, on the date below, declared a dividend of $.25 per share on the capital stock without par value of this corporation, payable March 10, 1950 to stockholders of record at the close of business March 1, 1950. Transfer books will remain open. Checks will be mailed.

G. C. SCHEUERMANN, Treasurer.

February 20, 1950.

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared Five per cent the amount payable on Class "A" Debentures (Payment No. 54), and a dividend of Five per cent (5%) to be payable on the capital stock out of the net earnings for the year 1949, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 28, 1950. The dividend on the stock will be paid to stockholders of record at the close of business February 10, 1950.

W. W. COX, Secretary

New York, January 30, 1950

DREWRYS

Dividend #9

A dividend of twenty-five (25) cents per share for the first quarter of 1950 has been declared on the capital stock of this company payable March 10, 1950 to stockholders of record at the close of business February 24, 1950.

Drewrys Limited U.S.A., Inc.
South Bend, Indiana
T. E. JEANNERET, Secretary and Treasurer

Allen B. DuMont Laboratories, Inc.

PREFERRED DIVIDEND

The Board of Directors of Allen B. Du Mont Laboratories, Inc., has declared a regular quarterly dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock, payable April 1, 1950 to Preferred Stockholders of record at the close of business March 15, 1950.

PAUL RAIBOURN,
Treasurer

February 16, 1950

DUMONT *in all phases of television*

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors of Canadian Pacific Railway Company held today a final dividend of three per cent (seventy-five cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for the year 1949 was declared payable in Canadian funds on March 31, 1950, to Shareholders of record at 3 p.m. on February 24, 1950.

The Directors point out that while there has been a slight increase in net earnings from rail operations for the year 1949 these earnings are still insufficient for the payment of any dividend. The dividend paid is attributable solely to the Company's income from other sources.

By order of the Board.

FREDERICK BRAMLEY,
Secretary.

Montreal, February 13, 1950.

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 75 cents per share and an additional dividend of 50 cents per share on the Company's capital stock, payable March 15, 1950, to stockholders of record at the close of business February 27, 1950.

RICHARD T. FLEMING,
Secretary

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 129

A QUARTERLY DIVIDEND of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y. on Monday, March 20, 1950, to stockholders of record at three o'clock P. M. on Monday, February 27, 1950. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., February 16, 1950.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 139 of thirty-five cents (35c) per share on the common stock payable April 15, 1950, to stockholders of record at the close of business on March 15, 1950.

GERARD J. EGER, Secretary

INTERSTATE POWER COMPANY

DUBUQUE, IOWA

Notice of Common Dividend

The Board of Directors has declared a dividend of 15¢ per share on the outstanding Common Stock, payable March 20, 1950, to stockholders of record on March 10, 1950. The transfer books will not be closed.

OSCAR SOLBERG,
Treasurer

February 15, 1950

KENNECOTT COPPER CORPORATION

120 Broadway, New York 5, N.Y.

February 17, 1950

A cash distribution of seventy-five cents (75c) a share has today been declared by Kennecott Copper Corporation, payable on March 31, 1950 to stockholders of record at the close of business on March 1, 1950.

A. S. CHEROUNY, *Secretary*

NIAGARA MOHAWK POWER CORPORATION

300 ERIE BOULEVARD WEST
SYRACUSE 2, NEW YORK

DIVIDEND NOTICE

The Board of Directors has this day declared the following initial quarterly dividends:

3.40% SERIES PREFERRED STOCK
85¢ per share

3.60% SERIES PREFERRED STOCK
90¢ per share

3.90% SERIES PREFERRED STOCK
97½¢ per share

CLASS A STOCK
30¢ per share

COMMON STOCK
35¢ per share

all payable March 31, 1950, to stockholders of record at the close of business March 14, 1950.

CHARLES A. TATTERSALL
Secretary

February 21, 1950

DIVIDEND NOTICES

TENNESSEE CORPORATION

February 15, 1950.

A dividend of thirty five (35¢) cents per share has been declared, payable March 27, 1950, to stockholders of record at the close of business March 2, 1950.

61 Broadway J. B. McGEE
New York 6, N. Y. *Treasurer.*

O'okiep Copper Company Limited

Dividend No. 13

The Board of Directors today declared a dividend of two shillings per share on the Ordinary Shares of the Company payable March 10, 1950 to the holders of Ordinary Shares of record at the close of business February 27, 1950 subject to the withholding of the Union of South Africa non-resident shareholders tax in the amount of seven and one-half percent (7½%).

The directors authorized the distribution of the net amount of said dividend on March 10, 1950 to the holders of record at the close of business on February 27, 1950 of American Shares issued under the terms of the Deposit Agreement dated June 24, 1946. The net amount payable in United States funds will be publicly announced and posted by the New York Curb Exchange when ascertained.

By order of the Board of Directors.

H. E. DODGE, *Secretary.*

New York, N. Y., February 16, 1950.

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 2

A quarterly dividend of $1.00 per share on the Preferred Stock of the par value of $62.50 per share, has been declared payable March 20, 1950, to stockholders of record at the close of business on March 7, 1950.

Checks will be mailed.

BRUCE H. WALLACE, *Treasurer*

New York, February 15, 1950.

Edison

41st *year of consecutive dividend payments*

SOUTHERN CALIFORNIA EDISON COMPANY

preferred dividends

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 163

CUMULATIVE PREFERRED
STOCK 4.32% SERIES
DIVIDEND NO. 12

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock, payable March 31, 1950, to stockholders of record on March 5, 1950.

27 cents per share on Cumulative Preferred Stock, 4.32% Series, payable on March 31, 1950, to stockholders of record on March 5, 1950.

T. J. GAMBLE, Secretary

February 17, 1950

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Keep your fingers crossed, but there are little signs appearing to suggest that the Federal Trade Commission, a generation-old irritant to business, may develop relatively into a source of sweetness and light.

For a long time the FTC has been "at the bottom rung of the judicial ladder" of government. Its commissioners have been in some cases old, or inactive for other reasons. Its work has been carried on in its name by anonymous staff lawyers.

Too many of these FTC lawyers have felt themselves endowed with a mission. That mission was to re-direct the pattern of American business conduct along lines designed to achieve socially desirable objectives. It was the lawyers, of course, who chose the socially desirable objectives. And these lawyers tried to twist the statutes under which FTC operates to suit their self-anointed purposes.

Now a change is beginning to take place. An informal notice has been given to the staff lawyers that henceforth they are NOT going to write the decisions and orders of the Federal Trade Commission. These decisions are to be written by the Commission itself. The messiahs can advise and argue privately with the Commissioners, but it is going to be the Commission which decides.

Of course it was in the past inevitable that staff lawyers would get to becoming in fact the Commission under the circumstances formerly prevailing. When members are too old and too tired or temporarily incapacitated from functioning, somebody has to take over. The lawyers were the boys around to take up the reins. Not all FTC lawyers are left-wingers, even if some of the more aggressive are.

Another innovation has crept into the FTC. In the past only one or two Commissioners knew what was going on in front of them, as a rule. Now all the Commissioners are not only taking an active part, but are participating in the proceedings in other than a perfunctory way and are shooting some knowledgable questions, not only at the lawyers for respondents, but at some of the ambitious boys of the FTC.

One of the evolutions now going on within the Commission is to force the lawbook boys to prove what they allege are malpractices by business before they call in the businessmen and demand that they sin no more. Another evolution is to try to get simply at the heart of controversies between business and the FTC so that there can be agreements, and an end to legal wordiness which has come to get the FTC identified in the past as a sort of WPA for lawyers.

Oddly enough, these developments have occurred since the accession to the Commission of its two new members, both formerly, at least, identified as left-wingers. Lowell Mason, a conservative, was unable previously alone to work these improvements in the FTC.

One of the new members is former Senator James Mead of New York, a life-long Democrat who voted for left-wing proposals. Mead, however, is personally an agreeable fellow who probably has no profound convictions on behalf of the Left. Jim got into selling the Democratic line of political merchandise, and had accident been otherwise, might have sold Republican merchandise just as agreeably and effectively. His new job as an FTC Commissioner is non-political. Many expect that he will react to the new situation —and in fact already has done so —by delivering the kind of goods the new job requires—a judicial temperament and approach.

John Carson, who headed the co-op lobby here, is the other new member. John has been a vocal left-winger from way back when he was secretary to the late Senator James Couzens of Michigan. Carson, unlike Meade, is a sincere radical, radical by conviction. Unlike the run of the mine revolutionists around this town, however, he appears to be no opportunist, and is more likely to end up in Siberia than as a commissar, come the revolution.

Like his new colleague Mead, John Carson is personally agreeable and reasonable. He likewise has none of the personal hauteur and intolerance of the professional radicals here toward those who aren't in the left-wing lodge.

* * *

If you are interested in any phase of the home building or financing business a "must" to read is the "Supplemental Report from the Subcommittee on Housing and Rents of the Committee on Banking and Currency to Accompany the Amendments Intended to be Proposed by Mr. Maybank to S. 2246: A Bill to Amend the National Housing Act as Amended and for Other Purposes." Maybe if you just send to your Senator a light and simple request for the special propaganda booklet put out by the Sparkman subcommittee on behalf of Co-op Housing, you will get it just as well.

First off, this report is interesting because it elaborates all the arguments on behalf of the co-op bill, and if you read it you can see their sales line.

Second, the report is interesting because it reveals the terrific pressure which the "liberals," particularly those who reflect strong CIO and AFL backing, are putting against the FHA system.

It would appear that the "608" loans were some sort of a vicious device to wring unjust profits for irresponsible contractors, on the basis of a government guarantee. Thus you must forget the nasty names which Mr. Truman in a special message to Congress called those conservatives who had the temerity to try to hold down on 608 in 1948 because these conservatives thought that with the end of the war emergency, the large continuance of these high cost projects was not justified. Although Mr. Truman was all for 608 then to help the deserving poor, the deserving veterans, and the deserving Democrats, it now develops that instead this was just all a plot of the selfish construction industry.

As for FHA, that's no more socialistic than the co-op housing subsidy, and look what nice people now are in the FHA lodge!

This Sparkman leaflet is also interesting in case you like to study mental illness and can't take the time to go to the nearby insane hospital and have somebody explain to you how perpetual motion is possible. For instance: Under co-op housing money would be borrowed at 2% or less and re-loaned at probably 2½%; whereas under FHA it is 4½%. Under co-op housing amortization could be adjusted to 60-year maturities plus a 3-year grace period, so the yearly rap for amortization would be obviously lower than under FHA where it is 20 to 25 years. But, according to this brilliant report, the co-operative housing bill would get cheaper housing because "based on actual experience" the co-operative form is just cheaper.

* * *

One facet of this "liberal" drive against FHA is the resurging of the position that unless they can get what they want they will kill off FHA. This is an old story. A couple of times before the left-wingers thought they could trade public housing for an extension of expiring FHA titles, only to back down. This time they say that, as of March 1, there will be no more Title II money, no more Title I, unless they get co-op housing.

The "liberals" believe that without some more FHA Title II money, etc., the construction industry will wither on the vine and this industry and the bankers will cry uncle. Could be.

On the other hand, this is reminiscent of the tragic blunder of the South in holding back cotton from England in an effort to force recognition of the Confederacy. IF the "liberals" should be able to collapse the building boom, Mr. Truman probably would lose the Congress in November.

* * *

Chairman Thomas B. McCabe of the Federal Reserve Board was on a double spot when he was called before the Senate Banking Committee to give his opinion as to the inflationary effect of the co-operative housing bill.

He was on a spot with the White House, for the President is anxious to have the co-operative housing bill, drafted by his own lieutenants. However, McCabe opined that the co-op bill was inflationary, distasteful as that opinion would be to the President. Likewise the Reserve Board in 1949 reduced reserve requirements, only shortly after the President had renewed his plea for "anti-inflation" legislation. The Reserve Board may have been a little late in determining that the inflationary boom had passed, in the eyes of many bankers, but it took some doing to serve notice in effect, as the Reserve Board did then, that the President was in the Board's opinion wrong.

Mr. McCabe was also on a spot with the "liberals" of the Banking Committee. It is these "liberals," almost alone on Capitol Hill, who see the Reserve viewpoint on credit regulation, and it is these very same "liberals" who are ardent for the co-op housing bill.

Nevertheless, Gov. McCabe, polite and oblique as was his language, gave a devastating indictment of the co-op housing bill and other inflationary features of pending housing legislation.

Gov. McCabe went even farther. His presentation was rather a complete if polite indictment of all the Administration postwar programs aimed at promoting housing at all costs, including the cost of inflation.

McCabe's presentation may go some way toward healing the Board's rift with the commercial banking world it regulates. Too often the Board has given the impression that it was pleasantly tolerant of an Administration which it could not influence, but intolerant of the banking world which did not want to compensate for government-dictated inflation. (McCabe, originally scheduled to appear Feb. 23, was called last week instead.)

* * *

You can put it in your hat that not long after today's (Feb. 23) British election whatever government is elected, Socialist or Conservative, will approach the United States Government with proposals for assistance in settling the sterling war debt task.

Currently the British owe the Dominions and colonies £3,362 million, representing balances accumulated to pay war costs. At this level Britain's sterling debt has been reduced £164 million in sterling and the equivalent of £45.5 million out of the dollar pool. Britain's debts theoretically represent a demand deposit on Britain without a standstill or term, but practically withdrawn only after negotiation.

Britain wants the U. S. to offer some "investment" of its funds to these debtors, and at the same time to influence a scale-down of the total. By whatever name you call it, this means a U. S. loan or gift to Britain.

Under no foreseeable circumstances, will the U. S. stick its neck out in this Congressional year for any further loan or gift to Britain, beyond ECA. So while the go-around on this problem will start this Spring, any settlement before 1951 is not expected.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I'd rather open an account in the bank across the street— their bank books have the cutest blue covers!"