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EDITORIAL

As We See It

Britain Also Veers to the "Right," but What Does It Mean?

Much to the surprise and the chagrin of the socialists in that land, Britain in last week's voting veered to the "right." Somewhat similar results have come out of recent elections in other parts of the British Empire. The communists—who in current terminology are the extreme left, although persons holding such views and engaging in such practices would, once upon a time have been regarded as the extreme right—fared very badly. Apparently, "the west," as the Kremlin prefers to dub peoples or countries which are not disposed to bend the knee to its tyranny, has for the time being at least had about enough of Communism. Even the more extreme socialists whose economics, whatever their political preference, differs very, very little from that of the communists, are in less favor than at any time in recent years. For all this let due thanks be given.

But it would be very easy to read too much into the results of the British voting. Current comment is largely devoted to the fact that no party in that land can command a majority sufficient to enable it to proceed with confidence and vigor, or to enable it to make commitments which look far into the future. It is constantly being said that, superficially at least, Great Britain has now joined France and some of the other Continental nations in having a voting population so closely divided as to render effective political action difficult. Certainly, he would be foolish indeed who did not give full and due

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Our Gold, Fiscal, Monetary And Interest Rate Policies

By B. H. BECKHART*
Professor of Banking, Graduate School of Business, Columbia University
Economic Consultant, The Chase National Bank

Dr. Beckhart analyzes present economic problems and concludes necessary ingredients of a constructive monetary policy are: (1) return to gold coin redemption; (2) a tax system that will not penalize progress; (3) reduction in Federal expenditure so as to create budgetary surplus; (4) well-devised debt management; and (5) abandonment of pegged interest rates. Urges restoration of original status of Federal Reserve.

I—Introduction—The Background of the Dollar

In the future as in the past, the soundness of the dollar will depend upon the gold, fiscal, monetary and interest rate policies of the American Government. These policies will, in turn, reflect domestic and international developments, the political controversies and the prevailing opinions of the time.

B. H. Beckhart

The dollar has had a turbulent past and, within our own lifetime, has experienced radical change. It lost a large share of its value in World War I, part of which it regained in the deflation of 1920 to 1921. In the ensuing years of that decade, the dollar helped in the reconstruction of Western Europe and challenged the position of the pound sterling as an international currency.

From this position of worldwide prestige, the dollar plunged into the Great Depression. It was adjudged one of the main culprits and its legal status was subject to drastic change. In a rapid series of measures in 1933 and 1934, the Administration took the United States off gold, reduced the gold content of the dollar, sequestered

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*An address by Dr. Beckhart before the Business and Professional Men's Group, University of Cincinnati, Cincinnati, O., Feb. 24, 1950.

Are We Financing Insolvency Abroad?

By MELCHIOR PALYI

Dr. Palyi, though admitting Marshall Plan contributes significantly to physical recovery, contends it has created artificial industrialization with progressively worsening financial status of Western European countries. Holds aid has been given industries without regard to profitableness of operations, and U. S. has been financing insolvency and promoting reckless investing in long-term schemes far beyond rational calculus of available resources. Denies totalitarianism in Europe would mean spread of Russian communism or its dominance.

There is no sign that Western Europe is seriously worried about its plight: the ineradicable deficit in the international balances of payments. It is taken for granted, as one accepts an incurable sickness—or an incurable addiction. The official attitude is that if they have to depend on American support for the rest of the century, it is through no fault of their own. The blame was originally on the war; then on the cold war; presently, more and more, it is on us. Our tariff, high prices, "uncontrolled" market fluctuations and "unreasonable impatience" supposedly ruin those whom we try to salvage.

Dr. Melchior Palyi

If it were true, as the British hint, that last year's miniature recession in this country was the chief reason for disorganizing their unbalanced dollar accounts, that alone would indicate such a fundamental weakness of the sterling club's financial set-up as to negate all prospect of recovery in the foreseeable future. The Europeans claim to have done and to be doing everything in their power to overcome the deficit with the dollar area. Did they not enforce austerity policies and import restrictions? Did they not make strenuous efforts, more or less, in order to "disinflate" the respective budgets, monetary and

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PHILADELPHIA INVESTMENT TRADERS ASSOCIATION PICTURES—Candid shots taken by "Chronicle" photographer at the Winter Dinner of the Philadelphia Investment Traders Association at the Benjamin Franklin Hotel in Philadelphia, 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.

RICHARD D. DONCHIAN

Registered Investment Advisor and President of Futures, Inc., New York City

(Western Union)

Western Union, once regarded as one of the bluest of blue chips, had an unbroken dividend record from 1874 to 1932. It paid $8 per share each year from 1926 through 1931. Its shares sold at 272¼ in 1929. During the past 20 years it has been beset by lean times. Competition in the form of increased use of long distance telephones and mounting expenses due to its heavy dependence on rising labor costs, have been responsible for an erratic earnings record including many sizable splashes of red ink. In 1946 its deficit was 9.01 per share. In 1948 the deficit of 1.53 per share would have been larger except for over $4,000,000 of extraordinary profit from the sale of properties. Last year a net operating loss of $4,390,845 was also partly offset by a $1,027,439 income from sale of real estate and securities, leaving a net deficit of 2.73 per share. December, 1949, earnings, just reported, showed a net income from operations, however, of $506,207, and the fourth quarter of last year was the first quarterly period since 1947 in which net profits were reported. Behind this resurgence in earning power lies a dynamic story of mechanization, reduced costs and promising prospects.


Richard D. Donchian

Under the able leadership of Walter P. Marshall who was elected President on Dec. 21, 1948, Western Union has made remarkable strides in a far-reaching program designed to make it once again a dominant factor in the communication field. Following is a brief summary of progressive developments:

(1) **Mechanization of transmission facilities** has taken place leading to better service, lower costs. Since 1944 Western Union has spent about $80 million in mechanizing and streamlining its plant and equipment. Fifteen message centers in key locations across the country have been set up and equipped so that messages properly coded at the office of origin are automatically routed to their destination. A radio-beam network constructed in the New York, Washington, Pittsburgh area will carry 2,000 simultaneous messages on a single beam. Multiple-message wire-carrier circuits have been increased many times. These expanded facilities mean not only more rapid and accurate message service, but are making possible a cut of more than a third in total employees, from over 40,000 to around 25,000. During 1948 and 1949 non-recurring changeover costs and severance pay on released employees have been important contributing causes of the operating deficits.

(2) **New facsimile picture-form communication devices known as Telefax are being developed.** An inexpensive model known as Desk-Fax, about the size of a table radio and manufactured at a cost of about $150 by a wholly owned subsidiary, has been tested in eight major cities. In customers' offices it provided easy-to-operate, round-the-clock service, and where installed it has increased the volume of messages an average of 15% to 20%. Larger Telefax equipment has been adapted to hotel and office buildings. Still other Telefax machines are used by railroads, airlines and ships. By means of Telefax, Western Union's message volume, no larger recently than in 1929, should be increased substantially.

(3) **Expected elimination of the 25% wartime excise tax on domestic telegrams should also increase volume.** Hearings are now taking place in Washington, and it is expected that by the middle of this year the tax will be removed or at least substantially reduced. At the same time, while a similar tax on telephone calls may also be reduced, basic air mail and long-distance telephone communication rates are likely to remain steady or perhaps be increased. Western Union's competitive position should, thereby, be greatly improved.

(4) **Proposal has been made to the Senate Interstate Commerce Subcommittee on Communications that Western Union acquire the Teletypewriter Exchange Service (TWX) and leased-wire telegraph business of the American Telephone Co.** These services would add $40-$45 million, or more than 20%, to the annual gross volume of Western Union. The American Telephone Co. would like to see Western Union prosper rather than to have it fall into government hands. Recently Western Union has entered into negotiations with the RFC for a long-term loan in the vicinity of $50 million. This additional capital is not required for bond maturities, and is probably wanted primarily to facilitate taking over the American Telephone TWX business, or to make arrangements with American Cable and Radio, Radio Corporation and International Telephone Co., to merge or consolidated foreign cable services.

(5) **Capitalization of Western Union gives the class A or common shares considerable leverage.** Ahead of the class A stock is approximately $59 million of bonded indebtedness and about $20 million of other long-term debt. Of this, $8,058,000 of 4½% funding and real estate mortgage bonds, due May 1 of this year, will probably be met out of current cash. Another $15,705,000 of 5% bonds will mature Dec. 1, 1951. There are only 1,230,000 outstanding shares of class A stock, with a book value of around $130 per share. Any appreciable increase in earning power would build up per share earnings rapidly.

While the full benefits of the Western Union mechanization program may not be apparent for another two or three years, and while the progress of the company may be subject to uncertainties affecting the general economy of the country over the near-term, it is the writer's opinion that Western Union is building a foundation which over the longer-term can result in the class A shares, currently selling around $20 and on which the only dividend income since 1945 was $1.00 per share paid in 1948, becoming once again at $100 stock, and regaining its former status of a gilt-edged dividend-paying investment.

This Week's Forum Participants and Their Selections

Neptune Meter Co.—Philip L. Carret, Partner, Gammack & Co., New York City.

Western Union—Richard D. Donchian, President of Futures, Inc., New York City.

Iowa Power & Light Co.—Ted C. Henderson, T. C. Henderson & Co., Des Moines, Iowa.

Burlington Mills Corp.—Harold M. Iseman, Member New York Stock Exchange, New York City.

Steep Rock Iron Mines—Glenn R. Miller, Executive Vice-President, Otis & Co., Cleveland, O.

PHILIP L. CARRET

Partner, Gammack & Co., N. Y. C.

(Neptune Meter Co.)

To speak of any one security as a favorite or the one I like best implies a degree of constancy to an idea that is not a usual trait of investment advice. In other words, monogamy is not a tenet of investment. However, special situations hold unusual attraction, at least for a time and today we find several reasons to recommend the stock of Neptune Meter Co., selling on the Curb at about 29.


Philip L. Carret

The capital is relatively small and it has been the policy to pay moderate dividends. While dividends have been paid without interruption since 1939 and at a quarterly rate of 25 cents since Jan. 1, 1948, the total for 1949 was

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NOTE: See page 24 for "Pennsylvania Brevities," and pages 25 to 28 for pictures taken at recent Philadelphia Investment Traders' Dinner Meeting.

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Steel Stocks Behind the Market

By LOUIS STONE
Market Analyst, Hornblower & Weeks

Market analyst maintains investing public is grossly undervaluing steel stocks, in the light of all available indications of true value. Asserts postwar earnings represent new plateau.

By any of the usual standards of comparison, the steel stocks appear to be way behind the market. When you can buy Bethlehem Steel at 3½ times its earnings and half its book value, and at the same time get more than 7% on your money on the basis of the current $2.40 dividend rate, then something must be wrong somewhere. Either there's some deep reason for the steel stocks' low prices or the investing public is just plain wrong. Certainly there is ample basis in the record for favoring the second alternative—let's look at the record of the 12 leading steel stocks.

Louis Stone

The Record

In 1937, a "good" year, the 12 leading integrated steel producers had total sales of $2½ billion; in 1948 their total sales were over $7 billion. In 1937 their net income was $260 million before taxes and $200 million after taxes; in 1948 their net was $850 million before taxes and $480 million after taxes. The tremendous increase in total sales volume is not a passing phase of a war economy or a temporary result of price inflation. 1948 production equalled 1,208 pounds per U. S. capita against 879 pounds in 1937 and 1,038 pounds in 1929—the 1923-29 average was almost 900 pounds. A 33⅓% increase in per capita steel production over a 25-year period is certainly to be considered no more than "normal" considering the growth of the economy as a whole; total production, as measured by the Federal Reserve Board index, has gone up more than 60% from the 1923-29 average, on a per capita basis. As for prices, the "Iron Age's" composite steel price per pound was 3.471 cents in 1948 against 2.536 cents in 1937, so that about 30% of the increased dollar volume is due to price inflation—this 30% inflation is probably frozen into the steel price structure; the further price advances of late 1948 and 1949 may prove less permanent.

1949 Production Fall

Steel production went down in 1949 about 10 million tons from 1948, totaling about 11% less than in 1948, due largely to the October-November strike shut-down. This shut-down, plus the temporary mid-year slump in business, reduced steel company profits substantially from the record 1948 level. The 12 leading steel companies had a composite net per share of $134 in 1948; the 1949 total is estimated at about $97. In relation to the present composite price of about $465 for these 12 stocks, the $97 figure certainly looks impressive — and the current 1950 rate of earnings is better than the 1948 level. The present price ratio of 4½ times earnings compares with a historical ratio of better than 10 times.

Leverage Reduced

The 1949 earnings record, in the face of two extended periods of bad business, points up one of the principal factors in the changed position of the steel company common stocks. In 1937 the total debt of the 12 companies was $640 million, or roughly 25% of sales volume; in 1948 the total debt was $674 million—only 9½% of sales volume, or less than two good years' net earnings. In 1937 total assets of the 12 companies were $4¼ billion, in 1948 they were $6.1 billion. In 1937 preferred stock dividend requirements were 25% of net earnings; in 1948 they were less than 9%. In other words, the common stocks of these companies are no longer marginal equities in anything like the degree they once were, and a further measure of earnings protection is afforded by the 38% tax cushion. Steel production in 1938 dropped about 50% from the 1937 level, to a 40% of capacity rate, resulting in the only deficit for the industry in the last 16 years. Given another 50% drop in production, from present levels, the deficit totals would be much larger than they were in 1938, but the basic soundness of the equities would be more apparent than they were in 1938, due not only to their less marginal position but also to the substantial growth in their book values over the last ten years as a result of reinvested earnings. The 12 leading stocks, now selling at a composite price of $465, had a composite book value of $978 at the end of 1948, and have well over $1,000 now. Present reproduction costs, as against depreciated book value, would be almost astronomically high. Book values are no longer considered to have much significance, but they are certainly still a factor in the consideration of the long-term investor. In this connection, it should be noted that the steel stocks, the aviation stocks, the rails, the rail equipments, and the rubbers are the only major groups selling substantially below book values. The popular so-called "growth" stocks characteristically sell well above book value. Curiously enough, the steel industry, generally considered "mature," is one of the chief beneficiaries of the technological developments in the "dynamic" chemical industry, and it is the promise of further technical advances in steel-mak-

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Securities Salesmen's Opportunities In A Chang(d Market

By ALBERT H. GORDON*

Partner, Kidder, Peabody & Co., Members, New York Stock Exchange

Pointing out changed conditions confronting securities salesmen following the stock market liquidation of the 'Thirties, Mr. Gordon stresses importance today of cultivating individual investors as prospects and clients. Advocates more advertising and more aggressive action by investment firms to reach individual investors. Holds salesmen should be trained in securities business, and lays down 11 maxims for successful salesmanship.

You are very kind to listen to me. When I return to the office I'll boast about it. You should be instructing me on salesmanship, rather than listening to me, for you have a fresh point of view and you have just concluded a course on the subject given, I understand, by some tried and true masters of the art.

With a national income of some $200 billion, obviously someone must do a terrific selling job. The private economy in the U. S. A. cannot do without salesmen. 1929 almost killed the security salesman; now he is staging a strong comeback.

The intellectual has always looked down his nose at the salesman. But his eyes are jealous ones. Without the securities salesman private enterprise with the diversified life it provides for the country would disappear. The statistician would have full scope and he would be so busy projecting the past into the future, he would stumble over himself, and the sound economic growth so necessary for our economic well-being would not take place.

Your Chairman suggested I allude to the selling and selling methods of the Wall Street of yesterday. It was a wild and hectic place then, but those who condemn it do not realize that without it the great industrial growth of the '20s could not have taken place. Here's what happened in those days: People in high and low places deluded themselves into thinking they were on the road to plenty. The more stocks they bought the higher stock prices went, which automatically, in their opinions made them worth more intrinsically, and the better they were, at least so they thought. That convinced them that the only mistake they had made was not to buy more. So, after investing all their money in common stocks they climbed out on the borrowed-money limb, which, as you know, was abruptly sawed off. If only a few had speculated, the escape hatches would have been usable. But with everyone in, when the selling time came there were few to sell to. The mangled remains at the escape hatches was a sight to behold. On particularly bad days I and many others made it a point not to walk under high buildings—for obvious reasons.

Salesmen from all over the country flocked to Wall Street to service the avid buyers. Training and preparation often was more of a handicap than an advantage. A gold football on the watch-chain was more important than a Phi Beta Kappa key. It was not **what** you knew, but **who** you knew, or better still, **who knew you**. Jack Dempsey probably could have made more money as a customers man than he did as the highest-paid athlete in history. When it was all over, however, I am not sure he would have felt any better than after his encounter with Firpo.

During the so-called New Era, salesmen had a field day; bonds had three, four and five-point profit margins, and the turnover in stocks was so great aggregate commissions were tremendous. It was not uncommon for salesmen to have customers they had never even met. The salesmen weren't supposed to do much thinking of their own. The main office wanted to do that for them in order to make certain that bonds and stocks did not stay too long on the shelf. Until October, 1929, the main office in New York was always right; after that it was sometimes right.

It was the New Era psychology that made this type of salesman flourish. Such salesmen were creatures of the environment, and in its last stages it was a crazy one. The 1929 crash, and the resulting deflation which lasted until 1933, liquidated many of the customers and with them many of the salesmen. In these days of rising markets we shouldn't forget that from 1929 until 1933 the Dow-Jones Averages dropped 90%. Brokerage loans were permitted up to 80% of market price. You can imagine what happened to the customer. But salesmen are hearty people and many of them survived.

Coming of the SEC

Then came the New Deal, and in 1933 all the rules were changed. The banks were put out of the security business and the SEC was set up to prevent a repetition of 1929. So far it has been successful most of the time. But it hasn't changed human nature. Many of the regulations were aimed specifically at Kruger & Toll. But in the late '30s we had the McKesson scandal, differing only in size and in the absence of physical inventories rather than the presence of forged bonds. There's little use in dilating on 1929 other than for historical reasons and to explain the point of view of the customer.

Those who were taken naturally didn't place the blame on themselves but, because of them, many punitive provisions were incorporated in the Securities and Exchange Act. I don't want to sound anti-SEC, for some such act was necessary. However, no selling business has ever been encumbered with so many bobby-traps as the securities business. There is a remnant of opposition to Wall Street and it can be broken down only by persistent sound advice. All of us run into it from time to time.

As for the institutions that were in the market, their portfolios shrank so severely, their directors insisted that they build up their buying departments to insure more careful investing. Such institutions now must be approached on a far more professional basis than they were in the past—all of which is to the good.

During the '30s Wall Street and the investment business throughout the country attracted few people and many left. Beginning salaries paid in other industries were higher and promotion appeared more rapidly elsewhere. The same business schools that encouraged their graduates to go to Wall Street in 1928 and 1929, the worst of all possible times, told them in the '30s to shun the place. Recently in such schools there has been a revival of interest in the financial business because of its scope and its incentives and rewards. As the years go on, the older faces disappear at an accelerated rate and room for the new faces grows larger, particularly as there were few new faces for many years.

A Changed Market

And so we come to today—and what do we find? We find the market changed. Not more than 200 insurance companies monopolize the high-grade market. The salesman who recognized the trend of these companies in the 1930s has had a very satisfactory kind of life if he has adapted himself to the markets. But the old-fashioned salesman, perhaps a relic of 1929, has an increasingly tough time supporting himself on this business. His business is declining, not because of the New Deal or this or that, but because he has not adapted himself to changed conditions. Golf games and other entertainment no longer

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*A lecture delivered by Mr. Gordon, 20th and final in a series on Investment Salesmanship sponsored by Investment Association of New York, New York City, Feb. 16, 1950.

Forces Moving Price Level Of Stocks Upward in 1950

By FRED MARTIN

Director, Investment Research Department

Joseph Faroll & Co., Members, New York Stock Exchange

Investment analyst notes rising public confidence in securities, which has already caused substantial increase in prices of better grade issues. Holds continued public confidence will lead to ascendancy in popularity of middle grade and more speculative issues, a number of which he lists.

Frederick Martin

Revaluation of stocks on a higher price level, as compared with earnings and yields, is expected this year. Confidence of the public is being revived somewhat as more favorable actions and comments are received from Washington.

Continued government deficit financing, and longer-term prospects for lower purchasing power of the dollar are forcing individuals and trustees of funds to take protective steps by investing in selected equities.

Easy money rates are expected over the longer term, dictated by the need of government to refinance large amounts of maturing bonds, while maintaining prices of bonds now outstanding at par, or above. Also, there seems to be a growing acceptance of responsibility on the part of government officials to permit a certain amount of healthy business, possibly due to the realization that a good source of income, taxes on corporation earnings, might be cut off if excessive experimenting by bureaucrats is continued over too long a period, and that successful management of the public debt might thereby be jeopardized. Money markets, business volume and investment confidence will continue to be influenced strongly by government, but the outlook in this respect is slightly more reassuring.

Relatively low prices in relation to earnings, and good yields of stocks as compared with bonds, are proving attractive and slowly drawing out wary investors. Pressure of surplus savings looking for a home is also an impelling force calculated to lead to higher prices.

Thus far, the better grade, and growth stocks have participated substantially in the revival of confidence. In the lists below, some of the leading stocks, which have already advanced considerably, have been omitted this year. Continuance of the trend of improvement in confidence should be accompanied by ascendancy in popularity of middle grade and the more speculative shares. It seems possible that the companies whose demand is more cyclical, or whose operations are marginal, and depend on unusually prosperous times for profits, will soon share more fully in the advances which the general market averages have experienced.

Almost universal predictions of an uncertain-to-poor second half of 1950, are being translated by corporate management into reduced overhead, conservative inventories and direction of capital expenditures to modernization rather than to expansion. Careful business practices should retard tendencies toward overproduction (except for agriculture) and support healthy business. Funds should be released from corporate purposes, and permit higher dividends. Higher stock prices are looked for.

Good quality growth stocks, and some of the more speculative shares with interesting possibilities of improvement, have been carefully selected and listed below:

Securities With Interesting Possibilities for 1950

QUALITY STOCKS

	Price	*Div.	Yield
Amer. Cyan.	52	$2.625	5.0%
Amer. T. & T.	149	9.00	6.0
Cons. Ed.	30	1.60	5.7
Cons. N. Gas	47	2.00	4.3
Dix. Cup pfd.	53	2.50	4.7
Dow Chm.	59	1.60	2.7
Kresge	41	2.30	5.6
Panh. E. P. L.	38	2.00	5.3
Scott Paper	67	3.00	4.5
So. Cal. Ed.	35	2.00	5.7
Un. Carb.	44	2.00	4.5

YIELD & APPRECIATION

	Price	*Div.	Yield
Atlas Corp.	23	$1.60	7.0%
Beth. Steel	33	2.40	7.3
Dev. & Ray.	21	2.00	9.5
Garrett	18	1.50	8.3
Gillette	37	3.50	9.7
Lion Oil	31	1.50	4.8
McGraw El.	46	3.50	7.6
Minn. P. L. (WD)	31	2.20	7.1
Pac. W. Oil	36	0.35	1.0
Sylvania El.	23	1.40	6.1
Visking	36	2.00	5.5

SPECULATIVE

	Price	*Div.	Yield
Beryllium	14	---	---
Col. F. & I.	16	$2.00	12.5%
Cons. G. Ut.	14	0.75	5.4
Dobeckmun	14	0.60	4.4
Gen. Fin.	7	**1.00	14.0
Int. T. & T.	12	---	---
Miss'n Dev.	10	0.70	7.0
Natl. Avia.	13	0.75	5.8
N. W. Airl. pfd.	20	1.15	5.7
Pepsi-Cola	10	0.40	4.0
Radio	14	0.50	3.6

*Indicated dividend. **Including 10% stock and 30¢ cash.

Conn. Inv. Bankers Elect New Officers

NEW HAVEN, CONN.—The following officers of the Connecticut Investment Bankers' Association were elected Feb. 16, 1950 at the annual meeting held in New Haven, Conn.

President: De Witt C. Ramsay, Smith, Ramsay & Co., Inc.; Vice-President: Howard J. Bruemmer, Brainard, Judd & Co.; Secretary-Treasurer: Ernest T. Andrews, Jr., E. T. Andrews & Co.

The following Governors were elected to serve until March 1, 1954 to replace Governors whose term expires on March 1, 1950:

Marshall H. Williams, Day, Stoddard & Williams; R. Winthrop Nelson, Eddy Bros. & Co., and Harry Keefe, R. L. Day & Co.

Moederle Joins Walston, Hoffman

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, have opened a foreign department in their Waldorf Astoria (New York) office under the direction of Eric A. Moederle.

Mr. Moederle, formerly manager of the foreign department of J. R. Williston & Co., is well known in the international banking field and has extensive contacts abroad. The new foreign department will provide all phases of service pertaining to investments in American securities.

Principal offices of Walston, Hoffman & Goodwin are in New York, Philadelphia, Los Angeles and San Francisco.

Leon Beroth to Open

Leon Beroth will engage in a securities business from offices at 238 William Street, N. Y. City.

DEALER BRIEFS

Boston, Mass.

We attribute our good business and our calculated expectancy of its continuance in 1950 to several factors, and prominently among them is that our customers realize the importance of appraising the broad trend of events.

Influences that of their nature are temporarily, however disturbing, affect them only rarely, for such things are expected, as are disrupting snow and ice storms in our New England winter. Our customers seem to know how to interpret the acts of corporation officials, and place them in their proper perspectives. The recent actions of the directors of General Motors in declaring a $1.50 dividend and those of U. S. Steel in upping the dividend payment to 65 cents are indicative to them of faith in a profitable future for these two leading corporations, and it logically follows for probable general profitable times.

The large yields from good stocks of a wide range of leading corporations naturally motivate a tremendous buying urge upon those who feel that this hardly is a 2% era, in view of the debasement of the worth of money.—*Gurdon Mead, Chas. A. Day & Co. Inc.*

Chicago, Ill.

The establishment of the Midwest Stock Exchange through the merger of several important regional markets is the most important event in the recent experience of many middle western dealers.

The development is of particular interest to large numbers of investment bankers who conduct their business as corporations and are thereby ineligible to join the New York Stock Exchange. The list of issues traded in both the New York and Midwest market is too long to enumerate.

Because of this new development, the Midwest Stock Exchange has become a national rather than a local or regional stock exchange and the daily transactions in stocks of prominent companies enjoying wide national distribution is evidence of the popularity of this new and improved auction market.—*Julien H. Collins, President, Julien Collins & Co.*

Michels & Coleman Head Allen Dept.


Harry A. Michels Merritt C. Coleman

Allen & Co., 30 Broad Street, New York City, announce that the firm's bank stock department is now under the supervision of Harry A. Michels and C. Merritt Coleman.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF. — Kimberlin J. Kane is now with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

The State of Trade and Industry

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

Over-all industrial production continues to recede as the unauthorized soft coal strike spreads out and the questions at issue continue unresolved.

Total output in the past week was appreciably below the level set in the comparable week one year ago, and unemployment in the week showed a slight upturn.

The impact of the soft coal dispute on steel production is becoming steadily more apparent with a sharp drop in steelmaking operations indicated this week, says "Steel," national metalworking magazine in its current issue. Severe curtailment in the national ingot rate by March 1 appears a certainty, it continues, unless coal mining is resumed in large volume before then. At the bottom of their coal piles, most steelmakers have no alternative but to drastically curtail production. Since the beginning of February the ingot rate has dropped 8.5 points. Now it is poised for a nosedive of 20 to 30 more points in the matter of a few days. Blast furnace operations already have been severely curtailed and will be further cut this week. Many stacks have been banked. Still more are on reduced wind. Actually, iron output is down much more than indicated by the number of idled stacks, slack wind reducing furnace yields in some cases as much as 50%, the magazine observes.

The appearance of representatives of the United Mine Workers union in Federal District Court on Monday of this week to begin the trial for contempt of court in disregarding Federal Judge Richmond B. Keech's back-to-work order of Feb. 18, got under way.

The members of John L. Lewis' United Mine Workers pleaded "not guilty" to government charges that the union is defying a court injunction against a strike in the soft coal fields. The union disclaimed responsibility for what it called the "individual" acts of its members.

Meantime, contract negotiations between the union and soft coal operators were suspended "indefinitely." Chairman Cole of President Truman's fact-finding board said the recess would give both sides a chance to talk over the situation with their associates. Most observers felt there would be no further discussions until the contempt proceedings against Lewis' union are concluded.

It was reported late on Tuesday that there was no indication from the White House that President Truman is planning to ask for a law that would permit the government to seize the mines.

Further action would probably be taken, Chairman Johnson of the Interstate Commerce Commission announced on the same day, to order an additional cut in cool-powered rail freight and passenger service shortly.

* * *

A new record for unemployment insurance payments was set in January in the 48 states, according to the United States Department of Labor. Seasonal factors, it pointed out, were a dominant factor in the rise.

Benefits amounted to $186,383,000 during the month, compared with the previous record of $170,629,000 disbursed in August of last year.

The number of unemployment claims received also was listed at a new high, totaling 2,078,000 in January compared with the previous high of 1,952,000 last August.

* * *

Business failures rose 22% in January to 864. Except for April 1949, when failures totaled 877, the January figure was the highest for any one month since May 1942. Although casualties were more than 50% higher than in January 1949, they were 30% below the level of January 1940.

Dun's Failure Index, which shows the number of concerns failing for every 10,000 in operation, increased to 36; this compared with a rate of 24 a year ago and 55 in the same month of 1940. This index is adjusted for seasonal changes and projected to an annual base.

Current liabilities rose in January to $26 436,000, higher than in any corresponding period since 1934. Over one-half of the concerns failing had liabilities between $5,000 and $25,000.

Increases from the December mortality level occurred in all industry and trade groups except construction. The rise in manufacturing failures was centered in the apparel and machinery industries. Failures rose sharply among retail general merchandise

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Observations . . .

By A. WILFRED MAY

Is the Investor Perhaps Growing Up?

To the majority of the Street, including brokers and individuals long of stocks, the market's seeming obtuseness in refusing to enlarge its bullish proclivities in this period of continuing high earnings and dividends, is exasperating. But to the objective observer, the m a r k e t's phlegmatic behavior can be interpreted as exhibiting surprising sophistication and intelligence.

A. Wilfred May

This is strikingly and fundamentally exemplified by the great *selectivity* and *irregularity* of price movement within the m arket —over both the long and short terms. This is demonstrated by the action of various industry groups since mid-August 1946. Since then the average of the 365 stocks in the Standard & Poor's Index first declined by 20% and later recovered to end the period with a net gain of 1.7%. But contrasted with this net change of 2% in the overall picture, is the following crazy-quilt of irregularity between the movements of the issues of individual industries.*

Greatest Gainers	%	*Greatest Losers*	%
Office Equipment	+42.9	Motion Pictures	—45.4
Finance Companies	+30.4	Airlines	—42.6
Fire Insurance	+28.2	Printing & Publishing	—39.4
Soaps	+25.2	Distillers	—37.5
Automobiles	+21.5	Railroad Equipment	—32.6
Chemicals	+20.6	Leather	—32.4
Paper	+20.6	Proprietary Drugs	—28.0
Rayon	+20.3	Metal Fabricating	—26.9
Food Chains	+17.3	Glass Containers	—23.9
Baking & Milling	+16.5	Lead & Zinc	—21.8
Radio-Television	+16.0	Household—Floor	
Ethical Drugs	+11.8	Coverings	—21.2

Particularly constructive is growing recognition of the justification of such selectivity. Thus, the Market Letter of a member firm coming to hand says: "On Tuesday when the Dow went down $0.80, forty-seven stocks made new highs. . . . *Any time is a good time to buy a good stock* [italics his]."**

The relative disfavor of the more cyclical industries, and their refusal to follow the upper-area of volatile earnings during recent periods of market bullishness, portray intelligence which is as constructive as it is unprecedented. And this new "anti-cycle" forbearance from trying to anticipate the future is also illustrated in the persistent favoring of the stably-earning utility industry.

More Sensible Earnings-Capitalization Attitudes

But it is in the "New Look" at *earnings* that the most healthy, although disconcerting to some, change has taken place. In the early 1920's, when both earnings as well as speculative interest were at relatively low levels, the market capitalized them with modest multipliers. But as the decade progressed, not only did

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**Based on Standard and Poor's Stock Price Indexes and cited in Carl M. Loeb, Rhoades & Co. "Fortnightly Review" for Feb. 1, 1950.*

***From "Weekly Market Opinion," Goodbody & Co., Walter K. Gutman, ed.; Jan. 25, 1950.*

Some Benefits of Immediate Return to Gold Standard Money

By WALTER E. SPAHR

Executive Vice-President, Economists' National Committee on Monetary Policy; Professor of Economics, New York University

PART III—(Concluding Instalment)

Dr. Spahr concludes his defense of the gold coin standard, contending under it multiple quotations for dollar will disappear, private enterprise in foreign trade would be revived, people would have more power over public purse, and standards of honesty among officials in respect to people's money would be improved.

The Advocacy of a So-Called Free Gold Market as a Means of Obtaining a Redeemable Currency

The gold mine interests which, in recent years, have been conducting a campaign in behalf of a higher dollar price for gold have employed among their various arguments the contention that the "free" gold market they propose is a proper and necessary prelude to the institution of a redeemable currency in this country.

Walter E. Spahr

Their program would involve the destruction of that portion of a gold standard we have had in the form of our restricted international gold bullion standard since Jan. 31, 1934—the fixity in our standard dollar unit and the redeemability at par that have been maintained in so far as foreign central banks and governments are concerned.

The proper solution lies not in this direction but simply in the extension to all holders of dollars of the privileges enjoyed during these 17 years by foreign central banks and governments.

The gold-mine interests would throw the United States into a thoroughgoing system of irredeemable currency, such as we had from 1861 to 1878, and such as is found wherever thorough irredeemability exists. Such a proposal is not a step toward redeemability, as they allege, but a step back into the worst form of irredeemable currency known to man.

The desires of the gold mine interests for a higher price for gold have been clothed in a variety of arguments designed to sound plausible—such as fostering private property in gold, free markets, free enterprise, determination of objective standards of value, and so on—and to gain the support of those unwary people who confuse the characteristics and virtues of private enterprise and free markets with the characteristics of a gold standard with its fixed standard unit which they improperly allege is "artificial."

Their program points straight toward currency depreciation, a greater and dangerous delay in getting a redeemable currency, and probably redemption only after another devaluation of our dollar.

Fortunately, even many of the defenders of irredeemability as it now exists in the United States have not been so foolish as to advocate the thoroughgoing irredeemability recommended by the gold-mine interests as a "proper" and "necessary" prelude to a redeemable currency.

The Evasion of the Issue of Dishonesty Involved in Our System of Irredeemable Currency

Another noteworthy aspect of the arguments offered by the defenders of our system of irredeemable currency is the practically uniform avoidance of the question of dishonesty involved in the use of such a currency.

Occasionally one of its defenders attempts to dispose of the issue by stating, simply, that there is no question of honesty or morality involved. But a mere assertion that an irredeemable currency involves no question of honesty or morality is valueless without supporting evidence. This author has yet to hear or read any logical and defensible reason why an irredeemable currency is not a dishonest currency and why its issuance does not rest upon an act of dishonesty.

The general avoidance of this issue by defenders of our system of irredeemable currency raises the question as to why, if such a currency is honest in nature, that fact is not presented in lucid and accurate terms. If, for example, the issuance of irredeemable promises to pay by the Treasury and Federal Reserve banks rests upon the standard of honesty, why would not an individual also be honest if he issued promises to pay which he does not redeem? In his case, he is held to a different standard—that of fulfillment or declaration of bankruptcy—by our body of contract law. On points such as this, the defenders of our irredeemable currency are silent. They do not wish to discuss the matter. They slip away without providing answers. But they indict themselves as facers of fact when they evade this issue.

This nation cannot be served well when issues of dishonesty are dodged. This evasion, which in itself reveals a trait of dishonesty, is possibly one of the evil effects of an irredeemable currency which every experienced monetary economist knows undermines the integrity of people in a multitude of ways.

This author cannot recall ever having seen in the scholarly literature on money and monetary standards a defense of an irredeemable currency as an honest money or of its issuance or maintenance as an act of honesty.

If, after 17 years of irredeemable currency in this country, its most competent defenders cannot produce a valid set of contentions as to the principles of honesty on which such a currency rests, one may be assured that common standards of honesty need not be altered, that they stand with as much validity and firmness today as in generations and centuries past, and that they indict an irredeemable currency as one of the manifestations of the fact that governments are often dishonest.

What Should Be Expected Under a Redeemable Currency

(1) *Multiple Quotations for the Dollar Should Disappear* — With provision for redemption of our currency into gold we would have in nature the best type of monetary standard and paper money thus far evolved by man. The gold certificate and gold would be interchangeable. All our other currency would be convertible into, and have equal value with, gold. Multiple quotations for different kinds of dollars should disappear. It would be somewhat like the replacement of a weak and dangerous foundation of a tall building with the best and strongest foundation materials known.

(2) *Private Enterprise in Foreign Trade Should Be Revived*— Return to a thoroughgoing gold standard and redeemable currency would permit a free flow of all our money into and out of the country. Private individuals, free to go when and where they can and will with their dollars of all kinds, should revive and stimulate foreign exchanges of goods and services in every form. Private ingenuity could go to work once more; and, when millions of interested people, in search of profit and pleasure, are given freedom and opportunity to accomplish their purposes, they usually manage to succeed in high degree. No government agency or plan can match the accomplishments of private individual initiative in the development of international exchange of goods and services.

(3) *The Return by Other Nations to Redeemable Currencies Should Be Made Easier*—With the great benefits of private ingenuity freely available once more in international exchange, and with all our dollars freely interchangeable with gold at a fixed rate, at least those aspects of the difficulties in exchange which now exist between us and the rest of the world, because of the irredeemable features of our currency, would be eliminated. The great benefits of our return to redeemability, which should soon be ob-

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The Lackawanna Story

By HUBERT F. ATWATER

Gammack & Co., New York City

After reviewing history of the Delaware, Lackawanna and Western Railroad, particularly since 1941, when William White became its President, Mr. Atwater points out, due to reduction in fixed charges and other favorable developments, the position of both the company's shareholders and creditors has greatly improved, and the outlook for company's future is better than ever before.

The first train to operate over any part of what is now the Delaware, Lackawanna & Western Railroad had its initial run on Oct. 15, 1851. Two years hence, therefore, the Lackawanna will celebrate its 100th Anniversary and at that time abler writers will tell The Lackawanna Story as a personal and romantic history of accomplishment. This study is confined to the decade just closing, a period marked by almost equal years of war and postwar operations.

Hubert F. Atwater

During its existence, the management of the Lackawanna has many times been under the direction of outstanding figures who have earned distinction for themselves and left their mark upon the property and the community served.

The depression period in the decade 1930-1940 did not spare the Lackawanna. It had reported net deficits in eight successive years, its President was approaching retirement age and a considerable amount of debt was due within a few years.

The Board of Managers, looking over he field of able and possibly available railroad operating executives, approached William White with the offer of the Presidency. He became President, Jan. 1, 1941.

The history of William White is typical of a great many Americans and it is very simple. He graduated from the Ridgewood High School in 1913 and immediately went to work for the Erie Railroad as a clerk. In 1913, it was not too late for a boy who had been born in Bergen County to be observant of the admonition that you went to work to learn the business of your employer. Future security was up to you.

After 25 years, with time out to serve in World War I, White was in a senior position at Erie and had to make the decision whether to wait for a member of top management to die or to find promotion by accepting an appointment elsewhere. For the next three years he was operating head or general manager of the Virginian Railway, a masterpiece of H. H. Rogers' imagination, built to carry bituminous coal to Tidewater from the upland West Virginia fields. This road had hung up a record of extremely low operating costs and his predecessor had bettered the record of the man before him. White was able to improve on the showing of both of them.

Bill White, therefore, was an ideal choice for a coal-carrying road operating partly in hilly country and having water connections at its terminals. His job was to be that of professional manager of railroad property. Neither substantial investment on his part nor stock holdings of friends or family was expected. His initial modest investment was limited to 200 shares which at the time of the 1949 annual meeting had grown to 1,200 shares and $22,000 face amount of bonds. There is nothing to suggest that he had done other than to take on a new and difficult job.

This job required that he not only bring the Lackawanna back to profitable operations but also solve a series of difficult financial problems peculiar to this railroad.

For the record it may be said that he has been successful in both directions.

Background

The early history of the present Lackawanna dates from about 1833 when a survey was made to determine whether there was sufficient demand for a toll-road or rail-road from the anthracite fields to the Pennsylvania-New York border, whence it could be extended to Owego, New York. The Delaware, Lackawanna & Western Railroad succeeded to a Pennsylvania Charter granted in 1832 and operated its first train in 1851.

The miles of railroad which were directly owned by the Lackawanna as it later came to be known, had been confined within the borders of Pennsylvania and barring a brief period just ending, have been free from debt for at least two generations.

This early railroad was built to market coal—it had direct holdings in coal lands and mines. Its business was to get that coal to market and see that it was sold at a profit. There were ambitious and capable men in the President's chair of the D. L. & W. serving their allotted terms and intent upon finding new outlets or markets for its coal. The surest way to reach and hold new and distant markets was to own or control through lease, railroads that would supplement the owned lines.

A consistent pursuit of this policy secured control of railroads reaching to New York Harbor, later to be extended to Buffalo. The D. L. & W. at an early date in its history was operating lessee of many more miles of railroad than it owned.

Population, particularly in suburban areas adjacent to the Port

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From Washington Ahead of the News

By CARLISLE BARGERON

Mr. Truman looked rather enviously, at his press conference recently, towards the two-party dominance in British political affairs and reflected that in this country there are four major parties, so to speak. He was referring to the split in his own party and the supposed division in the Republican ranks.

Carlisle Bargeron

That there is a bitter cleavage in his own party, there is no doubt. But with the tapering off in foreign spending, seemingly by common consent, the differences among the Republicans are more superficial than real. They exist now, as a matter of fact, scarcely more than the ambition of some Senators to attract as much attention as Bob Taft.

Take the much advertised rivalry between him and youngish Henry Cabot Lodge. In the propaganda, Lodge is pictured as the leader of the party's "liberal" wing, Taft the spokesman for the conservatives. I wish somebody would point out to me one single domestic issue where Lodge is more "liberal" than Taft, one single instance, indeed, where they differ.

Lodge succeeded several days ago in passing, over Taft's opposition, a resolution to amend the Constitution to change the procedure of electing Presidents, and much was made of his victory in the press and by the radio commentators. However, this is no issue of grave import, although it is a very important matter.

Lodge would like very much to get an issue with the Ohioan. There is no doubt of this. He is quite ambitious, legitimately so, and his sights are set on the White House. His boosters like to depict him as symbolizing a new and more youthful spirit in the old party, as being more "farsighted" than Taft. But the record doesn't show that he is. Would he go farther than Taft, for example, on Federal housing or on Federal aid to education?

Taft has repeatedly stated his concept of the responsibility of the more advantaged people to those of lesser advantages, and the limits beyond which the former should not be required to go in helping their less fortunate brethern and I am quite sure Lodge could not state a more "liberal" philosophy and he couldn't state it at all as well. Indeed, I am quite sure there can't be a more "liberal" policy short of turning the country completely over to the weaklings under the chaperonage of a gang of political racketeers.

In short there is really nothing for Taft and Lodge to fight about, but unmistakably Lodge would like to develop a fight of some kind. It wouldn't be on any party fundamentals though.

A few months ago things might have been otherwise. It looked as though Lodge was being groomed for the foreign leadership mantle worn by Vandenberg. He seemed by way of inheriting the "global" spokesmanship for the Republicans. On this he could get an issue with Taft because the Ohioan, being a clear thinker and lacking pretense, has no taste for the global leadership bunk.

There was a distinct cleavage on this in the party, roughly between the Easterners and Middle Westerners. But unless I mistake the signs, the global minds among the Republicans, if not also among the Democrats, are becoming less inclined to shoot off their mouths. The World War II chickens seem to be rapidly coming home to roost. Vandenberg's health is still none too good but aside from this, there are indications that a complete disgust has come over him.

A few months ago, I am pretty sure, he would have counselled vigorously against the present Republican onslaught on the State Department. His has been almost the prevailing voice against the Republicans making capital out of the mismanagement of our foreign affairs in the days before Pearl Harbor and since. He swallowed hook, line and sinker, the propaganda that everything just happened and that the sorry mess that was made would have been made under any Administration. We were just an ill-destined people. With the outpouring of memoirs and availability of other evidence, it is now becoming all too plain that our troubles were man-made. Some of Roosevelt's closest friends, his worshippers, now agree privately that Yalta was a tragedy.

Whether Vandenberg, who went along with those who insisted that the Republicans shouldn't talk about the war, what led up to it and its management, and deprived them of their greatest issue, is now simply tired or disillusioned, I don't know. But he is not throwing his weight around, and I don't see Lodge or anyone else seeking to step into his foreign policy shoes. It is my guess that it wouldn't be a popular position in the coming months.

If this situation continues, and Taft wins his reelection fight in Ohio this year, he is going to be a hard man to beat for the Republican Presidential nomination in 1952. I would suggest to those backers of Eisenhower that they not go overboard. The way things are looking the "internationalists" will have been routed long before that time. I can remember when Pershing, great military man though he was, couldn't get any encouragement even in his ambition to be Senator from Nebraska. The backwash of World War II is coming in and we may look for some awfully red faces, too.

The SEC Today

By HARRY A. McDONALD*

Chairman, Securities and Exchange Commission

Chairman McDonald reviews current problems facing SEC and manner of dealing with them. Explains working of Public Utility Holding Company Act and says its effect has been both directly and indirectly beneficial to investors and public. Denies SEC favors listed markets and maintains all current types of securities markets are essential. Upholds Frear Bill, and contends there is no shortage of equity capital.

About a year and a half ago I came home to Detroit to report, in a sense, to report to my own people, on what was going on at the SEC. This I did in a talk at the Economic Club. There, in November of '48, I reviewed not only the work of the Commission but some of the cases which were at that time much in the limelight. With your permission, I would like to make a somewhat similar report tonight.

Harry A. McDonald

Back in November of 1948 everyone wanted to know about the Tucker case, and about the Kaiser-Frazer financing. They were interested, too, because of its local holdings, in the approaching break-up of The American Light and Traction Company. This break-up was being done under Section 11 of the Public Utility Holding Company Act. There was also considerable interest in registration problems, particularly where an officer or director or controlling shareholder sells all or part of his holdings; and in many other items of Commission business.

Now, 18 months later, the Tucker case is history. The American Light and Traction Company, once the parent of such important local utilities as Detroit Edison, Michigan Consolidated and Madison Gas & Electric, is no more. Having disposed of its electric properties and constructed a new pipeline from the Hugoton fields, the company became an integrated natural gas company and accordingly changed its name to the more appropriate American Natural Gas Company. The great Detroit Edison Company is now an independent operating utility, with local management and extensive local ownership, while American Light and Traction's former parent, The United Light & Railways Company, is in the process of complete liquidation.

Now some new faces have come into the horizon which present, of course, different problems. Recently we have read much in the public press of the scarcity of equity capital. As you know, the Congress appropriated funds and instructed the Joint Committee on the Economic Report, of which Senator O'Mahoney is directing Chairman, to study the problem; and some of the recommendations have been published. The SEC is interested in all things which have to do with feeding capital into American industry.

We are also concerned about and charged with the responsibility of supervision over the different markets. By that I mean the New York Stock and Curb Exchanges, and also, the regional Exchanges. We are concerned with listed securities and over-the-counter securities — a business which is conducted by some 4,000 broker-dealers, all registered with the SEC.

I would like to tell you in the time available to me as much as I can of these and other SEC matters which I thought would be of interest to you.

I want also to talk briefly about the Public Utility Holding Company Act of 1935.

Carrying Out the Utility Holding Company Act

The Public Utility Holding Company Act of 1935 was, as you know, most controversial. It was a kind of specialized anti-trust law, passed to cure the ills of a single industry. Many were skeptical of it (as I recall, I was myself), but it has proved itself, so that today it is looked on in some quarters as the possible forerunner of other legislation which could be used to supplement our anti-trust laws.

It would be impossible for me to overstate the truly impressive job which has been done in reorganizing the giant utility holding companies, with full preservation of investor rights and no sacrifice of underlying values.

The task has been enormous. The figures we have had to deal with practically stagger the imagination: 2,152 companies registered under the Act, with combined assets of over $16,000,000,000. To date, under the Section 11 program, 1,510 of these companies (with assets in the neighborhood of $8,000,000,000) have been eliminated by exemption, sale, dissolution, merger or other divestment. Last year alone, holding companies divested themselves of 44 companies with assets just short of $2 billion. All of these, mind you, were returned to the jurisdiction of the several States in which they operated.

Perhaps if I discuss what happened in just one system, I can give you some idea of the work we are doing.

I will discuss the Electric Bond & Share case.

The Bond & Share system is currently involved in important plans before the Commission. It is one of the four or five last remaining major systems.

When the Public Utilities Holding Company Act was passed in 1935, the Electric Bond & Share system was one of the largest brought under our jurisdiction. Its organization included five major subholding companies, with a total of 121 subsidiaries stretching the width and breadth of the land, plus innumerable subsidiaries in foreign countries. Combined assets of these companies totaled some $3,500,000,000.

The capital structure of the system was complicated. There were as many as 14 tiers of securities—bonds, preferred and debt at the operating level, senior and junior securities in the intermediate subholding companies, and preferred and common issues of the top company itself. I have never lost my wonderment at the ingenuity and imagination which went into putting the elaborate holding company structures together. As a matter of fact, the voluntary compliance procedures in Section 11 were based on the notion, as expressed by one of the sponsors of the Holding Company Act, that "the legal and economic imagination which put these holding company combinations together will devise means of taking them apart" — and the prophecy was proved true!

When 1929, '30, '31, and '32 came along, and earnings fell off during the depression, it was only to be expected that the extensive leverage in these systems would produce income stoppages at the upper levels. Bond & Share managed never to miss a dividend on its preferred, but almost no income was ever available to the common; and extensive arrearages accumulated on the preferreds of the intermediate companies—a total of some $315,000,000 in 1940.

Section 11 required the SEC to simplify this system. It required its properties to be rearranged into compact integrated utility systems. It required Bond & Share to dispose of unrelated operating and non-utility properties; to liquidate unnecessary or useless companies; and to rationalize and simplify its capital structures. This, you may be sure, has been no easy task. Of necessity, hearings have been long and detailed. Commission opinions read like textbooks. Appeal has mounted upon appeal, interminable delays, requested extensions of time, and many other things have prevented us from proceeding as rapidly as some would wish. And even more troublesome have been the extremely complicated inter-company claims for damages resulting from alleged acts of mismanagement and detrimental acts on the

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*An address by Chairman McDonald before the 43rd Annual Dinner of the Detroit Stock Exchange, Detroit, Mich., Feb. 21, 1950.

DuMont and the Television Industry

By DR. ALLEN B. DuMONT*
President, Allen B. DuMont Laboratories

Dr. DuMont traces growth of his company, which he predicts will be further greatly accelerated in 1950. Cites growing sales of receivers, and notes satisfaction in their distribution to lower-income bracket people. States as industry's present big problem the government's "freeze" on allocation of new stations. Declares no one in industry believes color should be instituted now.

For the people who are not familiar with the history of the company, I might just very briefly review it. My company was formed in 1931, and the original idea was to develop the cathode ray tube for television. We found out at that time that there was no immediate market for the cathode ray tube, and from 1931 until the war started, we sold the tubes for industrial purposes, and we developed instruments in which the tube operated.

Allen B. DuMont

These instruments, known as cathode ray oscillographs, are now widely used in industry for all sorts of testing purposes. They are used to check various electrical phenomena, mechanical, chemical, and so forth, and the cathode ray oscillograph is really the basic part of the radar equipment that was later developed; in other words, the oscillograph itself is, you might say, the indicator unit of radar.

In 1931—I will just make a very quick run-through of the sales of our organization for a few years—we sold $70 worth of material; in 1932, we were up to $1,800; it jumped to $36,000 in 1935; in 1940, it was $176,000 of sales; then, in 1941, we jumped up to $648,000 of sales, but a large part of that was war equipment, and during the war we got up to sales as high as $9,120,000.

Well 1946, after the war, we had to reorganize the whole operation. At that time, it looked as though television was going to get started, and we had to get ready with our new receivers, tubes, and transmitters, and, for the first year after the war, our sales dropped down to $2,287,000. Then, in 1947, it started building up, after the war television business, and sales were $11,112,000. In 1948, sales were $26,934,000, and I haven't the exact figures for last year, but it is very close to $45,000,000.

*Transcript of a talk by Dr. DuMont before the New York Society of Security Analysts, N. Y. C., Feb. 3, 1950.

The 1950 Outlook

The outlook for 1950, as far as we are concerned, we think will be somewhere between 80 and 85 million in sales for this year. For the last four or five months, we have been operating at $70 million, so the increase to the figure I gave is rather minor.

As to the organization of the company, there are five divisions in the company. We have a Receiver Division, a Tube Division, an Oscillograph Division or Instrument Division, a Transmitter Division, and another division which operates the three home television stations, and also operates the DuMont network.

Last year, 1949, we had quite a bit of consolidating to do as far as our plant and equipment was concerned. Prior to that time, we had grown up simply by taking any available space and utilizing that space for production. We have some 15 or 16 different plants scattered around Passaic and Clifton and Paterson. Last year, we were able to consolidate, get on a much better manufacturing basis. We purchased the Wright plant in East Paterson, which was built in 1943. It is a very modern plant, and it has 500,000 square feet on one floor. That contains our receiver operation. We manufacture all of our receivers there.

Then, we purchased a plot of ground in the Haworth section of Clifton, and we put up a new building there. We have approximately 200,000 square feet in that building, and that contains the complete cathode ray tube manufacturing division.

We have another plant at 1000 Main Avenue in Clifton, and in that plant, we have our Transmitter Division and Oscillograph Division. We have one other building, a fourth building, which was our old tube plant, and we have converted that and we just have our Research Division there.

Then, of course, our other division, the network—we have a company-owned station in Washington, one here in New York (WABD), and one in Pittsburgh, and then we have our network. We are now feeding some 53 stations over the network. Approximately half of these stations are fed directly by coaxial cable and the other half are fed by means of so-called teletranscriptions. In other words, most of the programs, or a good portion of the programs, are recorded on film and that film is developed rapidly and then airmailed to the various stations throughout the country that are not on the coaxial cable.

That is the general picture as far as the organization of the company is concerned.

The Receiver Division

In the Receiver Division, which accounts for the largest division in the company, we have concentrated on the manufacture of more or less the better type of receivers. Ever since we have been in business, with the exception of last June and July, we have never been able to supply the demand for these receivers, and that is the condition at the present time.

As you have noted from these figures, we have increased our sales materially every year. We probably could have increased those sales considerably more but we have been watching the financial end at the same time, so that we figure if we double our business each year, that is doing fairly well, and in another two or three years, we should be pretty near No. 1. In other words, in 1948 and 1949, each year, we spent approximately two and a half million dollars for new equipment and new plants. Take last year, for instance, in spite of spending this amount for capital expenditures—and we paid a million and a quarter in dividends—we ended the year with about $7,200,000 cash as against about $4,800,000 cash for the start of the year; so we were able to expand double the sales and still keep a very liquid position.

The receiver market, as you people have probably noticed—there has been a gradual reduction in price of receivers. If you take a comparative receiver, for instance, that today sells for between $200 and $250, you will find that in about 1946, that same receiver would have cost twice that price; in other words, the increase in volume plus a greater knowledge of service has enabled the manufacturers to reduce very, very materially the price of receivers, and henceforth, with the lower price, there will be a much bigger market for those receivers.

One thing that has been very encouraging to the industry is the fact that these receivers are not only going to the people in the upper brackets, but the big sale seems to be in the middle- and lower-income brackets. Of course, they are the people who vote and there are many more of them, so it makes us very happy. Undoubtedly, you have seen, in traveling around, the large number of antennae in those homes in the middle- and lower-income groups.

The Big "Freeze" Problem

The big problem that is facing us today in the industry generally

Continued on page 38

Dealer-Broker Investment Recommendations and Literature

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

Biscuit Companies—Study—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Insurance Stock Earnings & Asset Values—Recalculation—Geyer & Co., Inc., 63 Wall Street, New York 5, 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.

1950—A Better Year for Railroads — Brochure — Goodbody & Co., 115 Broadway, New York 6, 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.

Public Utilities in an Expanding Economy—Bulletin—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

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

Western Canadian Oils — 1950 Version — James Richardson & Sons, 347 Main Street, Winnipeg, Man., Canada, and 80 King Street, West, Toronto, Ont., Canada.

* * *

American & Foreign Power—Circular — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

Boston Terminal First Mortgage Bonds—Bulletin available to dealers—Carreau & Co., 63 Wall Street, New York 5, N. Y.

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

Also available are memoranda on **C. G. Conn Ltd.**, **Gisholt Machine Co.**, **John B. Stetson Co.**, and **Hajoca Corp.**

Chicago & North Western—Leaflet—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Detroit Edison Co.—Annual Report—The Detroit Edison Co., 2000 Second Avenue, Detroit 26, Mich.

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

Illinois Central Railroad—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

International Resistance Co.—Detailed Memorandum—Harrison & Co., 123 South Broad Street, Philadelphia 9, Pa.

Manufacturers Trust Co.—Analysis—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Mexican Light & Power Co.—Analysis — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Mid Continent Airlines, Inc.—Brochure and current data—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

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

Pacific Lumber Co.—Analysis—Elsworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Paramount Pictures Corp.—Special new study — Dept. C, White, Weld & Co., 40 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.**

Transcontinental & Western Air, Inc.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Human Relations In Industry

By ROGER W. BABSON

Denying industrial peace can be legislated, Mr. Babson holds problem resolves itself into question of what makes men work. Concludes only way private enterprise system can be saved is by allowing wage workers to become an entrepreneur along with managements.

One of the greatest problems which will confront us in the next 12 months is how to bring the break-even point down. When the present artificial boom has burst, producers must find ways to make more goods at cheaper prices and at the same time keep wages up, continue workers' short hours and give more benefits.

Roger W. Babson

This problem, reduced to its simplest form, resolves itself into a question of what makes men work. It is no secret that in many plants worker productivity per man has fallen off considerably. Why? For too long a time management has tried to force workers to do their best by threats of liquidation or lay-offs. This policy of fear nourished strife and bred labor unions.

When the government stepped in with the Wagner and the Taft-Hartley Acts and said in effect, "We shall legislate cooperation and peace and an attitude of enthusiasm for work." How in heaven's name can you "legislate" industrial peace by setting up a political football game between labor and management? The backers of one team demand more and more touchdowns, or else the coach will be fired. The rooters for the other team will be satisfield with nothing less than the goal posts and painting the town red. A scheme of this sort is unfounded and can result in nothing but friction.

Management's Opportunities

The officials of too many corporations have inherited this scheme of things from their forebears. But we too have succumbed to their time-worn dogmas about management's prerogatives and labor's place in the scheme of things. Yet, if we are to preserve Democracy, avoid state socialism and develop a state of abundance, then we will send teams out to explore, conquer, and develop this relatively unknown frontier of Human Relations in Industry.

One small manufacturer, some months ago, became desperate. His break-even point was too high and he faced a shutdown. But a simple formula was evolved which resulted in a production increase of 160% in a short space of time. Here's how. Management found that about 38% of its sales dollar was charged against the cost of labor. Labor was offered the difference between the 38% and whatever savings it could effect. Labor accepted the challenge. Cost droppe — production went up—new business was available on the basis of decreased costs of production, and deliveries were made on time at a profit to all parties.

Why Labor Doesn't Produce

One of my own employees worked a few years ago as assistant to the president of a nationally-known company with its share of labor troubles. He put on a pair of overalls, went out into the plant as a sort of labor spy. He learned how to use a paint spray gun and after a while was fully accepted by the workers as one of them. Among other things he was taught by them how to hold work back so that management would never know how fast they could really work. He learned how to so mix his paint and to so spray that he could collect for a three-coat job when in reality the company was getting only a one-coat job.

This new man observed skilled workers withholding their skills from new workers. He watched spoilage pile up. He saw workers let excellent suggestions for improving efficiency and cutting costs go down the drain, and then sneer at management because it was so inefficient. Company problems were none of their business, for these men "only worked there." Labor productivity has been frozen by management.

Conclusion

I believe that we can save our private enterprise system only by allowing the wageworkers to become an entrepreneur along with management. When the workers can have a personally gratifying part in solving their company's production problems; when they can reap a proportionate reward; then, you won't need to worry much about "collective bargaining" in your plant.

Back on the Desk

PHILADELPHIA, PA. — Harry Fahrig, Jr., trading department, Reynolds & Co., somewhat lighter in pounds and purse, has returned to the office after a four-weeks' lay-off occasioned by a minor operation.

Midwest Exch. Members

CHICAGO, ILL. — The Executive Committee of the Midwest Stock Exchange has announced the election to membership of the following:

Albert T. Armitage, Coffin & Burr, Inc., Boston, Mass.; Edward M. Battin, the Ohio Co., Columbus, Ohio; Melville S. Cohn, Kiser, Cohn & Shumaker, Inc., Indianapolis, Ind.; John A. Dawson, John A. Dawson & Co., Chicago, Ill.; Rudolph H. Deetjen; Emanuel, Deetjen & Co., New York, N. Y.; W. Olin Nisbet, Jr., Interstate Securities Corp., Charlotte, N. C.; Albert Theis, Jr., Albert Theis & Sons, Inc., St. Louis, Mo. (intra-firm transfer).

Joins Frank Knowlton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—Paul A. Shipman has joined the staff of Frank Knowlton & Co., Bank of America Building.

Now Corporation

DENVER, COLO. — Robert D. Bowers & Co., Cooper Building, is now doing business as a corporation. Officers are Robert D. Bowers, former proprietor, President; Joseph W. Hicks, Vice-President; Edward E. Rost, Vice-President and Secretary; and Edward I. Shelley, Vice-President and Treasurer. All officers have been with the firm.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Rudolph E. Bosshard is now associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Bosshard was formerly with Davies & Mejia and Stephenson, Leydecker & Co.

RCA Reports Color Stability Achieved in TV

Dr. E. W. Engstrom, Vice-President of Radio Corporation of America, says new development eliminates color drift and represents advance toward potential service to public.

Complete color stability has been achieved in the RCA all-electronic, high-definition system of color television, and its technical development as a potential service to the public now surpasses all other types of color television, Dr. E. W. Engstrom, V.-P. in Charge of Research, RCA Laboratories, disclosed in Washington, D.C., on Feb. 8.

E. W. Engstrom

"The basic problem in color television," Dr. Engstrom said, "has been to develop a system that is unlimited, technically or otherwise, in its possibilities for future growth and expansion; also, one that is fully compatible with the present method of black-and-white television. This, RCA has done."

Speaking at a special demonstration for the press, held in the Washington studios of the National Broadcasting Company, Dr. Engstrom listed the following characteristics of the RCA color system, which, he said, no other method now under development can fully match:

(1) High-definition pictures (70% greater detail than the mechanical sequential system).

(2) Unlimited picture size and brightness.

(3) Flickerless pictures, without color break-up.

(4) Automatic color phasing (electronic means of maintaining color stability).

(5) Complete compatibility with present black-and-white television system (color telecasts are reproduced in black-and-white on receivers now in use without modification).

(6) All-electronic (no mechanical or moving parts).

"These characteristics are of major importance to the public," Dr. Engstrom pointed out, "for they mean that color television can be introduced with no disruption to the present service of black-and-white television. Owners of black-and-white receivers will not have to change their sets to receive color transmissions in monochrome and there will be no loss of audience when color is introduced as a service to the public."

The rival mechanical sequential system of color television, as demonstrated so far, Dr. Engtrom pointed out, has practical limitations of small picture size and loss of definition. Furthermore, he added, it is not compatible with all-electronic black - and - white television; that is, its transmissions cannot be reproduced on sets now in use unless they are modified.

Television in 7¾ Million Homes by 1951: Sloan

Manager of Westinghouse Home Radio Division says three out of 10 homes in television areas will have receivers by end of year.

Seven and three-quarter million homes in the nation will have television receivers at the end of 1950, F. M. Sloan, manager of the Westinghouse Home Radio Division, asserted in a statement issued on Feb. 13. He predicted that the industry will continue its record as the fastest growing industry and sell 4,000,000 receivers during 1950, thus reaching 30% saturation of the market.

F. M. Sloan

Mr. Sloan made the statement as the Division's distributors gathered today in cities across the nation to preview the Spring line of six new Westinghouse televisions receivers in nine cabinet variations and eleven radios. The meetings today were held in Seattle, Richmond, Boston, Dallas, and Detroit. Twenty-four similar meetings will be held in as many cities in the remaining two weeks of this month to introduce the line to the Division's 130 distributors.

Three of Ten Homes in TV Areas to Have Receivers by End of Year

Pointing out that the television industry, on a unit basis, is the fastest growing new business America has ever experienced, Mr. Sloan added:

"It is the composite opinion of television manufacturers that at the end of 1950, three of every ten homes in the United States where telecasts can be received will have television. This is 30% saturation of the market, a point reached by the automobile industry in its 29th year, and by the electric refrigeration industry in its 11th year."

Until the development of television, the auto and electric refrigeration industries have historically been regarded as those which made the most rapid growth, Mr. Sloan pointed out.

The new television sets range in price from $229.95 to $429.95. The new radio receivers include portables in a striking new color—lipstick red—and a table model at $18.50, lowest priced radio receiver ever built by Westinghouse.

All the television receivers have automatic picture control to maintain constant picture brightness and contrast, synchronous tuning which automatically provides proper sound when the picture is focused to maximum sharpness, dark-faced tubes which assure the full contrast range from jet black to pure white, built-in antenna, and provisions for connecting ultra high frequency tuners when such service becomes available. Another feature in the 12½-inch picture tube class is the "electronic magnifier," which makes possible enlarged closeups of action in the center of the screen.

Johnston, Lemon Branch In Alexandria, Va.

ALEXANDRIA, VA.—Johnston, Lemon & Co., members of the Washington and Philadelphia-Baltimore Stock Exchanges, have opened a branch at 134 North Pitt Street, under the direction of Robert G. Whitton. Mr. Whitton is President of the Mortgage Finance Corp. of Alexandria and in the past was with the First National Bank of Alexandria.

Also associated with the new office will be Alice H. Whitton and E. Wallace Schreiner.

Television Grows Up*

Analysis by National Industrial Conference Board shows recent growth at rate faster than expected in 1950, but reports immediate market expansion is limited only by technical and price factors.

The television industry seems to be over the hump of its growth. In the final quarter of 1949 it turned out sets at a faster rate than it expects to average in 1950. The immediate market is limited mainly by technical factors and to some degree by price factors. This is generally true of all new industries in their early stages. Yet the video manufacturing industry appears big enough now to take in its stride the prospective expansion in its market over the coming year.[1]

The growth of television, from infancy to virtual maturity in less than four years, has been the most rapid of any industry in our recent industrial history. This fact suggests that American productive capacity has grown so large that new industries generally grow up much faster now than ever before, and, accordingly, provide new investment outlets for much shorter periods of time.

By Leaps and Bounds

About 6,500 sets were produced in 1946; in 1947, 200,000 were produced; slightly under one million were made in 1948; and output for 1949 is estimated to have reached slightly over 2.6 million. Television set output in the last quarter of 1949 totaled about one million sets, or a rate of four million a year. Output for October alone reached approximately 380,000 sets, or an annual rate of 4.6 million. According to the Radio Manufacturers Association, the industry expects to produce about 3.7 million TV sets in 1950. Hence, present productive capacity is generally adequate to meet next year's expectations; it is slated to expand only 10%-20% in the coming year.

A seasonal pattern, which became evident during the latter part of 1948, has now definitely set in. (See Chart 2). There is a gradual falling off in demand during the first half of the year, with June or July the low point. This is followed by a substantial upturn in late summer and fall, reaching a peak in the final quarter. The appearance of seasonal movements explains why the production rate of the last quarter of 1949 was higher than the average output anticipated for 1950.

From 1950 on, prospects for the industry seem to point to continued growth but at a decelerated pace. The major factors limiting the market may be outlined as follows:

1. Prices

Prices of video sets came down substantially after 1946, as output expanded and unit costs were reduced. Prices are now low enough for video to be within the reach of a substantial segment of the lower income groups. However, there is still a sizable sector of the population which cannot be considered to be in the market—at present prices.

Since costs of component parts and wages are expected to continue at approximately current levels, the trade does not foresee any significant price reductions for 1950.

The price range for TV sets today is much closer to that of refrigerators than that of radios. There are about 30 million refrigerators in use, compared with 63 million radios[2] in 42 million homes (and some 36 million passenger cars registered). Hence the potential market for TV at current prices is closer to 30 million sets than radio's 63 million. Estimates by industry observers of the potential video market range from 25 million to 40 million sets.

2. Technical

Television stations have a limited broadcasting range. At present a television station cannot transmit consistently good signals beyond a range of 50 to 75 miles, depending upon operational interference and local conditions. Television coverage now is limited to slightly over 50 metropolitan areas embracing about 22 million families.

An FCC "freeze" on installation of new stations went into effect in September, 1948.[3] With the probable lifting of the freeze sometime this year, additional transmitters will go under construction, and new markets will be opened.

As soon as the industry and the FCC develop the technical means of extending service to smaller communities and rural areas, still further potential demand will be tapped. It is expected that television facilities will eventually become available to rural sections by means of satellite stations. These will relay telecasts from major stations.

3. Consumer Attitudes

High family income and the novelty of television have exerted an enormous demand during the past three years. Consequently a sizable segment of the population in those areas where television service is available now owns sets

The color controversy may be operating as a deterrent to greater demand. Apparently some potential buyers are dubious as to the effect color television will have on sets now on the market. However, the FCC has stated that a color system will be approved only if it can be adapted to the black and white sets with minor inexpensive adjustments. Many television manufacturers feel that color will not be ready for commercial use for several years.

Many prospective buyers are waiting for more and better programs before they will purchase a set. In part, this must wait on further growth in television advertising.

In summary, prospects for expansion of the television market come down to this:

No great expansion owing to major price reductions is in sight for 1950.

Building of new stations, even if resumed this year, will hardly extend service to the remaining half of the population as rapidly

Continued on page 31

*A study prepared by the Division of Business Economics of the National Industrial Conference Board.

1 The evaluation in this article, of course, assumes no sudden technical revolution, not now on the horizon, in tube design or other television manufacture that would radically bear on costs and prices.

2 Figures on radios compiled by Caldwell-Clements, Inc. In addition, there are about 4 million more radios in business establishments and other public places and about 14 million in automobiles.

3 Toward the latter part of 1948, a considerable amount of interference between stations became evident, making for faulty reception in many areas. Therefore, in September, 1948, it became necessary for the FCC to suspend applications for construction of new television stations until this technical problem was solved. During the past year, the FCC has been experimenting with the ultrahigh frequency band (UHF) to supplement the very high frequency band (VHF) under which present television broadcasting is operating. As soon as the Federal Communications Commission feels that UHF is ready for commercial use, additional channels will become available permitting considerable expansion of television facilities.

William Mezger With G. C. Haas & Co.

William W. Mezger has joined G. C. Haas & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, as manager of the firm's bond department, succeeding the late Myron F. Schlater. He was formerly in the municipal bond department of Hemphill, Noyes, Graham, Parsons & Co. and for 23 years with Graham, Parsons & Co. before that firm was recently consolidated with the Hemphill, Noyes organization.

William W. Mezger

C. E. Unterberg Offers Stern & Stern Shares

C. E. Unterberg & Co. are offering a block of 11,100 shares of common stock (par $1) of Stern & Stern Textiles, Inc. at $9 per share, the net proceeds to go to two selling stockholders.

Stern & Stern was incorporated in New York in 1924 as successor to the business of a partnership established in 1889. It sells a wide variety of textile items, including nylon and rayon fabrics, broad silks, laces, veilings, netting and plain and fancy cotton goods. Mills are owned at Easton, Pa., and Hornell, Wayland and Canisteo, N. Y.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Bank of America National Trust & Savings Association in the recent action by the board of directors increased the annual dividend rate from $2.50 a share to $2.80 and changed the interval of payment from semi-annually to quarterly. At the same time a special meeting of stockholders was called for March 21 to vote upon a proposal to change the par value of the stock and issue to shareholders one additional new share for each share now held.

The purpose of the stock distribution, according to the management, is to place the shares of the Bank within the reach of more people. Such action, along with the increased cash dividend, calls attention, once again, to the spectacular growth and favorable operating record established by the Bank of America.

Although the Bank began business in 1904 with only $150,000 of capital and surplus, in less than 50 years it has grown to be the largest bank in the country. At the end of 1949 capital funds were in excess of $300 million and deposits totaled approximately $5.77 billion.

In 1907 the Bank established its first branch. Today, it is the leader of branch banking in the United States with over 525 banking offices operating in more than 300 communities throughout the State of California.

Bank of America has benefited greatly by being located in a growing section of the country and its further development and progress is tied in closely with the economic fortunes of California. Nevertheless, since its formation, it has shown an almost continuous record of expansion. Some of the most spectacular gains and rapid growth have taken place in the past 10 years and coincide with a period of active change in population, industrial activity and bank deposits on the West Coast. These developments have been reflected in the figures of Bank of America, some of which are summarized in the following tabulation.

Dec. 31	Total Deposits	Capital	Surplus and Undivided Profits	Total Resources	No. of Deposit Accounts (Dec. 23)	No. of Banking Offices
	$	$	$	$		
1904	134.413	150,000	1,024	285,437	†	1
1905	703,024	300,000	10,000	1,021,291	†	1
1910	5,348,151	1,000,000	150,000	6,539,861	†	3
1915	20,474,873	1,250,000	374,244	22,321,861	58,854	7
1920	140,993,545	9,000,000	3,913,240	157,464,685	221,788	24
1925	389,433,241	17,500,000	13,474,173	422,838,587	595,032	98
1930	998,039,477	50,000,000	54,136,374	1,161,895,889	1,625,381	353
1935	1,155,265,465	50,000,000	50,867,307	1,277,419,381	1,677,558	421
1939	1,482,791,676	50,000,000	66,845,842	1,628,586,278	2,268,843	495
1940	1,632,228,397	62,000,000*	82,278,753	1,817,535,186	2,384,551	495
1941	1,908,383 921	60,800,000*	83,634,808	2,095,635,619	2,538,783	495
1942	2,586,140,699	59,215,920*	83,151,214	2,771,689,632	2,512,805	487
1943	3,498,153.210	58,102,920*	87,051,168	3,697,912,675	2,743,231	488
1944	4,350,539,688	68,085,560*	140,779,201	4,609,124,133	3,054,803	491
1945	5,339,307 098	108,085,560*	117,155,495	5,626,063,927	3,316,494	493
1946	5,415,849,715	106,646,375	130,235,547	5,765,525,193	3,619,925	500
1947	5,467,199,162	106,646,375	150,525,936	5,845,817,669	3,815,802	508
1948	5,639,523,419	106,646,375	172,872,255	6,072,913,872	3,978,403	517
1949	5,775,110,029	127,975,650	177,868,961	6,250,402,352	4,088,018‡	525

*Includes preferred stock but does not include reserve for increase of common capital. †Not available ‡As of Nov. 23.

Interesting as these figures are in showing the growth of Bank of America since its organization, of even more importance possibly to the stockholder has been the record of earnings and dividends. No attempt has been made to obtain adjusted per share figures prior to 1939. The record of the past 10 years was presented in the circular prepared in connection with the recent sale of a part of the holdings of Trans-America. Certain figures from this source are presented below, together with the comparable results for the year just ended.

Years Ended Dec. 31	Operating Earnings	Net Profits	Preferred Stock Dividends	Income Available For Com. Stock	Earn'ngs Per Com. Sh.*	Dividends Per Com. Sh.*
	(000 omitted)					
	$	$	$	$	$	$
1949	195,436	52,128	----	52,128	5.09	2.50
1948	180,182	47,053	----	47,053	4.59	2.08
1947	159,876	39,591	----	39,591	3.87	1.88
1946	127,152	28,963	20	28,943	2.83	1.67
1945	100,613	23,881	809	23,072	2.40	1.33
1944	90,790	22,228	809	21,419	2.23	1.20
1943	78,334	19,177	812	18,365	2.30	1.20
1942	73,553	16,950	929	16,022	2.00	1.20
1941	73,477	17,722	1,081	16,641	2.08	1.20
1940	71,081	17,750	666	17,084	2.14	1.20
1939	69,024	12,387	----	12,387	1.55	1.20

*Adjusted for stock dividends of 66 2/3% paid in 1945 and 20% paid in 1949.

This record of earnings growth and dividend payments is outstanding among the larger banking institutions. It explains why the shares presently selling around 54 are near their highest point and why Bank of America, in contrast with many bank stocks, is quoted substantially above its book value.

Because of the type of banking operation conducted with its appeal to small depositors and small borrowers, results are likely to continue to be relatively favorable.

"Business Man's" Risk Portfolio for The Investment of A $20,000 Fund

In the current issue of "Gleanings From the Research Department," which is a round-up of latest comments and opinions by the Analytical Staff of Francis I. du Pont & Co., members of the New York Stock Exchange, the following risk portfolio for a business-man is suggested:

No. of Shs.	Security & Group	Approx. Price	*Last 12 Mos. Divs.	Yield
	Airlines			
100	United Airlines	16	---	---
	Building			
100	Carrier Corp.	19	$1.00	5.3%
	Investment Trust			
100	Selected Industries—$1.50 cum. conv.	24	2.00	8.3
	Miscellaneous			
100	Brunswick-Balke-Collender	24	2.00	8.3
	Meat Packing			
200	Armour & Co.	9	---	---
	Railroad			
50	Chicago, Rock Island & Pacific	45	3.00	6.7
25	Kansas City Southern	51	4.00	7.8
	Railroad Equipment			
100	Pittsburgh Forgings	16	1.25	7.8
	Steel			
100	U. S. Steel	30	†2.60	8.7
	Textile			
100	Burlington Mills	20	1.50	7.5

*Paid or declared. †Indicated annual rate.

Total value of above list is approximately $20,250. Total income would amount to $1,285, yielding 6.4%.

FIC Banks Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Credit Banks was made Feb. 16 by M. G. Newcomb, New York fiscal agent for the banks. The financing consisted of $69,175,000, 1.30% consolidated debentures dated March 1, 1950, due Dec. 1, 1950. The issue was placed at par. Of the proceeds, $56,630,000 was used to retire a like amount of debentures maturing March 1, 1950, and $12,545,000 is "new money." As of the close of business March 1, 1950, the total amount of debentures outstanding amounted to $461,480,000.

United Sales Assoc.

WASHINGTON, D. C.—United Sales Associates, Inc. has been formed with offices at 2660 Woodley Road, N. W. Officers are C. Bedell Monro, President; Albert L. Miller, Vice-President; Katherine L. Hanson, Secretary-Treasurer, and Jacob D. Halsted, Director. Mr. Halsted was formerly Washington Manager for B. J. Van Ingen & Co., Inc.

Joins McMahon & Hoban

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John M. Sherly has become affiliated with McMahon & Hoban, Inc., 105 South La Salle Street. He was in the past with C. J. Case & Co. and Case, Bosch & Co.

With Harriman Ripley

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John H. Kramer is now associated with Harriman Ripley & Co., Incorporated, 135 S. La Salle Street. He was formerly with Hornblower & Weeks.

With Coughlin & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Lloyd W. Hammer has become associated with Coughlin and Company, Security Building. He was formerly with Garrett-Bromfield & Co.

Earl Scanlan Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Charles Rump has been added to the staff of Earl M. Scanlan & Co., Colorado National Bank Building, members of the Midwest Stock Exchange.

Dividend Prospects for Selected Companies in 1950

"Fortnightly Market and Business Survey," issued by E. F. Hutton & Co. on Feb. 23, contains the following tabulations referring to companies whose dividends may be increased in 1950 or whose dividend coverage is narrowing appear.

15 STOCKS WHOSE DIVIDENDS MAY BE INCREASED IN 1950

	Recent Price	Earnings Per Share 1950E	Earnings Per Share 1949E	Earnings Per Share 10-Yr. Avg. 1939-48	Dividends Per Share †1950	Dividends Per Share 1949	Dividends Per Share 10-Yr. Avg. 1939-48	Yield On 1950 Est. Dividend	Dividends As % of Earnings 1950E	Dividends As % of Earnings 1949E	Dividends As % of Earnings 10-Yr. Avg. 1939-48
Armco Steel	30	$7.00	$6.50	$3.06	$3.00	$2.50	$0.91	10.0%	43%	38%	30%
CIT Financial	62	7.00	6.60	3.20	5.00	3.00	2.86	8.1	71	45	89
Caterpillar Tractor	34	4.50	a4.89	2.11	2.00	1.75	1.18	5.9	44	36	56
Chicago, Rock Island & Pacific RR.	43	9.00	9.50	8.61	4.00	3.00	0.30	9.3	44	32	3½
Columbia Broadcasting System	31	2.50	a2.44	2.93	2.00	1.40	1.88	6.5	80	57	64
Consolidated Edison	29	2.25	a2.22	1.98	1.80	1.60	1.70	6.2	80	72	86
General Electric	46	5.00	4.25	2.13	3.00	2.00	1.53	6.5	60	47	72
General Motors	76	12.50	13.50	4.50	9.00	8.00	3.08	11.8	72	57	69
Libbey-Owens-Ford	64	8.50	7.75	2.95	6.50	5.75	2.30	10.1	84	74	78
Lockheed Aircraft	27	5.50	4.50	4.47	2.50	2.00	1.50	9.3	45	44	34
Manufacturers Trust	57	5.50	a5.69	3.91	2.80	2.40	1.96	4.9	51	42	50
c Philip Morris	54	7.00	7.00	3.43	3.50	2.87½	2.04	6.5	50	41	59
Radio Corporation	15	1.80	1.60	0.65	0.60	0.50	0.19	4.0	33	36	29
Squibb (E. R.) & Sons	36	3.75	a3.93	1.98	1.60	1.25	0.73	4.4	40	31	37
Studebaker	28	8.50	12.50	2.11	3.40	2.50	0.40	14.3	40	20	19

8 STOCKS WHOSE DIVIDEND COVERAGE IS NARROWING

	Recent Price	Earnings Per Share 1950E	Earnings Per Share 1949E	Earnings Per Share 10-Yr. Avg. 1939-48	Dividends Per Share 1949	Dividends Per Share 10-Yr. Avg. 1939-1948	Yield On 1949 Dividend	Dividends as a % of Earnings *1950E	Dividends as a % of Earnings 1949E	Dividends as a % of Earnings 10-Yr. Avg. 1939-48
Associated Dry Goods	16	$1.75	$2.00	$2.08	$1.60	$0.84	10.0%	91	80	40
Baldwin Locomotive	13	0.80	1.10	2.46	0.75	0.88	5.8	94	68	36
Chesapeake & Ohio	28	2.00	a1.36	3.93	3.00	3.23	10.7	150	220	82
Creole Petroleum	32	4.00	5.00	2.57	3.00	1.40	9.4	75	60	54
International Shoe	42	2.50	a2.26	f2.35	2.00	f1.98	7.1	120	133	84
Pittsburgh Consolidation Coal	28	2.00	2.00	6.11	3.00	1.73	10.7	150	150	28
St. Joseph Lead	38	3.25	4.20	3.27	3.25	2.15	8.6	100	77	66
Textron	12	1.00	d	2.12	1.00	0.45	8.3	100	--	21

NOTES: *Dividends paid in 1949 as a % of 1950 Estimated Earnings. †Estimated rate expected to be established sometime in 1950. E—Estimated. a Actual. b Traded Over-the-Counter. c For years ending March 31, of the following calendar year. d Deficit. f Averages from 1945 to 1948.

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN UNITED STATES AND CANADA

UCC

CONSOLIDATED BALANCE SHEET

December 31, 1949

ASSETS

CURRENT ASSETS		
Cash		$106,286,151
United States Government Securities (Cost or Market, whichever lower)		35,243,082
Other Marketable Securities (Cost or Market, whichever lower)		1,312,949
RECEIVABLES (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 55,540,115	
Other Notes and Accounts	10,227,657	65,767,772
INVENTORIES (Cost or Market, whichever lower)		
Raw Materials and Supplies	$ 45,176,706	
Work in Process	33,147,285	
Finished Goods	48,691,369	127,015,360
TOTAL CURRENT ASSETS		$335,625,314
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$699,412,090	
Deduct—Reserves for Depreciation and Amortization	325,726,876	373,685,214
INVESTMENTS (Cost or less)		
Affiliated Companies	$ 6,369,557	
Foreign Subsidiaries	23,897,670	30,267,227
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		4,460,132
POSTWAR REFUND OF EXCESS PROFITS TAX (Canadian Subsidiaries)		275,776
PATENTS, TRADE-MARKS, AND GOODWILL		1
		$744,313,664

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 27,049,042
Dividend Payable January, 1950		14,403,172
ACCRUED LIABILITIES		
Income and Other Taxes	$ 62,017,638	
Interest	337,500	
Other Accrued Liabilities	7,837,773	70,192,911
TOTAL CURRENT LIABILITIES		$111,645,125
2.70% PROMISSORY NOTES PAYABLE DECEMBER 1, 1967 (See Note 2)		150,000,000
RESERVE FOR CONTINGENCIES		6,541,043
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION		
No Par Value—Not Including 410,917 shares held by the Corporation (See Note 3)		
27,941,144 shares	$196,697,675	
865,200 shares held by the Corporation as collateral under the Stock Purchase Plan for Employees (See Note 3)	30,623,273	
28,806,344 shares	227,320,948	
Less present amount of Agreements	30,349,837	
	196,971,111	
EARNED SURPLUS	279,156,385	476,127,496
		$744,313,664

CONSOLIDATED INCOME AND SURPLUS STATEMENTS

Year Ended December 31, 1949

INCOME STATEMENT

INCOME		
Gross Sales—Less Discounts, Returns, and Allowances	$585,781,441	
Other Income (Net)	9,424,297	$595,205,738
DEDUCTIONS		
Cost of Goods Sold, Selling, General, and Administrative Expenses	$417,802,512	
Depreciation and Depletion	27,498,815	
Interest on 2.70% Promissory Notes	4,050,000	
Income Taxes	53,644,219	502,995,546
NET INCOME FOR THE YEAR		$ 92,210,192
Net Income Per Share—On 28,806,344 shares outstanding December 31, 1949	*$3.20*	

SURPLUS STATEMENT

EARNED SURPLUS AT JANUARY 1, 1949		$246,503,969
ADDITIONS		
Net Income for the Year	$ 92,210,192	
Increase in Market Value of Marketable Securities at December 31, 1949	78,888	
Reduction of Valuation Reserve—Securities sold during the year	86,368	92,375,448
		$338,879,417
DEDUCTIONS		
Dividends Declared	$ 57,613,658	
Adjustment Arising from Devaluation of Canadian Dollar	2,109,374	59,723,032
EARNED SURPLUS AT DECEMBER 31, 1949		$279,156,385

NOTES RELATING TO FINANCIAL STATEMENTS—1949

1—The principles applied in preparing the accompanying consolidated statements for the year 1949 are as follows:

All subsidiary companies that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and income of Canadian subsidiaries consolidated are converted at the official rates of exchange. Other assets and liabilities of Canadian subsidiaries consolidated are converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiary companies, one hundred per cent owned, and affiliated companies less than one hundred per cent but not less than fifty per cent owned, are shown as investments. After giving effect to the devaluation of foreign currencies the Corporation's equity in these companies (based on the latest financial statements received, some of which are unaudited) exceeded the amount at which these investments are carried by $11,191,522. During the current period the Corporation's equity in these companies decreased $2,655,432 due principally to the devaluation of foreign currencies. Between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest financial statements received, the equity increased $902,980.

Income includes dividends paid by foreign subsidiaries and affiliated companies out of surplus earned since date of acquisition.

2—Promissory Notes provide for annual payments of principal in the amount of $10,000,000 beginning on December 1, 1953.

3—In 1946 the stockholders approved and authorized a Stock Purchase Plan for Employees. Under the terms of the Plan, the price or prices at which stock is offered to employees shall be such price or prices as shall be fixed by the Board of Directors in its discretion, but not lower than seventy-five per cent of the market price. The Agreements entered into under the Plan provide that each participant has five years to complete payment, and that interest at the rate of 2 per cent per annum will be paid on the unpaid balance. The Board of Directors may take such action from time to time with respect to extension of time of payment as in the discretion of the Board is in the best interest of the Corporation. Stock covered by the Agreements is pledged by the participating employees as collateral security for payment. Shares in blocks of 25 are released from the pledge to the participants as payment therefor is completed. Each participant has also agreed to apply against the unpaid balance the amount, if any, by which the dividends paid to him on the pledged shares exceed the interest. The Plan provides that if a participant shall die the Corporation will offer, for a period of six months following his death, to repurchase the unpaid-for shares at the price to be paid by the participant. Pursuant to offerings made under the Plan, the Corporation entered into Agreements with 127 employees in 1946, 215 employees in 1947, and 318 employees in 1948. Included among these employees are 14 officers of the Corporation. The price set forth in the Agreements under each offering was the closing quotation on the New York Stock Exchange on the date preceding the offering. After giving effect to the three-for-one stock split on April 21, 1948, the shares covered by Agreements entered into since the adoption of the Plan in 1946 aggregate 973,950 shares of which 865,200 shares are held by the Corporation as collateral. In 1949 the Corporation repurchased 970 unpaid-for shares from the estate of a deceased employee pursuant to the provision referred to above.

4—No final settlement of the refund to the Government for the year 1945 under the Renegotiation Act has been made. In 1947 the Accrued Provision for Wartime Adjustments was charged with $271,196, representing the estimated cash refund to the Government. Should an additional amount be required upon final settlement it will be charged to the Reserve for Contingencies.

5—Union Carbide and Carbon Corporation has agreed to maintain the assets held by the Trustee of the Savings Plan for Employees in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

AUDITORS' REPORT

TO DIRECTORS AND STOCKHOLDERS OF
UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1949, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1949, and the results of its consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., February 25, 1950

Trade-marked Products of Divisions and Units of UCC include—

LINDE Oxygen • PREST-O-LITE Acetylene • PYROFAX Gas • BAKELITE, KRENE, VINYON, and VINYLITE Plastics • NATIONAL Carbons • EVEREADY Flashlights and Batteries
PRESTONE and TREK Anti-Freezes • ACHESON Electrodes • ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

NSTA Notes


Charles O'B. Murphy


James V. Torpie


Daniel G. Mullin

SECURITY TRADERS ASSOCIATION OF NEW YORK

The 14th annual dinner of the Security Traders Association of New York will be held at the Waldorf Astoria on Friday evening, April 21, 1950. Dinner tickets will be $12.50 per person, including all taxes, and dress will be strictly informal. Charlie Murphy and his Arrangements Committee have plans underway to make this an outstanding affair. All indications point to a large attendance.

Dinner Reservations should be made with Daniel G. Mullin, Tucker, Anthony & Co.; **Hotel Reservations** with James Torpie, Torpie & Saltzman.

Nat Krumholz and his hard working STANY committee are doing a great job and the dinner may now be called "a sell-out."

The Standing Committees appointed for the current year are as follows:

Arrangements Committee—Charles O'Brien Murphy, Chairman, Merrill Lynch, Pierce, Fenner & Beane; Nathan A. Krumholz, Vice-Chairman, Siegel & Company; Richard M. Barnes, A. M. Kidder & Company; C. Merritt Coleman, Allen & Company; Samuel F. Colwell, W. E. Hutton & Company; Donald A. Daly, Walston, Hoffman & Goodwin; Samuel Gronick, Gilbert J. Postley & Company; Sydney Holtzman, Marx & Company; Joseph M. Kelly, J. Arthur Warner & Company, Inc.; Daniel Gordon Mullin, Tucker, Anthony & Company; William D. O'Connor, Fitzgerald & Company; Frank J. Orlando, Goodbody & Company; Walter E. Sullivan, Ira Haupt & Company; James Torpie, Torpie & Saltzman; David Wittman, Stanley Heller & Company.

Auditing Committee—J. William Kumm, Chairman, Dunn & Company; Charles Bruggeman, Dean Witter & Company; James Cleaver, Goodbody & Company; Walter Kane, Cowen & Company.

By-Laws Committee—Benjamin H. Van Keegan, Chairman, Frank C. Masterson & Company; John S. French, A. C. Allyn & Company, Inc.; John E. Kassebaum, Van Alstyne, Noel & Company; Samuel E. Magid, Hill Thompson & Company; Stanley L. Roggenburg, Roggenburg & Company.

Employment Committee — Arnold J. Wechsler, Chairman, Ogden, Wechsler & Company; Gustav J. Grindel, Francis I. duPont & Company; James F. Kelly, Kidder Peabody & Company; Eugene Stark, Merrill Lynch, Pierce, Fenner & Beane.

Forum Committee—W. Foster Webster, Chairman, Hardy & Company; Edward J. Kelly, Carl M. Loeb, Rhoades & Company; Bertrand L. Burbank, White, Weld & Company.

Insurance Committee—Michael J. Heaney, Chairman, Michael J. Heaney & Company; James F. FitzGerald, W. L. Canady & Company, Inc.; Paul C. Fredericks, Jr., Warren W. York & Company, Inc.; Charles E. Klein, Stanley Heller & Company David R. Mitchell, Blair F. Claybaugh & Company; Gustav J.

Continued on page 43

COMING EVENTS

In Investment Field

March 8, 1950 (Detroit, Mich.)
Bond Club of Detroit 34th annual dinner at the Statler 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.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Federal continues to keep the ineligible list under wraps, because they are still sellers of selective non-bank issues. Added to this has been scattered liquidation by institutions that have been putting funds into the equity market. Although there is a strong feeling that prices of long governments will go lower, there are many money market followers who believe quotations have just about reached a stabilization area. Scale buying seems to be more evident now than in the recent past.

As far as market leadership is concerned, it seems as though the 2½s due 9/15/67-72 were the most active and best bought issue in the list. New York City as well as the out-of-town deposit institutions were in competition for the longest bank obligation. The 2¼s of 1959/62 and the Vics were again under pressure but were well taken although they both gave ground. Traders are beginning to look the situation over, after being pretty much on the sidelines.

LOWER PRICES EXPECTED

Although the decline in quotations of government securities seems to have been arrested at current levels, the general feeling appears to be that slightly lower prices and higher yields will be witnessed in the not distant future. There are many imponderables overhanging the market and among these are: How will the deficit be financed? If longer-term issues available only to non-bank investors are to be used to raise the needed revenues, as the Reserve Board seems to thing should be done, there will no doubt be lower prices for outstanding ineligible obligations. On the other hand, if eligibles with longer maturities should be offered to the deposit banks as well as other investors there would most likely be more pressure on currently outstanding issues, which usually results in lower prices and higher yields.

Since the debt cost complex seems to have been overcome somewhat, opinions appear to be more definite that slightly higher yields and lower bond prices are going to be seen in government securities. This will be brought about, some believe, in a combination of ways, with Federal guiding the new policy. It will be done, some hold, to break the inflationary pressure of new issues of municipals and corporates, as well as to make yields of Treasuries compare more favorably with those of equities. The latter with the hope that some of the attraction of common stocks will be lessened through larger returns being available in senior securities.

How far a down trend in prices of Treasuries would carry will not only be determined by the inflationary pressure but also by the trend of economic conditions. If the course of business continues favorable, as many seem to believe it will be, into the last quarter of the year, there is most likely to be greater pressure for higher money rates by the monetary authorities. (The coal strike, it is believed in some quarters, will postpone the economic adjustment until later in 1950.) Accordingly, there is likely to be a longer period during which the authorities may have to keep the pressure on the money markets in order to prevent the inflation psychology from getting out of hand.

JUNE FINANCING PROSPECTS

With minor firmness continuing in money rates a 1¼% certificate is expected for the June maturity. This will probably be made known the early part of May. The amount might be increased to finance some of the deficit. What else the Treasury might offer in order to raise new money is purely conjecture but there might be 1⅜s or 1½s. While debt cost will be increased through the issuance of deficit securities, it does not seem as though the Treasury is going to lose all its consciousness about the need to keep debt service from getting out of line.

Accordingly, it is believed that while new funds will be obtained through the use of 1¼s, 1⅜s or 1½s, the longer-term intermediates will most likely be reserved for maturing issues which carry the higher coupon rates. This probably means no longer-term issues with higher rates until the September 2s and 2½s are taken out of the picture. It is indicated the refunding obligations will also be bank-eligible securities.

MARKET BRIEFS

New York City banks continue to take advantage of declining prices of long-term Treasuries to add to their holdings of these securities. The past week showed that $20,000,000 of bonds due in more than five years were acquired by the member banks of New York City area. It is reported the largest buying was in the 2½s of September 1967/72 and the 2¾s due 1960/65. The 1956 maturities were also bought, but not with as much vigor as in previous periods.

Pension funds continue to dominate the restricted market, but Federal has enough of these securities to meet immediate demands. Savings institutions have been on both sides of the market with indications they have been sellers on balance. The earlier eligible taps continue to be on the heavy side with many yields buyers moving out of these securities in order to go into the longest 2½s.

With Webber-Simpson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Einar Graff is now associated with Webber-Simpson & Co., 208 South La Salle Street. He was formerly with Link, Gorman & Co.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

HIGH POINT, N. C. — Lee A. Everhart is with Harris, Upham & Co.

With R. H. Johnson & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — James J. Donlan has become affiliated with R. H. Johnson & Co., 70 State Street.

Joins Jackson Co. Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Danny P. Laskaris is with Jackson & Co., Inc., 31 Milk Street.

Collins Public Gov. Of N. Y. Curb Exch.

Dean George Rowland Collins of New York University has been appointed a public governor of the New York Curb Exchange, it was announced March 1. His appointment by Francis Adams Truslow, President of the Exchange, was confirmed by the board of governors at its regular meeting yesterday afternoon, and fills a vacancy which has existed since the death of Dean John T. Madden of New York University.


George R. Collins

Dean Collins brings to the governing board of the Curb Exchange a wealth of experience in the fields of business and education. He has been dean of New York University's Graduate School of Business Administration since 1944 and dean of the university's school of Commerce, Accounts and Finance since 1948. From 1927 through 1944 Dean Collins had served as assistant or associate dean of the latter school. He has acted for varying periods as chairman or a member of numerous boards and committees on many phases of the university's activities. He is recognized as an expert in the fields of sales and marketing research.

Author of many books and articles on business subjects and a public speaker of note, Dean Collins maintains many associations with the business world. He is a member of the educational committees of the American Institute of Banking and the New York State Chamber of Commerce, educational consultant for the Investment Bankers Association and a member of the Joint Committee on Education in Wall Street.

The board of governors of the New York Curb Exchange includes three members not engaged in the securities business. They are appointed each year by the President of the Exchange with the board's approval and represent the general public on the policy making body of the exchange.

C. A. C. Associates, Inc.

ROCHESTER, N. Y.—C. A. C. Associates, Inc. has been formed with offices at 65 Broad Street to engage in a securities business. Officers are Arthur D. Weller, President; Arthur D. Hauck, Vice-President; and Edward L. Weller, Secretary-Treasurer. Mr. Hauck was formerly with R. M. Horner & Co.

Frank P. Hunt Co. Opens

ROCHESTER, N. Y.—Frank P. Hunt & Co., Inc., has been formed with offices at 63 East Avenue to conduct a securities business. Officers are Frank P. Hunt, President and Treasurer; Ralph R. Borchard, Vice-President and Clarabel Gilbert, Secretary. Mr. Hunt has been active as an individual dealer in Rochester.

William B. T. Simmons Opens Offices in Dallas

DALLAS, TEXAS—William B. T. Simmons has opened offices in the Rio Grande Building, to deal in securities and stock investments and service business with new or additional capital. Mr. Simmons was with John G. George in Tyler, Texas, for some years.

With Thomson & McKinnon

(Special to The Financial Chronicle)

DULUTH, MINN.—Jay F. Finkelson has become associated with Thomson & McKinnon, Alworth Building. Mr. Finkelson for many years has been associated with Merrill Lynch, Pierce, Fenner & Beane.

New York Stock Exchange Weekly Firm Changes

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

Philip Tallman retired from partnership in John J. O'Brien & Co. Feb. 28.

William A. Brindley withdrew from partnership in Tobey & Kirk Feb. 28.

Mutual Funds

By ROBERT R. RICH

Natural Resources Fund Offering

A new type of mutual fund, Natural Resources Fund, Inc., whose investments are concentrated in natural resources representing the products of mines, forests, water and air is being introduced to the public. Frank L. Valenta & Co., Inc., on Feb. 23 offered 1,970,000 shares of capital stock (par 1 cent) of the Fund at $4 a share. Thirty-thousand shares are outstanding.

This corporation, incorporated in Delaware, was organized to provide investors with a single medium through which they can obtain an interest in a broadly diversified portfolio of securities of companies in the natural resources field.

Won't Invest in Exploratory Companies

It is the intention of the Fund, whose assets Dec. 31, 1949, were $109,500, to invest primarily in readily marketable securities of established companies and, as practicable, to invest in companies whose activities, in addition to production, manufacturing and processing of products from natural resources, also include exploration and development of new fields and sources of natural resources.

It is not the intention of the Fund to invest in companies solely or predominantly engaged in exploratory experimental operations nor in companies whose operations are confined solely to the processing, manufacturing, fabrication or distribution of natural resources purchased from producers.

Seek Substantial Interests

It is expected that the major portion of the assets of the Fund will be invested in companies which directly or indirectly own substantial interests in such natural resources as natural gas, oil, iron ore, coal, timber, non-ferrous metals such as gold and silver, aluminum, sulphur, potash, gypsum and other minerals, chemical raw materials and hydroelectric power, but it is expected that at no time will the assets of the Fund be invested predominantly in the securities of companies in any single industry.

The Fund has entered into an agreement with Frank L. Valenta & Co., Inc., under which the latter as investment adviser of the Fund has been retained to manage the investment and reinvestment of its assets. It will receive a quarterly fee of 1/8 of 1% of the average asset values.

Frank L. Valenta, President of Frank L. Valenta & Co., Inc., and President of Natural Resources Fund, Inc., was formerly a director and Vice-President of Distributors Group, Inc. Prior to that he was associated with the management of the Investment Advisory Department of Shearson, Hammill & Co., and also was associated with Lionel Edie & Co., Investment Counsel. Mr. Valenta is presently a director of Automobile Banking Corp. of Philadelphia and of Crucible Steel Co. of America.

Irving Trust Co. is custodian and transfer agent.

Utility Study Gives Pension Fund Investment Policies

To obtain information on the investment practices of pension trustees, all the larger companies in the country known to have trusteed pension plans, as distinct from insured plans, were contacted by the Cleveland Electric Illuminating Co., which conducted this survey.

114 Replies

Replies were received from 114 companies, representing a cross section of all branches of industry and commerce. Pension funds of these companies aggregated two and one-quarter billion dollars.

Cleveland Electric separated the information into three groups, according to the major types of securities in which the funds were invested.

Information Classified

Group I contained companies whose investment portfolios had only government and corporate bonds.

Group II included companies with portfolios of preferred stocks, in addition to government and corporate bonds.

Group III covers companies whose portfolios included preferred and common stocks in addition to government and corporate bonds.

Although in most of the trust funds there were small amounts of cash needed for current requirements, and some investments in securities other than mentioned in Group III (the most inclusive group) these "random errors" were excluded because their total value was insignificant.

Results of Survey

The results of the survey are:

Group	No. of Companies	% of Companies that Replied
I	53	46.5%
II	21	18.4%
III	40	35.1%

In Group II (bonds and preferred), the unweighted average investment in preferred stock for the 21 companies is 10.4%, with a range for individual funds from 1 to 42%.

In Group III (common, preferred and bonds), the unweighted average investment in preferred stock is 12.4%, with a range from 1 to 45%. The unweighted average in common stock is 15.5%, with a range from 1 to 66%.

The report concludes, and this should be of serious interest to the mutual funds industry, 61, or 53.5% of the companies replying, had investment portfolios including equity securities, with the percentage investment in equities ranging from 2-66%.

Sydney L. Hall, Vice-President and Secretary of Cleveland Electric, submitted the report.

Apparent Disequilibrium Waning

The apparent disequilibrium, extant since 1946, of the flow of money into bonds with low yields, and the corresponding shunning of equity securities with yields more attractive, even after the risk factor is discounted, seems to be diminishing.

Mature Economy Signalled

New Age economists have, in the past four years, regarded this "fear of risk," "desire for security" and existence of large sums of liquid capital as the sign of a finally matured or stagnant economy.

In view of the increasing disinclination of individuals and companies to remain satisfied with low interest rates, these economists may consider it necessary to revise their analyses.

Other Examples

In addition to Cleveland Electric's revelation of the companies whose funds are partially invested in equity securities, there are the examples of the trustees of the Reserve Banks Pension Fund buying stocks, and the recently disclosed policy of the Old Colony Trust Co., pension fund trustee, to invest about one-third of assets in common stocks.

So, the struggle to improve yield, an old story and a real one, is still with us.

Half-Way in the Door

With pension funds half-way into equities' market door and with labor unions, who must feel very rich and recently widowed, being pursued by all and sundry for their funds, estimated at about $4 billion in highly liquid assets, the mutual funds industry should feel jubilant. Half its battle is won when the battle for common stock investment is won.

Trust Shares 87% Higher

Open-end investment trust shares hit a new high in 1949 and from all indications 1950 may be better, according to "Business Week."

The nation's investors bought enough trust shares last year to send net sales of 91 leading open-end investment companies to a record $278 million—89% above 1948. By comparison, sales of Series E savings bonds gained 53%, life insurance policy sales only 2%. Deposits of mutual savings banks climbed less than 5%.

Asset Rise Compared

Total assets of the investment funds rose 31.6% above 1948. That compares with a gain of 21% in the assets of building and loan groups, 4.5% in mutual savings banks, 7% in life insurance companies.

Good as the 1949 showing was, 1950 may be better if business at least holds an even keel during the year. Many trade leaders think net sales this year will top $300 million.

Commonwealth Election Results

At the annual meeting of stockholders of Commonwealth Investment Co. held Feb. 21, the following were re-elected as directors to serve for the ensuing year:

S. Waldo Coleman, Roy W. Cloud, George E. Crothers, Edward L. Eyre, Alan Field.

At the board of directors' meeting held immediately after the

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Mutual Funds

stockholders' meeting, the following officers were elected:

S. Waldo Coleman, President; George E. Crothers, Vice-President; Douglas R. Johnston, Vice-President; Robert L. Cody, Vice-President and Secretary and Treasurer; Lewis V. Coleman, Vice-President; Alfred A. Hook, Chief Accounting Officer.

Group Securities Annual Meeting

Renewal of the advisory and research agreement with Distributors Group, Inc., was approved by the stockholders of Group Securities at the annual meeting.

More than 99% of the shareholders who returned proxies favored this action, made necessary because of arrangements to establish a voting trust to provide for continuity of the present management of Distributors Group.

Tip of the Tongue

Cocktail party economists, drinking pink lemonade, often put our more worthy but less facile-spoken brethren to shame in arguments about the enterprise economy. Investors Diversified Services, in its letter, "Growing With American Industry," has quoted from Herman Steinkraus, President of the Chamber of Commerce, four characteristics of an enterprise economy that might be thought over—and then put on the tip of the tongue:

Privately Owned Factors

"Private enterprise is a system under which the instruments of production are privately owned by individuals and groups of individuals.

Consumer Sovereignty

"It is one under which the consumer ultimately governs and directs production. It is one under which the free and open market, dominated by free-choice consumers, determines the very survival of every business enterprise.

Self Welfare Is Social Welfare

"Private enterprise is one under which the expectation of profit—self-gain—directs both the worker and the investor. It is one under which the price mechanism guides the allocation of manpower and other productive resources. The only alternative to a price mechanism like ours must be bureaucratic directives and orders from government bureaus, as in socialist Britain, as well as communist Russia, today.

Abundance from Scarcity

"Private enterprise is one under which scarcity reflects itself in rising prices. This in turn lures additional competition and resources into the areas where wages are best and profit anticipations are strongest; soon scarcities are overcome, supplies increase and prices are self-adjusted downward. It is a vigorous system. Under it, when coupled with effective antitrust legislation, the march of science and technology inevitably translates itself into ever greater output per manhour and a higher and richer standard of living for all the people."

Nadler Summarizes Impact of Pension Funds

Economist, in address before Controllers Institute, says if growth of pensions is accompanied by increase in production capacity it will be beneficial, otherwise it may lead to lower living standards and more inflation.

Speaking to the Controllers Institute of America in New York City on Feb. 23, Dr. Marcus Nadler, Professor of Finance at New York University, pronounced a system of old age and superannuated pensions sound and socially desirable but contended that the effects of the establishment of pension funds will depend on a number of unknown factors and particularly in its bearing on the purchasing power of the dollar.


Dr. Marcus Nadler

Despite these unknown quantities, Dr. Nadler said it is already possible to make the following general statements regarding the probable impact of extension and creation of pension systems:

"(1) The broadening of pension plans will increase the economic security of the people and may bring about a change in their spending and saving habits. It is possible that individuals, knowing that their needs in old age and insecurity will be taken care of, will spend more of their current income.

"(2) Pensions will increase the cost of production, and unless this is accompanied by an increase in the efficiency of labor and equipment, it is bound to lead to higher prices. This in turn will reduce the value of the pensions to the beneficiaries.

"(3) In years to come there will be larger numbers of non-productive people who will have to be supported by those working. If the growth of pensions is accompanied by an increase in the productive capacity of the country this will, on the whole, be a good thing, because it will reduce the danger of over-production. If, on the other hand, productive capacity is not increased, then it could lead to a lowering in the general standard of living.

"(4) The spreading of pension plans may lead to a more rapid growth of population in those sections of the country where the climate is equable for people of advanced years. If the purchasing power of the dollar in Europe is higher than in the United States, it may cause many pensioners to prefer to live abroad. This could have a favorable effect on the balance of payments of some of the European countries.

"(5) The administration of the pensions will exercise a considerable influence on business activity and on the money market. If administered by the Federal Government, the pension fund will place large sums at its disposal which could be used either to meet current deficits or to retire public debt. In any event it will accentuate the debt management problem of the Treasury. If pension plans are administered primarily by private fiduciaries, they will increase the supply of funds seeking an outlet in bonds and in mortgages and thus tend to further depress the rate of return. They may, however, also lead to increased investments in equities by pension funds and thus contribute materially to the formation of equity capital. The effect on money rates will depend primarily on the state of the economy. In a dynamic economy the demand for capital to modernize industry, to build new plants and to utilize new inventions is bound to be great.

"(6) The most important question is the purchasing power of the dollar. If this remains more or less stable the benefits of pensions will be very great. On the other hand, a continued decline in the purchasing power of the dollar will not only create a demand for increased pensions but also could arouse considerable political unrest among those affected. The spreading of the pension plans offers an excellent opportunity to all those concerned to indicate the importance of maintaining relative stability of the purchasing power of the dollar. If more and more people were to realize how much their economic security depends on the soundness of the dollar, perhaps less selfish demands would be made on the Treasury and the problem of balancing the budget would not be so difficult."

NASD Suspends Otis & Co. From Membership

Offers to waive penalty, however, if firm within 60 days furnishes data demanded by District Committee. Otis & Co. to appeal to SEC. Cyrus K. Eaton issues statement.

The National Association of Securities Dealers, Inc., meeting in Washington on Feb. 27, ordered a two-year suspension, effective April 29, of the investment firm of Otis & Co. The decision upholds the previous action of the District Committee No. 10 of the NASD.

The NASD, in announcing its decision offered to waive the suspension if Otis & Co. will agree to supply it with information the Association has sought in connection with a stockholder's lawsuit that was the basis for the withdrawal of Otis & Co. from its contract with the Kaiser-Fraser Corp. in connection with common stock financing in Feb., 1948. Otis & Co. have contended that such information would violate the confidence of attorney-client relationship.

Otis & Co., through their attorneys have announced they will take an appeal against the decision to the Securities and Exchange Commission, and, if this body does not reverse it, they will seek redress in the courts.

Cyrus K. Eaton, majority stockholder of Otis & Co., when informed of the suspension, said he was delighted with the decision because it gives the firm the opportunity to take them (the NASD) into an impartial tribunal and give them the works.

He stated that "the suspension will be appealed through any one of several legal avenues open to us," adding: "Otis & Co. has been in business 50 years and will be going another fifty!"

Fred A. Stoner Co.

MUNCIE, IND.—Fred A. Stoner is engaging in a securities business from offices at 3108 Amherst Road under the firm name of Fred A. Stoner & Co.

Business Must Awaken To Dangers of Socialism

By ARTHUR B. HOMER*
President, Bethlehem Steel Company

Asserting business executives cannot afford to drift, but must assume active leadership in controlling dangers of Socialism, Mr. Homer cites situation in Great Britain as object lesson. Denies big business is "big, bad wolf" and advises both large and small business leaders to take affirmative and aggressive attitude in proving private, competitive and profitable private enterprise is best for people.

Though we deplore government in competition with business, I think we may have allowed the "left wing" crowd to get away with something in their talk about "social planning." The term has popular appeal, just as "welfare state" may be all right if you take the true meaning of the words. We all favor welfare and social benefits on a practical basis.


A. B. Homer

But part of the left wing program is to paint a picture of limitless profits in business, profits which could bear any burden.

That rosy profit picture is partly the fault of industry in not expounding more clearly the various elements in the financial background. It is the fault, too, of accounting practices which overstate profits by failing to reflect today's replacement costs.

In spite of the dollar profits, which have not been large when you consider the funds needed for reinvestment, and in spite of the present high levels of sales and employment, I believe that industry stands in the gravest situation in its history. I mean all industry and business.

I am not an alarmist, nor do I wish to turn the clock back, but I do believe that the heads of the industrial and business enterprises of America must assume active leadership — that we cannot afford to drift.

I do not believe with some pessimists that we shall decline rapidly into a situation of much greater socialism than we have today, because I think that we are waking up to what the dangers are.

As distinguished from most other countries, America's great growth has been due to industrialization. The ability of American industry to produce was a prime factor in winning two world wars. We hear it preached, and properly so, that America must be strong for our own protection and to give leadership in world affairs. Those who would weaken industry by attacking it for their own political purposes are doing a great disservice to the nation. They are attacking the very vitals of the country's strength.

The Disguised Socialist Trend

Let's not fool ourselves — the Socialists think that they are well on their way. They have made big strides. Unquestionably the trend has been in that direction.

By the term Socialist I mean the big actual socialist movement, by whatever name you choose to call it—the movement of having government run everything, which has swept over Europe and England, and has already invaded this country in various forms.

Many of you have probably read the recent book by John T. Flynn called "The Road Ahead." In it he shows convincingly how these ideas are introduced, now here, now there, under fine sounding names, until the whole structure is eaten away as if by termites.

He shows how, by a long and diligent campaign, the social planners finally got possession of the British Government, and we all know the result.

Whatever the results of the general election today England is going to have a terrific struggle to work her way out of her problems.

England has certain economic problems that would be difficult under any form of government, but the petty tyranny that exists under their socialized system is almost unbelievable. I am told, for example, of a successful British manufacturer, a fine citizen, father of four children, a good sportsman, and a good handicraftsman. He has a sailboat that he has owned for 25 years. The deck was badly in need of repair, and he thought he would do the job himself. He just wanted to go down to the lumber yard and buy a few planks of a certain kind of timber.

Was he allowed to do those repairs? He was not. He was told in the first place that there was no suitable hard wood in the country. He was told next that he would need a permit before he would be allowed to buy it. And he was told further that he would stand no chance of getting a permit because his boat was a pleasure craft.

This man has a flourishing business, but with it all he cannot get the simplest satisfactions for himself and his family. In his particular case he is trying to emigrate to some one of the British possessions where he may be able to take a certain amount of sterling money with him. I wish him well, but of course only a few will be able to take that route.

What Can We Do About It

How England conducts her government in a sense may not be any of our business, but her experience gives us a warning which I believe and hope we may heed in time, for I believe that there are some things we can do about it with respect to the trend in our own country.

First of all, haven't we businessmen perhaps been mentally lazy and inclined to let the argument go by default? We haven't challenged the formula of the social planners actively and persistently enough. The formula goes like this: Businessmen are crooked, stupid, incompetent, anti-social. Business should be run in the interests of the people, **instead of by those now running it.** Therefore, government should take over business and industry.

That's the gist of it. You can see it slipping in again and again in many a college textbook, in magazines, in general books, in movies. The big, bad wolf thwarting the hopes and development of the rest of society. Government should take over, they conclude. They say it outright, or by inference.

"The big, bad wolf." I touched upon bigness a little earlier, and the services that it can render in certain situations. Certainly the small business equally can point to numerous advantages and services. The neighborhood drug store, a host of manufacturers serving moderate-sized markets, thousands of factories, stores, and services, of all sizes, are essential to our American economy.

Let's not be misled by attempts to drive business into different camps. We all have similar problems in serving the public, meeting a payroll and making a fair profit. We all have our major interests in common, regardless of size.

Now there is one part of the Socialist formula with which we can all agree. "Business should be run for the benefit of the people." No one can deny that. What we need to do is to point out incessantly that business is being run in the interest of the people when it is in private hands, in the realm of competition.

Competition obviously is the struggle to win the favor of the people by giving them the best possible goods and services at the most reasonable prices. How much better to have several lumber yards, each wanting to sell planks to the public, instead of having one bureaucrat determining who, if anybody, should have the planks.

We have lived so long now in a state of war and other emergencies that we are in danger of accepting a host of controls, or the principle of control for its own sake, without stopping to think adequately about each proposal and instance.

But we can change that attitude on our own part just by our willingness to do so. So I say that step number one is to take the affirmative, aggressive attitude which says that healthy, private, competitive, profitable business is best for the people. It provides the best goods and services at fair prices and is one of the chief bulwarks of our freedom.

We should not leave it all to the Chambers of Commerce and other associations to proclaim these doctrines. We should do it in our daily contacts; in our company publications; in our conversations with other leaders of thought; in our own families. Only by enough people thinking and talking about it will we be able to divert the trend which is being so persistently engineered by the "social planners."

Specific Programs Win Confidence of Public

The second thing we can do, and I believe that this is highly important, is to have a specific program of action with respect to one's own company. Let it be a program of good will, of social consciousness, an evidence of something that each one of us is doing of social benefit. Such a program will naturally depend upon the size and the nature of each business.

I have in mind, for example, the notable record of the Ford Motor Company and others in such matters.

Bethlehem, if I may be permitted to say so, has had various social benefit activities, including pensions, covering its employees over a long period of years.

Various other examples could be mentioned. The point I particularly would like to bring out is that a valid social benefit program or action by any company is a beacon light of good will. It not only benefits the particular company, but helps the public position of all industry.

The small company, as well as the large, can do its part in various ways. In fact, it can sometimes do so more readily. It can be of tremendous value to our way of life, through various programs, to acquaint our employees with the true facts of business, and to provide for an exchange of ideas.

Another field of action which is socially useful is good housekeeping. Companies large and small can follow this course. Good housekeeping within the plant or store makes for better production and happier lives for all who work there.

Good housekeeping on the exterior of your plant or shop wins you friends and respect. All those plus factors which business can introduce, in the aggregate have a strong, favorable influence on public opinion.

Let's Take It In Our Stride

In planning for the future, we might as well face the fact that we live in a political world. We might as well accept that as being one of the normal factors in doing business.

It is no longer enough to make and sell your product at fair prices, to try for a decent profit, and be prudent in your financing. Those fundamentals still apply, as you all know, but we live in a political world, in the sense that public attitudes are very largely going to determine whether, or in what ways, we shall be permitted to carry on our businesses.

If in our planning we accept this and take it in our stride, meeting the issues confidently but calmly, perhaps that realistic approach will be the greatest gain of all.

For I believe that if business continuously and persistently serves the public, and actively takes the public into its confidence, in the long run the public will not have any difficulty in appraising the true value of independence, initiative and freedom in our business world and in our private lives.

*Part of address of Mr. Homer at annual meeting of Buffalo Chamber of Commerce, Buffalo, N. Y., Feb. 23, 1950.

Chicago Analysts to Hear Wm. W. Tongue

CHICAGO, ILL. — The Investment Analysts Club of Chicago will have as speaker at their meeting today William W. Tongue, economist for the Jewel Tea Co., who will address the members on the Outlook for the Grocery Chains.

Investors Can Have a Depression

By BARRET GRIFFITH

Investment Counsel, Colorado Springs, Colo.

Maintaining, on basis of British experience, increasing wage rates and full employment are no insurance against depression for investors, Mr. Griffith presents data to support conclusion British investors have suffered losses from Welfare State.

It has happened in Britain, and it can happen in America. Increasing wage rates and full employment are no insurance against a depression for American investors in securities if the experience in England is any criterion.

Barret Griffith

Table I shows an index of weekly wage rates from 1935 to 1949 inclusive. From the table it will be seen that weekly wage rates in the United Kingdom increased about 81% from 1939 to the late fall of 1949. During the same interval, from 1939 to 1949, the number of unemployed persons in Britain declined approximately 77%, as evidenced by Table II which gives the number of unemployed persons from 1929 to 1949. Certainly, one would ordinarily conclude that increasing wage rates and declining unemployment spelled prosperity for investors. Such conclusion would seem to pass a double check if the population of the country, enjoying declining unemployment and increasing wage rates, was expanding. Although this was the case in England, with population increasing about 4% from the end of 1939 to the middle of 1949, nevertheless, investors have suffered a depression in that country.

Partial explanation of the British investor depression is undoubtedly World War II. However, war cannot be blamed for the entire situation, or can it? There follows Table III, wholesale price index, all commodities for the United Kingdom. The table proves quite conclusively that, as always, World War II was inflationary. Nevertheless, enough time would seem to have elapsed since the end of hostilities for some decline in commodity prices to have occurred if every effort had been made in Great Britain to reestablish production and trade with the help of the United States. We know that billions of dollars of aid have been sent to Britain by the United States; and surely by this time if this aid had been used to reestablish the production of goods and trade, we should see some evidence of improvement, or hopes for improvement, from increasing confidence and advancing prices in the securities markets.

A glance at Chart I, showing stock and bond prices for several years, apparently indicates deteriorating confidence in Britain's future rather than increasing hope. In other words, from the end of World War II until January, 1947, advancing stock and bond prices indicated strong hope on the part of British investors that that great nation would again recover from the stunning blow of World War II. However, from early 1947 on investor hopes have obviously waned. Apparently, other factors than the effects of the recent war have entered into Britain's problems. A look outside statistics may give the answer.

We know that the Labor Party which came to power at the end of the war was committed to all of the ideologies of Socialism. It committed itself to guaranteeing welfare for every Britisher from cradle to grave. It set as its goal full employment in the belief that therein lay national prosperity. The results are evident from the above tables and charts which not only show the losses suffered by investors from Britain's Welfare State program, but also indicate that skyrocketing commodity prices have outrun any benefits which might be derived from increasing wage rates and full employment. In other words, few people, if indeed any, have benefited in England from Socialism.

American investors, bond as well as stock investors, might profitably watch very closely events in this country to see whether or not we continue to follow in the footsteps of Great Britain.

TABLE II—United Kingdom: Number of Unemployed Persons, Insured and Uninsured, 1929 to 1949
(In thousands)

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
1929	1,436	1,454	1,204	1,181	1,177	1,164	1,178	1,198	1,204	1,254	1,326	1,344
1930	1,520	1,583	1,694	1,761	1,856	1,911	2,070	2,119	2,188	2,319	2,369	2,500
1931	2,663	2,697	2,666	2,593	2,578	2,707	2,806	2,813	2,880	2,793	2,735	2,671
1932	2,855	2,809	2,660	2,727	2,822	2,843	2,921	2,947	2,925	2,810	2,849	2,776
1933	2,955	2,915	2,821	2,737	2,626	2,498	2,508	2,459	2,375	2,335	2,309	2,263
1934	2,407	2,343	2,225	2,148	2,097	2,124	2,162	2,135	2,080	2,119	2,122	2,086
1935	2,295	2,272	2,143	2,030	2,024	2,004	1,992	1,950	1,953	1,902	1,906	1,858
1936	2,131	2,017	1,879	1,807	1,697	1,708	1,660	1,612	1,620	1,614	1,621	1,622
1937	1,677	1,625	1,576	1,436	1,456	1,370	1,386	*1,379	1,355	1,418	1,541	1,722
1938	1,880	1,866	1,808	1,799	1,826	1,866	1,854	1,814	1,841	1,831	1,880	1,891
1939	2,097	1,958	1,789	1,685	1,536	1,400	1,311	1,275	1,329	1,401	1,390	1,441
1940	1,603	1,583	1,193	1,040	948	834	899	868	904	905	833	775
1941	764	643	505	§417	380	303	279	268	226	214	196	186
1942	195	187	161	149	137	124	125	132	122	119	114	107
†1943	121	---	---	98	---	---	91	---	---	87	---	---
†1944	96	---	---	91	---	---	78	---	---	93	---	---
†1945	122	---	---	107	---	---	131	---	---	266	303	321
1946	376	401	414	412	418	415	401	414	404	406	405	404
1947	452	‡499	818	476	373	311	293	287	277	297	308	319
1948	364	361	341	342	330	312	308	325	321	339	355	359
1949	413	397	375	356	334	291	274	288	294	323	---	---

*Beginning August 1937, figures include agricultural workers. †From January 1943 through September 1945 only quarterly figures available. ‡Insured persons only, figures for uninsured not available. §Beginning April 1941, excludes persons classified as unsuitable for ordinary employment.

SOURCES: Figures for 1929-1935 are taken from *Statistical Abstract for the United Kingdom*, 1922-1935, No. 80. Figures from 1936 through July 1945 are taken from *Statistical Summary of the Bank of England*. Beginning October 1945 figures are taken from the current issues of *The Ministry of Labor Gazette*. Obtained from Federal Reserve Board.

TABLE III—United Kingdom: Wholesale Price Index, All Commodities 1930=100

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Avg.
1929	115.5	115.6	117.2	115.7	113.5	113.3	114.7	113.6	113.5	113.7	111.9	110.7	114.2
1930	108.5	106.6	104.3	103.2	101.7	100.9	99.7	98.6	96.9	95.1	94.0	91.9	100.0
1931	90.5	89.6	89.2	89.1	88.1	86.6	85.8	84.3	84.2	87.9	89.2	89.2	87.8
1932	89.3	88.4	87.7	86.3	85.1	83.1	83.1	84.3	85.9	85.0	85.1	84.8	85.6
1933	84.7	83.5	82.7	82.8	84.3	86.2	86.8	87.2	87.8	87.5	87.3	87.6	85.7
1934	88.8	89.2	88.2	87.7	87.2	87.9	87.3	89.0	88.4	87.8	87.5	87.8	88.1
1935	88.3	88.0	86.9	87.5	88.3	88.5	88.1	88.5	89.6	91.2	91.3	91.5	89.0
1936	91.8	91.7	91.7	91.9	91.9	92.6	93.6	95.2	96.1	97.6	98.3	100.8	94.4
1937	102.9	103.9	107.3	109.0	110.7	110.6	111.5	111.4	111.2	110.6	108.5	107.6	108.7
1938	107.7	105.8	104.1	103.1	102.0	100.7	100.6	99.5	98.4	99.1	98.4	98.3	101.4
1939	97.2	96.8	96.6	97.2	97.8	98.1	98.1	98.1	105.6	110.9	118.6	122.3	102.8
1940	125.3	128.3	128.8	132.2	133.7	134.4	139.7	140.1	141.1	142.7	146.9	148.6	136.8
1941	149.5	150.0	150.8	150.9	151.3	152.4	153.2	153.2	154.3	154.6	155.2	155.9	152.6
1942	156.4	158.5	158.8	159.5	160.5	159.3	160.0	158.8	158.9	159.9	160.8	161.3	159.4
1943	162.1	162.1	162.2	162.8	163.3	163.1	164.0	162.2	162.9	162.5	162.7	163.4	162.8
1944	164.0	164.3	164.9	165.5	166.1	166.1	167.1	167.5	167.1	166.7	163.9	167.2	166.2
1945	167.2	167.2	167.8	167.7	168.6	170.3	171.0	170.8	169.8	169.6	169.6	169.5	169.1
1946	172.0	171.8	172.1	172.7	173.2	173.4	176.5	173.8	177.4	177.6	179.0	179.9	175.2
1947	181.6	183.2	183.6	187.1	189.1	189.8	193.3	193.9	195.2	199.3	202.7	203.5	191.7
1948	212.1	216.7	217.2	219.3	220.4	222.1	221.8	221.1	220.0	219.8	220.5	220.8	219.3
1949	221.3	221.1	220.5	226.6	231.3	231.9	228.8	228.6	229.7	236.1	----	----	----

SOURCE: Board of Trade figures. Yearly averages calculated by Federal Reserve Board. Obetained from Reserve Board.

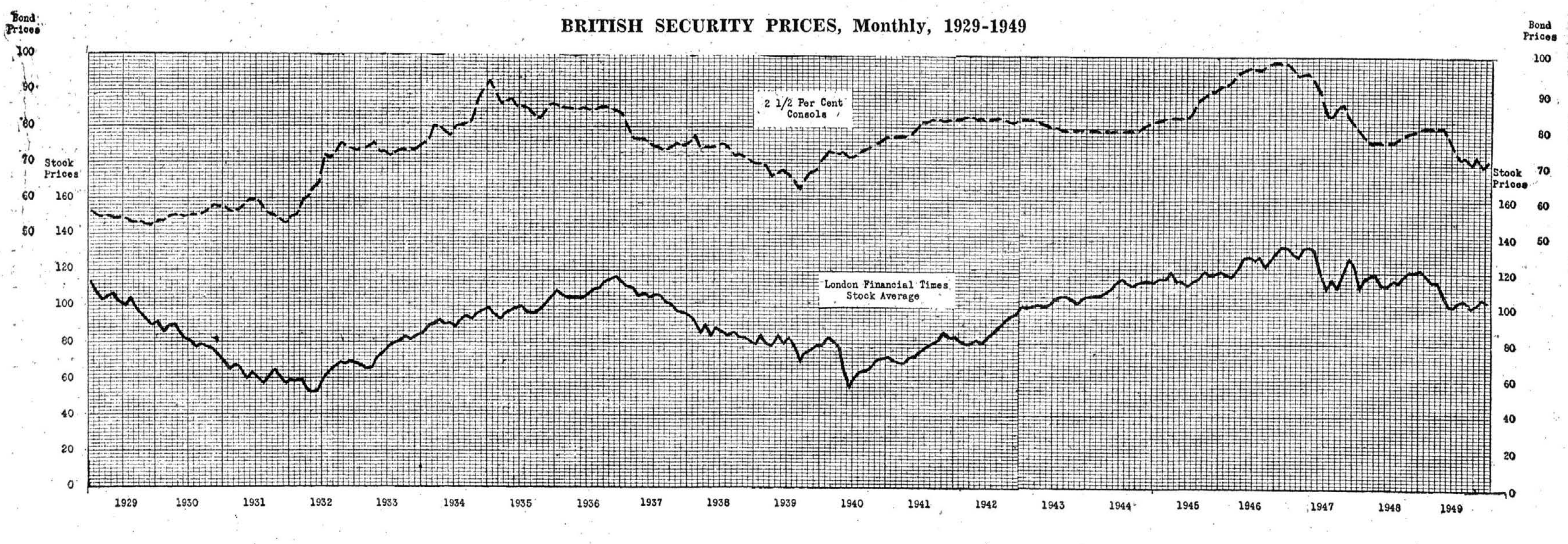
TABLE I—Great Britain: Index of Weekly Wage Rates* 1935 to 1949 Inclusive.

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
1935	91	91	91	91	91	91	91–92	91–92	91–92	92	92	92
1936	93	93	93	93–94	93–94	93–94	93–94	94	94	94	94–95	94–95
1937	95	95–96	95–96	96	96–97	96–97	97	97	97–98	97–98	98	98–99
1938	98–99	99–100	99–100	99–100	99–100	99–100	99–100	99–100	99–100	99–100	99–100	99–100
1939	99–100	100	100	100	100	100	100	100	100–101	101	102–103	103–104
1940	105–106	107	108	109	109–110	112–113	113–114	114	114	115	115	116
1941	118	119	119–120	119–120	120	122	122	122–123	123	123	123–124	126–127
1942	127	127–128	128	128	129	131	131–132	131–132	131–132	131–132	132	132–133
1943	133	133–134	134–135	135–136	135–136	136	136–137	136–137	136–137	137	137–138	138–139
1944	139–140	139–140	140	142	143	143	143–144	144	144–145	144–145	145–146	145–146
1945	145–146	143	147–148	148–149	148–149	149	150–151	151	151–152	151–152	152–153	153
1946	157	157–158	158	159–160	160–161	161	163–164	163–134	164	164	165	165
*1947	165	165–166	165–163	166	166–167	166–167	167–168	169	169	170	173	173
*1947	---	---	---	---	---	166	166	168	168	169	171	171
1948	173	173	174	174	174	176	176	176	176	178	178	178
1949	179	179	179	179	179	181	181	181	181	181	---	---

*From January 1935 through December 1947, Sept. 1, 1939=100. New series starting June 1947 with June 30, 1947=100. The figures are based on rates at the end of the month. All industries for which information is available are covered, but some small industries are omitted, particularly prior to 1947.

SOURCE: Figures for old index are taken from *Annual Abstracts of Statistics*, No. 84, 1935-1946, p. 118. Figures for new series are taken from *Monthly Digest of Statistics*, No. 46, October 1949, p. 123. Obtained from Federal Reserve Board.

BRITISH SECURITY PRICES, Monthly, 1929-1949



Canadian Securities

By WILLIAM J. McKAY

Throughout the democratic world renewed hopes can now be entertained for the attainment of long-cherished ideals as a result of the British elections. Aroused at last from their war-wearied state of apathetic resignation to endless control and restriction, the normally freedom-loving people of Britain have registered their first significant protest. The turning of the Socialistic tide, first discernible in New Zealand and then Australia, has been finally reproduced in the Mother Country. Although not yet as decisive in effect as in the two Dominions, nevertheless the Conservative opposition in the United Kingdom is now admirably placed to deal the *coup de grace* to the precarious Labor Government, whenever a desirable opportunity arises. Then the middle-of-the-road voter will doubtlessly associate himself enthusiastically with the resurgent trend.

The lifting of the Socialistic yoke in Britain can exert a profound influence on Anglo-Canadian economic relations. Under the doctrinaire regime of Chancellor Cripps, the Dominion of Canada, despite its generous wartime and postwar extension of Mutual Aid and credits to the United Kingdom, has not been the recipient of reciprocal favors, but on the contrary has been obliged to submit to British trade discrimination. Moreover as a result of the lack of vision on the part of the Labor Government concerning the obvious prospects of dynamic economic development within the Dominion, little effort has been made since the war to encourage Anglo-Canadian economic cooperation. Also in the field of emigration, the British authorities have made no effort to encourage the entry into Canada of the many would-be migrants from the British Isles.

On the other hand with a Conservative Government in power in Britain greater consideration will certainly be given to the possibilities of greater economic cooperation within the Commonwealth, and with the hitherto neglected Dominion of Canada in particular. Whereas the austerity-minded Sir Stafford Cripps and the barter-conscious Board of Trade President Wilson naturally failed in their recent visits to Canada to envision the tremendous possibilities inherent in the Canadian situation, their probable Conservative successors will readily appreciate the vast potentialities for development based on the time-honored principles of private initiative and freedom of enterprise. British genius demonstrated over many centuries in foreseeing the latent possibilities of undeveloped overseas territories, but long stifled by governmental red-tape and regimentation, would emerge once more with the disappearance from power of the British Labor Government.

Nevertheless there would still remain a massive stumbling-block in the path of full Anglo-Canadian economic cooperation. This hitherto immovable obstacle is the currency barrier. The problem of the British shortage of dollars on the one hand and sterling inconvertibility on the other will certainly not be solved automatically, merely by a change of Government. However, with a Conservative Government at the helm in Britain there is little doubt that the way would be cleared for consideration of the question of the entry of Canada into the sterling area. With the probability of the early removal of many of the currency restrictions that now isolate the sterling trading area from the free dollar zone, Canada would no longer sacrifice any large degree of freedom in a natural association with her fellow-members of the British Commonwealth. The question of the disparity of currency values might also be settled in a very simple manner. Canada already stands at a trading disadvantage *vis-a-vis* the United Kingdom and the sterling area in general as a result of the relative over-valuation of the Canadian dollar since the September devaluations. A further devaluation of the Canadian currency unit might thus be a logical development in the event of Canadian entry into the British trade area.

During the week almost complete stagnation prevailed both in the external and internal sections of the bond market. While Canada continues steadily to redeem her indebtedness in this country the scarcity of supply of external bonds will continue to exercise a restrictive effect. Market interest will be revised only in the event of a series of new Canadian issues payable in U. S. dollars. The corporate-arbitrage rate was unchanged at 14½%-13½%, while free funds held firm in the neighborhood of 10%. Stocks after their recent bout of activity turned dull and movements were in a narrow range. The industrials fared better than the rest of the list with Brazilian Traction and Standard Paving the most heavily traded issues. Junior golds, notably Lake Fortune and Campbell Red Lake, were fairly active in a stronger market. The base-metal section was mostly dull and reactionary but was enlivened by a strong demand for Anglo-Canadian.

Joshua D'Esposito, Jr. Joins Goodbody, Chicago

CHICAGO, ILL.—Joshua D'Esposito, Jr., formerly with Kidder, Peabody & Co., has become associated with the Chicago office of Goodbody & Co., 105 West Adams Street. He will specialize in the development of Middle Western corporate financings and coverage of institutional investment accounts.

Continued from first page

Our Gold, Fiscal, Monetary And Interest Rate Policies

most of our gold stock at Fort Knox and provided subsidies for the silver producers.

Emerging from World War II a bit groggy, the dollar was, nevertheless, the sole international currency of the world. The dollar's international position was given recognition in the International Monetary Fund Agreement, which stipulated that the par value of the currencies of member nations should be expressed either in terms of gold or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

International Position of the Dollar

The international position of the dollar entrusts the United States with a great responsibility. In discharging this responsibility, our country should adopt those monetary policies which assure maximum stability of purchasing power to the dollar, those trade policies which help alleviate the dollar shortage and those tax policies which generate the growth of risk capital and thus increase the volume of dollar funds available for private investment, both at home and abroad.

This evening, we are primarily concerned with the policies which assure maximum stability of purchasing power to the dollar. As mentioned above, such policies include the measures which this country adopts with respect to gold, fiscal affairs, debt and monetary management and the rate of interest—each of which I should like to discuss briefly in turn.

II—GOLD POLICY

A Restricted International Gold Standard

Since the passage of the Gold Reserve Act of 1934, the United States has been on a unique type of gold standard, commonly defined as a **restricted international gold standard.** It is restricted because of the absence of domestic gold redemption and because of the prohibitions placed upon the holding of gold by the American people.[1] It is an international standard because the Treasury stands ready to release gold at the mint price of $35 an ounce to foreign central banks and governments. It is a gold standard because the dollar is defined in terms of gold, 15 5/21 grains, 9/10 fine, because the United States stands ready to purchase all gold offered and because the Secretary of the Treasury is required by law, to maintain all forms of currency at parity with the gold dollar.[2] Although it is illegal for the American people to buy and hold refined gold, except upon license, they may purchase gold in the natural state at the market price, which has ranged between $37 and $45 an ounce.[3]

Recent Discussions

Over the past year the gold policy of the American Government has received a large measure of attention. This has been stimulated by the introduction of bills in Congress bearing on our gold policy,[4] by the wave of currency devaluations last Fall and also by a detailed and lengthy questionnaire which Senator Douglas sent to a large number of persons in business and academic life.[5]

Discussions of American gold policy have centered about such questions as:

(1) the desirability of an increase in the present price of gold;

(2) the establishment of a free gold market; and

(3) the reintroduction of the gold-coin standard.

Few of those participating in this discussion favor an increase in official price of gold. Such action would nullify the beneficial effects of recent currency devaluations, would further stimulate inflationary forces in the United States and would confer special benefits upon the gold-producing nations of the world, which are least in need of financial assistance from the United States.

Those who favor the establishment of a free gold market, comparable to that existing during the Civil War period, do so for a variety of reasons. Some look upon a free gold market as a means of giving assistance to domestic gold producers.[6] Others, view it as a first step in the return to full gold convertibility. In testifying upon the subject, the Secretary of the Treasury pointed out that he is required by law to maintain all forms of United States money at parity with the gold dollar and that, in consequence, he would, of necessity, release gold to prevent a free market price from rising above $35 an ounce. In view of the legal responsibilities of the Secretary of the Treasury, it is realized that a free gold market constitutes but an indirect route to full gold redemption. Therefore, the real debate has centered about the advantages and disadvantages of the reestablishment of domestic redemption. No disagreement arises over the present practice of releasing gold to foreign central banks and governments.

Official Opinion

Official opinion is vigorously opposed to the reestablishment of the gold-coin standard. The more important reasons cited by the Treasury, the Federal Reserve System and other government officials are:

(1) domestic gold redemption does not prevent wide swings in the purchasing power of money;

(2) domestic gold redemption interferes with appropriate monetary management and hence is incompatible with the goal of economic stability;

(3) domestic gold redemption is not feasible in view of the relatively small size of our monetary gold stocks;

(4) domestic gold redemption is not practicable until conditions necessary for the reestablishment of the international gold standard have been restored.

Domestic Gold Redemption and Stability

The first reason cited by official opposition is that domestic gold redemption does not prevent and, inferentially, causes wide swings in commodity prices. The deflations of 1920 to 1921 and 1929 to 1933 are introduced as evidence.

No one could, of course, claim in all seriousness that domestic gold redemption, in itself, assures short-term price stability, the best possible use of credit resources, or the elimination of cyclical swings in industrial activity. However, the argument that it did not prevent, and thus, by implication, was responsible for the deflations following World War I and during the Great Depression is wholly untenable.

It will be recalled that gold redemption was suspended during our participation in the First World War and that the financing of the war involved a huge expansion in commercial bank credit. The price decline of 1920 to 1921 was the inevitable aftermath of the wartime inflation of credit and not the result of a return to gold redemption. In like fashion, the severity of the Great Depression resulted in part from a previous misuse of credit—a misuse which brought about the breakdown of the banking systems of Western Europe and the United States.

Domestic gold convertibility, in itself, will not prevent a misuse of credit and indeed, is no substitute for good credit management. It does, however, set certain limits to credit expansion—limits which vary from nation to nation in accordance with the amount of the monetary gold stock.

Domestic Convertibility and Monetary Management

A second argument advanced against domestic convertibility is that such action inhibits and nullifies appropriate monetary management. Monetary managers always seem to be content with their record of achievement and never seem to favor action which they fear may lead to a curtailment of their powers.

The argument that a return to domestic convertibility will interfere with appropriate monetary management is based upon two assumptions:

(1) that domestic gold redemption introduces a gold standard wholly automatic in character and incapable of judicious control; and

(2) that the American people have shown and will continue to show a speculative or capricious demand for gold, which has greatly handicapped Federal Reserve policy in past periods of deflation.

It is wholly unwarranted to assume that domestic redemption, itself will introduce a monetary standard purely automatic in character. All types of gold standards, the gold-coin standard, the gold-bullion standard, the gold-exchange standard and the restricted international gold standard, are susceptible of monetary management. Central banks, through changes in discount rates and open-market operations, have long exercised an influence over the volume and use of credit. In fact it was by reason of such management on the part of Britain that the international gold standard, in the Victorian period, was frequently termed a "sterling-exchange standard."

It is equally unwarranted to assume that domestic redemption has a perverse, nullifying or inhibiting effect on Federal Reserve policy and that the American people demand gold in periods of deflation, reducing the monetary base at a time when the opposite policy is required. In neither

1 Except under license by the Treasury for industrial, professional and artistic use.

2 Act of May 12, 1933. Power to alter the statutory gold content of the dollar now rests entirely with Congress. The powers of the President to do so have either expired or been otherwise circumscribed.

3 Section 19, *Provincial Regulations* issued under the Gold Reserve Act of 1934. Gold in the natural state is gold recovered from natural deposits which has not been melted or subjected to chemical or electrolytic treatment.

4 A bill (S. 13) introduced by Senator McCarran on Jan. 5, 1949, would permit the purchase, holding, sales, trading in and exportation of gold newly mined in or imported into the United States, its Territories and possessions. A very significant feature of the bill is that it would continue the provisions of the *Gold Reserve Act* of 1934, requiring the U. S. Treasury to buy all gold offered at $35 a fine ounce, thus setting a minimum floor on the market price of gold. A bill (H. R. 3262) intropduced by Representative Reed on March 7, 1949, would establish a gold-coin standard and repeal the *Gold Reserve Act* of 1934.

5 The questionnaire sent out by Senator Douglas is to be found in *Monetary Credit and Fiscal Policies. A collection of Statements Submitted to the Subcommittee on Monetary, Credit, and Fiscal Policies by Government Officials, Bankers, Economists and Others.* Washington: United States Government Printing Office, 1949.

6 This point of view assumes erroneously, as indicated above, that the market price would rise above the official minimum of $35 an ounce.

the depression of 1920 to 1921 nor that of 1929 to 1933 did domestic redemption and hoarding play a significant role.

Not only was there no hoarding on the part of our citizens during these two periods, but dishoarding actually occurred. The volume of gold coins and gold certificates actually declined from June, 1919, when gold payments were resumed, to the end of 1921. Similarly in the Great Depression, the outstanding volume of gold coins and gold certificates was less at the end of 1932 than at the end of 1929.[7]

Only in January and February of 1933 did our citizens show a propensity to hoard gold coins and certificates. Even so, the increase in these two months amounted to only $152,000,000 out of a total rise of $870,000,000 in the volume of money in circulation. In neither of these two periods of deflation, therefore was domestic gold redemption a limiting or inhibiting factor on Federal Reserve policy. By the same token, the people of the United States did not use their right of gold redemption to influence monetary or fiscal policies adopted by the government.

Gold Convertibility and the Monetary Gold Stock

The third argument advanced, by the opponents of domestic redemption, is that our present gold stock is not sufficiently large to justify this action. This argument fails to carry conviction. First, the American people are not inherent hoarders of gold as are the peoples of the Far East. Domestic drains have not been responsible for deflationary pressures. Second, our monetary gold stock relative to currency in circulation and total deposits is practically as large now as it was from 1920 to 1934 when domestic gold redemption existed. Third, the drawing power of our international balance of payments is such that we are apt to continue to gain rather than to lose gold to other countries.

Domestic Gold Redemption in the International Setting

A final argument advanced by the opponents of gold redemption is that such action should be deferred until the international situation is propitious for a general return to gold. By this the opponents mean that we should wait until tariff barriers have been substantially lowered, quantitative trade restrictions eliminated, foreign exchange controls removed and until substantial progress has been made in returning to the economic liberalism of the nineteenth century. To wait until all of this has been accomplished, is to defer, indefinitely, a return to domestic gold redemption by the United States. Instead of deferring action until perfection has been achieved in international economic relationships, the United States should fulfill its responsibilities of leadership and return to gold.

Inconsistency of Gold Policy

Our present gold policy is compounded of many inconsistencies. We permit foreign central banks and governments free access to our gold stocks. We permit gold in the natural state to be sold freely at market prices and yet deny our citizens gold at the official price. These inconsistencies can be resolved only through the establishment of domestic gold redemption. Considerations of equity should impel us to such action.[8]

International Advantages of Gold Redemption

Domestic gold redemption has various international advantages. It gives added assurance to the nations of the world that we are not likely to devalue the dollar. Such assurance is highly important in a world in which the dollar serves as the international currency. Congress has, and, of course, must have the constitutional right to change the price of gold. The existence of gold coin redemption, however, constitutes another hurdle to any such change by Congress. Gold coins would have to be withdrawn from circulation and the American people might well voice their opposition to such action, familiar as they are with the implications and the results of the gold policies of 1933 and 1934.

In permitting exports of gold to parties other than foreign governments and central banks, domestic gold redemption would eliminate trading in gold at premium prices in various markets throughout the world.[9] These markets have channeled huge sums of gold into private hands, amounting, according to recent estimates, to a sizable proportion of the actual gold production of the world. In eliminating these premium markets, domestic redemption would divert gold from private ownership to the coffers of central banks and consequently would help facilitate the stabilization of the exchange rates and the recovery of international trade.

The Reed Bill

The Reed Bill, introduced into the House of Representatives on March 7, 1949, restores the right of American citizens to own gold and gold coins and reintroduces the gold-coin standard. It does this by providing for the repeal of the Gold Reserve Act of 1934, by causing the Secretary of the Treasury to mint and issue gold coins, and by directing that all other money of the United States shall be maintained on a parity with the gold dollar. This bill deserves your support as a first and essential step toward improving the status of the dollar as a national and international currency.

Not a Complete Solution

It must not be assumed that the introduction of domestic gold redemption, although highly desirable, will, in itself, assure the future of the dollar. The excess reserves of the Federal Reserve Banks are so large and our international balance of payments is such that we can, if we so desire, deviate for long periods from constructive fiscal and monetary policies without fear of a heavy foreign drain or of the disciplinary effects of the gold standard. In fact, the elasticity in our credit system is so great that we need to draw tighter the checkreins of credit. This can be done by increasing the reserve requirements of the Federal Reserve Banks to some figure approximating prewar levels and by limiting the amount of Federal Reserve notes to be issued against the public debt. To attain a dollar which will best serve our domestic and international requirements, we need to supplement domestic gold redemption with appropriate fiscal, debt and interest rate policies.

III—FISCAL POLICY

Components of Fiscal Policy

Perhaps the most important factor in determining the future worth, value and stability of the dollar is fiscal policy. Fiscal policy itself is compounded of several elements:

(1) Tax policy;
(2) Budgetary policy; and
(3) Public debt policy.

Each of these constituents is equally indispensable in formulating a fiscal policy that gives confidence and stability to the dollar, permits the free play of competition and stimulates the dynamic forces of the economy.

Over the past generation, there have been numerous examples of nations which, through erroneous fiscal policy, have caused their currencies to lose a major part of their value and, in the process, have undermined economic and political stability. Sound fiscal policy is the essential element in a sound currency and a sound currency contributes to a sound economy. The rapid recovery of Belgium since the end of the war is attributable in large measure to its constructive fiscal and monetary policies. Conversely the lag in the recovery of France is attributable to weak fiscal and monetary policies.

Tax Policy

The principal aim of tax policy should be that of raising sufficient revenues to reduce debt in periods of high level activity and to avoid deficits except in depression. In attaining this objective, the tax burden should be widely shared, should be fair and not arbitrary and should not impose penalties on initiative.

Careful study needs to be made of the impact of Federal taxes upon business and, especially, of the changes which are required to lighten this impact on the formation of risk capital. Risk capital is the catalytic agent of the economy. As it increases in volume, progress is stimulated; as it declines, the economy stagnates.

The whole Federal tax system therefore needs to be carefully examined from the point of view of its effect on risk taking, innovations and technological advance. Careful study should be given to the economic effects of current rates of taxation upon high personal income brackets, of the present method of taxing capital gains, of the corporate income tax, of the double taxation of corporate dividends, of current policies toward depreciation allowances and of the existence of tax-free state and municipal bonds.

Still another problem is the role of indirect taxation in our Federal tax structure. Heavy reliance as at present upon individual and corporate income and profits taxes results in a tax system which fluctuates more than changes in national income. The question arises as to whether we should not depend more, rather than less upon excise taxes, thereby reducing the flexibility of our tax system.

Unfortunately, Washington opinion does not seem particularly concerned over the economic effects of our present Federal tax laws which are arbitrary in character, tend to dry up sources of risk capital and steadily encroach upon the tax revenue sources of state and local governments. Recently when the Treasury, bowing to public pressure, proposed a reduction in some excise taxes, it had no substitute revenue proposals to offer than other higher income taxes on larger corporations and an increase in rates and a reduction in exemptions on the estate and gift taxes. Patchwork proposals of this character are no substitute for an intelligent overhauling of Federal taxation.

Budgetary Policy

No one can study the recent budget proposals of the President without concluding that expenditures can and should be drastically curtailed, and that, in the absence of such curtailment, the budget is clearly out of control. Despite projected high levels of economic activity, a budgetary deficit of $5.1 billion is foreseen for fiscal year 1951.

In periods of high level activity, the budget should not only be balanced but surplus revenues should be realized in order to reduce debt. The budget for 1951 can and should be brought under control by a reduction in expenditures. This can be done without impairing the basic efficiency of government or curtailing essential services. As citizens we must be willing to exercise self-discipline, to be in favor of economy—specifically as well as generally—and to be willing to see those expenditures eliminated which concern our own self-interest and yet are not essential from the point of view of our country. Unless the budget is brought under control the future of the dollar is jeopardized. We must be willing to leave the primrose path of deficit financing and trudge up the hard road of a balanced budget.

Those of us who advocate a reduction in expenditures are invariably challenged to submit specific suggestions. The Administration holds that budgeted expenditures cannot be reduced, that they represent the basic minium needs of government and demands that the opposition prove its case. I should like to accept this challenge and, in doing so, recommend the following reductions in estimated expenditures for fiscal '51:

(1) The elimination of the estimated postal deficit[10]	$160,000,000
(2) The termination of the activities of the Federal National Mortgage Association in the purchase of guaranteed mortgages from private lenders. An increase in the rate of interest on such mortgages will make Government support operation unnecessary	990,000,000
(3) The adoption of a flexible price support system in agriculture and a subsequent reduction in the projected support operations and other farm aids. This action should be accompanied by a refusal to grant the Commodity Credit Corporation the requested additional borrowing powers of $2 billion	750,000,000
(4) A reduction by $1 billion in public works expenditures. These are scattered through the entire budget and increased from $2.5 billion in fiscal 1950 to $3.1 billion in fiscal 1951. In a period of high level economic activity, public works expenditures should be held to a minimum	1,000,000,000
(5) Administrative costs can be expected to show a decline of about $200 million by adopting the recommendations of the Hoover Commission[11]	200,000,000
(6) A substantial saving can be made in projected expenditures for veterans' services and benefits, if the program is held to its original purpose of assisting veterans in readjustment to civilian life[12]	800,000,000
(7) Elimination of proposed aid to elementary and secondary education	312,000,000
(8) Elimination of proposed extension of social welfare legislation	271,000,000
(9) Reduction in aggregate expenditures for defense and foreign aid	1,000,000,000
	$5,483,000,000

These suggested savings total approximately $5.5 billion, eliminating the estimated budgetary deficit and leaving a surplus. Additional savings can be made through terminating the lending activities of the Reconstruction Finance Corporation, by reducing subsidies on account of aviation and shipping, by cutting back on the construction of unneeded veterans' hospitals, and by a reduction,

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7 The total volume of gold coins and certificates (in millions of dollars) and of money in circulation on various selected dates were as follows:

Date (End of Month)	Gold Coin and Gold Certificates	Tot. Vol. of Money in Circulation
December, 1928	1,099	4,686
December, 1929	977	4,578
December, 1930	1,199	4,603
December, 1931	999	5,360
December, 1932	782	5,388
February, 1933	933	6,258

8 In a dissenting note to the reply of the Federal Reserve System to the Douglas Questionnaire, Ray M. Gidney, President, Federal Reserve Bank of Cleveland, stated that he believed that "We could and should liberalize the provisions of law and regulation with respect to the ownership of gold by our citizens." *Monetary, Credit and Fiscal Policies*, op. cit., p. 131.

9 Premium prices result from the limited quantities of gold and, on occasion, from the expectation of an upward revision in the price of gold in the United States. A gold outflow of fairly modest proportions from this country would add to the available gold stocks and equate the price of gold throughout the world at $35 an ounce.

10 Under present programs, the estimated postal deficit for fiscal '51 is $555,000,000. The President proposes legislation to reduce this deficit by $395,000,000, leaving a residual deficit of $160,000,000.

11 Estimate of the Committee for Economic Development.

12 *Ibid.*

Continued from page 21

Our Gold, Fiscal, Monetary And Interest Rate Policies

approximating 8% to 10%, in the Government's civilian personnel.[13] At this time, the country cannot and should not tolerate an unbalanced budget. Congress in a consolidated appropriation bill should appropriate sums no greater than the amount of estimated revenues. Each expenditure must be justified on its own merits and be related to genuine need. Efficiency in government must be promoted at all times.

Rationalization of Deficits

As peacetime deficits occur, rationalizations soon emerge to justify or defend their existence. Prewar deficits were defended on the ground that the United States had reached a state of economic maturity and that large public expenditures were required to offset the forces of stagnation. The Council of Economic Advisers now informs us that "the doctrine of economic stagnation no longer finds place in any important public circle"[14] and that it has been replaced by the firm conviction that our whole economy can and should continue to grow.

The anticipated growth of the economy is offered as justification of present deficits. Irresponsible and short-sighted budgetary action, sharp and arbitrary changes in Government programs are to be avoided.[15] Large expenditures accelerate economic growth and represent the contribution of Government to dynamic expansion.

The current rationalization for deficit financing is just the opposite of that of the prewar period. Then deficits were justified because the economy was stagnant; now they are justified because the economy is dynamic. Large expenditures are now excused because they will perpetuate boom conditions. It needs to be pointed out, however, that attempts to perpetuate artificial boom conditions, such as those which prevailed in 1948, result inevitably in a condition of continuous inflation, leading eventually to the imposition of rationing and price controls and to the elimination of the free market economy.

Public Debt Policy

The third constituent of fiscal policy is public debt policy. The size of our national debt, its maturity and ownership distribution, make this problem one of crucial importance.[16] Polices of debt management concern primarily the marketable debt which, at the end of January, 1950, amounted to $154,786,000,000 or to 60.8% of the total debt.

A constructive debt program should be directed toward reducing the floating debt, toward a proper spacing and extension of debt maturities, and toward placing the debt to the greatest extent possible with permanent investors. Over the long run, the total volume of marketable debt can and should be reduced, which means that debt reduction during prosperity must be greater than debt increases during recessions. As far as possible, funds for debt retirement should constitute part of budgetary expenditures.

Orthodox fiscal theory has always emphasized the importance of reducing the floating debt, i.e., the debt maturing within one year. A large floating debt either subjects the Treasury to the hazard of interest rate fluctuations or induces the Treasury to exercise rigid control over interest rates, thus preventing the adoption of restrictive credit policies necessary in boom periods. The floating debt, which now amounts to $56 billion,[17] should be sharply reduced either by retirement from surplus tax receipts or by being refinanced into long-term obligations.

Closely related to the problem of the floating debt is the need to properly space and to extend debt maturities. Up to the present time, the Treasury has followed the very short-sighted policy of refinancing maturing debt into relatively short-term obligations. This action has been dictated by the narrow desire to keep interest costs on the debt at a minimum.

Those of us who favor the private enterprise system should vigorously oppose the continuation of the present refinancing policy. Its continuation will result in a sharp increase in the short-term debt, leading to indefinite control over the money and capital markets and to demands that the commercial banking system provide an assured market for such obligations. The present year is the year of decision in debt financing policies. Approximately $11 billion of Treasury bonds reach first call or final maturity dates. The policies adopted will establish a pattern for subsequent periods. A constructive and long-range debt policy is a basic need. Such a policy would refinance maturing bonds, would finance new debt requirements and would reduce the existing floating debt by issuing obligations falling due in years not marked at present by substantial debt maturities. These include 1953, 1957, 1958, 1961 and the period beyond 1967.[18]

Only if maturities are pushed far out into the future will the Treasury be in a comfortable debt position and will the possibility exist of freeing the money and capital markets from bureaucratic controls and of allowing the rate of interest to perform its function in the economy. Every effort, therefore, should be made to issue debt of the longest possible maturities, despite the higher interest cost involved.

The historical policy of the United States has been to reduce debts from wartime peak levels. The policy of debt reduction has justified itself for it has preserved the credit of the Government and has facilitated later borrowings in periods of emergency. If over the long-run the debt is to be reduced, reduction in periods of prosperity must exceed increases occurring during periods of recession. The amount of debt retired in periods of prosperity cannot be determined by formula but, insofar as possible, should be made an integral part of budgetary planning.

Since the end of the war the amount of debt retired from budgetary surpluses totals only $9.2 billion. In view of the large revenues induced by the inflationary boom and the continued heavy tax rates, this is not a particularly creditable record. The budgetary deficits of fiscal '49 and '50 and the estimated defict for fiscal 51 are shocking commentaries upon fiscal policy in a period of extremely high level activity.

IV—MONETARY AND INTEREST RATE POLICIES

Monetary Policy and Keynesian Economics

Beginning with the Great Depression, it became fashionable in economic circles to minimize the role of central banks in promoting economic stability. This attitude resulted from a widespread acceptance of Keynesian doctrines, giving primary emphasis to fiscal policy. Compensatory public spending was to become the governor of the economic system. Public expenditures were to increase in depression and fall in prosperity and, in so doing, would offset contrary fluctuations in private spending. Monetary policy, with its emphasis on changes in interest rates, was relegated to a role of minor importance.

With the passage of time it became apparent that public expenditures cannot be turned on and off with the ease of a water faucet. Public expenditures create politically powerful vested interests. These interests reject proposals for a decline in expenditures and fight vigorously for increases, even when economic activity is at a high level.

The ever rising trend of public expenditures gave birth to the new doctrine, discussed earlier, that a rising trend is required to give effective stimulation to the dynamic forces of the economy. The compensatory theory has itself receded into the background.

Sound tax, budgetary and debt management policies can, of course, make important contributions to economic stability. Reduction of debt, particularly that held by commercial banks, can, in time of boom, prove effective in checking inflation. However, fiscal policy cannot supersede or take the place of monetary policy. The one is complementary, not supplementary to the other.

Advantages of Monetary Policy

Monetary policy possesses the great advantage of flexibility. It can be quickly adjusted to changing conditions. It is a familiar instrument of control and is compatible with the private enterprise system. Through influencing the volume, cost and availability of credit, monetary policy affects decisions to lend and to invest.

Federal Reserve System and Monetary Policy

The Federal Reserve System is the one instrumentality in the country responsible for monetary policy. It cannot delegate or share this responsibility.

On frequent occasions since the end of the war, the Reserve System has been inhibited by the Treasury in developing the type of policy it considered appropriate. To be sure, the Reserve System advocated no drastic action and agreed with the Treasury in the desirability of maintaining a stable and orderly market in government obligations. The proposals of the Reserve System were limited to minor upward revisions in the short-term rate of interest. Yet even these modest and timid proposals for checking inflation were either opposed or accepted reluctantly and belatedly by the Treasury.

As early as 1945 the Reserve System wanted to discontinue the artificial rate of ⅜ of 1% on Treasury Bills. Action did not come until July, 1947. During the remainder of 1947 and through 1948, the Reserve System recommended small increases in short- and intermediate-term rates. The negative attitude of the Treasury caused these increases to be too little or too late.

Interest Rate Standard

In the entire postwar period, the Treasury was motivated by the narrow and self-centered desire to keep interest costs on the public debt at a minimum. So small were the changes permitted in the interest curve on government obligations that this country was, for all practical purposes, on the interest rate standard.

Adherence to an interest rate standard means that the Reserve System must purchase all government obligations of the amounts and maturities offered by the market. In the gigantic pegging operations of 1948, approved both by the Reserve System and the Treasury, no government bond was permitted to fall below par. Under these circumstances, effective control could not be exercised over inflationary pressures. Pegging operations sterilize monetary policy.

An Evaluation of Reserve Policy

In November, 1948, conditions in the government bond market changed dramatically. Government bond prices began to rise and have been above the pegs for the past fifteen months. The Reserve banks have not only **not** had to support the market but have reduced their holdings of government bonds by $4.1 billion in order to restrain the upward trend in prices. The demand for government bonds has come largely from commercial banks, which have enlarged their holdings in consequence of the recession decline in commercial loans and the reductions in required reserves.

The absence of inflationary pressures and the present state of the bond market make this an opportune time to review and evaluate Federal Reserve policy in the postwar period. The following conclusions seem pertinent:

(1) The Federal Reserve System should have primary responsibility for credit control and money market management.

Such was the conclusion reached by the Subcommittee on Monetary Credit and Fiscal Policies of the Joint Committee on the Economic Report, which recommended that Congress, by joint resolution, declare that:

"It is the will of Congress that primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made consistent with the policies of the Federal Reserve."

This resolution gives to the Reserve System the type of directive which many of its officials have requested. Legally, the Reserve System does not require such a directive. Legally, it has complete control over its own credit policies, complete discretion over changes in the discount rate and the amount of government obligations it stands ready to buy or sell. Despite the impregnable legal position of the Reserve System, its officials feel that a Congressional directive is required to give to the System assurance of Congressional support and the necessary moral courage to pursue an independent course of action, freed from Treasury domination.

The passage of a resolution of this type does not mean that the Reserve System will not give consideration to the requirements of the Treasury. Doubtless Reserve officials will continue to cooperate with the Treasury as fully as possible. The Resolution simply terminates dictation by the Treasury and reaffirms the authority of the Reserve System in the determination of credit policy. It deserves your full support.

(2) Flexibility in interest rates, short- and long-term, is required to exercise control over the volume, availability and cost of credit and to help stabilize the dollar and the economy.

Market forces should be the principal determinant of the level of interest rates and of the relationship between short- and long-term rates. Intervention by the Reserve System on an important scale should be restricted mainly to occasions when inflationary pressures need to be checked.

(3) The principal instruments of Federal Reserve policy should be the discount rate and open-market operations.

Changes in member bank reserve requirements, resorted to on frequent occasions over the past several years, is a clumsy and awkward method of credit control. It becomes a perfectly futile method of credit control, if, at the same time, the Reserve System is giving support to the bond market.

Only on rare occasions are changes in member bank reserve requirements warranted. Action is justified in case member bank excess reserves, by reason of gold imports, are swollen to totals so large that they are not subject to control by the open-market portfolio of the Reserve Banks.

Selective credit control, employed at times by the Reserve System, is applicable simply to homogeneous bodies of credit such as security loans, consumer credit and real estate loans. At present, the Reserve System is authorized to apply selective credit controls only to loans granted against listed securities. Its former powers of control over consumer credit should, in my opinion, be reinstated and, in addition, it should possesss similar powers over real estate loans. My conclusion that the Reserve System should be granted special powers over these three homogeneous bodies of credit does not mean that I believe that selective credit control is a substitute for the use of the discount rate or open-market operations. Selective credit control can supplement but not supplant general credit control.

If we are to continue to foster private enterprise in commercial banking we must, in the event of a revival of inflationary pressures, be prepared to allow the prices of government bonds to fall below par. We must abandon the fetish of par. We must be prepared to allow the market to determine both the level and structure of interest rates. Pegged interest rates are not compatible with free enterprise. The Federal Reserve Banks must be permitted to exercise their own discretion as to the volume and maturity of the public debt which they purchase and sell. They must be free from Treasury domination and be guided solely by those considerations which they conclude are in the best interests of the country.

V—SUMMARY

As we stated at the outset, the future of the American dollar will depend upon the gold, fiscal, monetary and interest rate policies of the United States. These policies should be determined in public debate and reflect considered public opinion.

The necessary ingredients of a constructive monetary policy are a return to gold coin redemption, a tax system that will not penalize progress, a reduction in current Federal expenditures sufficiently large to create a budgetary surplus, well-devised policies of debt management and the abandonment of a pegged interest curve.

Gold coin redemption will confer the same privilege on our own citizens that we now confer on foreign central banks and governments, will give added assurance to the world that we shall not devalue the dollar and will eliminate black and grey markets in gold. The dollar and gold will

13 According to Senator Douglas, the reduction in the Government's civilian personnel by from 8 to 10% would save $550,000,000 (The New York "Times," Dec. 29, 1949, p. 3).

14 *Fourth Annual Report to the President by the Council of Economic Advisers*, December, 1949, p. 5.

15 Budget Message of the President.

16 It is shocking that the Council of Economic Advisers in its recent report had nothing to say on the subject of public debt management.

17 Maturities computed on basis of first call or fixed maturity dates.

18 On a call date basis.

be equated as the international standard.

Reduction of Government expenditures by an amount necessary to create a surplus will give proof that we, as a people, are capable of self-discipline, are willing to eliminate waste in Government and are ready to challenge the vested interests that batten at the public trough. A surplus in this period of high level activity will enable the Treasury to reduce the debt held by the commercial banks and safeguard the dollar against renewed inflationary pressures.

Since the end of the war the Treasury has followed the short-sighted "penny wise and pound foolish" policy of refinancing maturing debt into short-term obligations. The implications of the recent budget message are that the Treasury will continue this policy. If we are to avoid a huge short-term debt, which will rivet bureaucratic control indefinitely on the money market, we must begin immediately to refund maturing debt into long-term obligations. Debt maturities must be extended far beyond present limits. Sufficiently high rates of interest must be paid to make the obligations attractive to investors.

Finally, the Federal Reserve System must be restored to its rightful position of overseer and controller of credit—the status envisaged by the drafters of the Reserve Act. Subservience to the Treasury must cease. The rate of interest must again play its historic role in checking inflationary credit demands and in stimulating savings.

The contest for sound money will not easily be won. Cheap money policies and deficit financing prove all too alluring to the unwary. We, who believe in sound money, must appeal to the common sense and to the inherent integrity of the American people. We must appeal to their willingness to subject themselves to rigorous self-discipline in order that the strength and vitality of this country are not sapped by continuous inflationary pressures.

Natural Resources Fund Shares Offered at $4

Frank L. Valenta & Co., Inc. on Feb. 23 publicly offered an issue of 1,970,000 shares of capital stock (par one cent) of Natural Resources Fund, Inc. at $4 per share (the price being subject to fluctuation with the market value of the corporation's investment). Irving Trust Co., New York, has been designated custodian of the Fund's assets, and will also serve as its transfer agent and dividend disbursing agent.

Natural Resources Fund, Inc. is a new open-end investment company, concentrating its investments in the field of natural resources.

New Members of Security Analysts

SAN FRANCISCO, CALIF.—Richard W. Lambourne, President of the Security Analysts of San Francisco, has announced the election of the following seven new members to the organization:

J. A. Ducournau, Wells Fargo Bank & Union Trust Co.

Frank C. Sargent, E. F. Hutton & Co.

M. J. Duncan, Calvin E. Duncan & Co.

J. B. Chamberlain, Pacific National Bank of San Francisco.

Wagner d'Alessio, California Casualty Indemnity Exchange and Index Investment Corp.

George Fernandez, First California Co.

James McNab, Walker's Manual.

Can Dollar Gap Be Closed?

By PAUL EINZIG

Revealing revived pessimism in Britain regarding closing of dollar gap, Dr. Einzig calls attention to American resistance to British efforts to curtail imports of U. S. oil and otherwise take steps to extend dollar savings. Points also to agitation in U. S., because of closing of Waltham Watch Company plant, to take legislative steps to cut down imports of foreign goods competing with American industries. Concludes unless Marcompeting with American industries.

LONDON, Eng.: The optimistic atmosphere created by the Government—not altogether unintentionally—through the publication and interpretation of the increase of the gold reserve during the last quarter of 1949 is gradually giving way to revived pessimism about the prospects of closing the "dollar gap." Detailed figures of British foreign trade show that, even though the volume of exports to the dollar area has increased since devaluation, the dollar proceeds have hardly changed. This in spite of the fact that during the past four months the volume of exports was increased by purchases which had been delayed in anticipation of the devaluation. And the increase of German competition is expected to make it even more difficult to expand sales in the United States.

Dr. Paul Einzig

Two events in February contributed towards the pessimism regarding the prospects of closing the dollar gap. The one was the American resistance to the British attempt to cut down dollar oil purchases by sterling area. This was the first attempt at cutting down dollar expenditure on a really substantial scale. It seems probable that the result of the negotiations that are pursued at the time of writing will be a compromise which will reduce materially the extent of dollar-saving intended by the measure. The attitude of the American oil industry is fully understood and appreciated here. On the other hand, it is pointed out that any attempt to close the dollar gap is bound to hurt American interests, and yet the dollar gap must be closed somehow.

The other event which is causing concern in London is the closing down of the Waltham Watch Company of Boston, and the publicity accompanying it. It is true, publicity is directed mainly against the import of Swiss watches to the United States, and British interests are not directly concerned to any substantial extent. On the other hand, it is realized that this incident is likely to strengthen pressure on Congress and Administration in favor of strengthening rather than relaxing the protection of the American domestic market. A strong case is made out in favor of safeguarding the American watchmaking industry against foreign competition, on the ground that the maintenance of an industry capable of producing precision instruments in time of war is essential for national defense. But at least equally strong cases could be made out in favor of preventing the influx of a wide range of goods. How, then, is Britain expected to balance her dollar deficit through an increase of exports rather than through a cut in her imports?

It is true, there are a number of lines in respect of which an increase of exports would not affect American industries. The volume of possible sales of such non-competitive goods is, however, limited. There is also a possibility of attracting more American tourists to Britain. In this direction much is expected of Britain's Festival of 1951. Even so, the dollar gap is likely to remain in existence in 1952 when Marshall aid comes to an end. What will happen then? There are two alternatives. The one is that Britain, not having any dollars to spend, will stop spending beyond the proceeds of her exports to the dollar area. Purchases of dollar oil and other American goods will then be cut down ruthlessly in spite of protests. The other is that purchases from the United States will continue unabated, in which case the United States, in order to receive payment for the goods sold, will have to provide the necessary dollar facilities in some form or other. Otherwise the goods sold will remain simply unpaid.

The position between the United States and Britain—or, for that matter, between the United States and the entire non-dollar area—will be somewhat similar to the present position between Britain and India. It is widely believed that the import surplus of India from Britain has been the result of the large-scale releases of blocked Indian sterling balances. In reality the reverse has been the case. As India has been importing British and other sterling area goods on a large scale, it has become necessary to provide her with the means with which to pay for these imports as an alternative to the imports remaining unpaid. Any firm British resolution to resist Indian demands for further large releases of blocked sterling is bound to break down unless and until the flow of unrequited British exports to India is checked either by Indian import restrictions or by British export restrictions. So long as the unrequited exports are allowed to continue it is essential for Britain that the exporters should be paid, and sterling balances are always likely to be released for the purpose of meeting such commitments. In a similar way, even though the United States may decide firmly to call a halt to foreign financial assistance in 1952, the resolution is bound to remain dead letter unless unrequited American exports are discontinued.

This does not appear to be realized adequately in the United States. It would be realistic if, whenever the question of the termination of financial assistance is discussed in the American Press or in Congress, the problem should be examined in terms of exports and imports. Those dealing with the problem should state whether they envisage a reduction of American exports or an increase of American imports, and they should indicate in detail which exports they would like to cut or which imports they would like to increase in order to avoid the necessity of making further dollar loans or grants. The present attitude of pressing for a termination of dollar aid without thinking about this aspect of the problem would only lead to the accumulation of large amounts of frozen American claims abroad. It is by exporting in excess of imports that dollar aid is granted, whether the surplus is paid with the aid of dollars provided for that purpose by the American taxpayer, or whether the surplus remains simply unpaid.

Yes, Let's Not Deceive Ourselves

"It is an immoral act to require people to sign notes they can't repay. I would not object to a provision that as much aid should be put in loans as could possibly be paid back. But to ask Western European nations to take most of the aid in loans instead of grants would amount to asking them to commit an immoral act.

Paul G. Hoffman

"By 1953 these countries will barely have their noses above water and I don't see any substantial improvement in the picture for the next decade. I say to you that they can't pay and that it will take 50 years for Europe to come back to where she can buy and pay for what they need from us and service already existing loans. . . .

"We don't want to make bad loans. It would be deceiving the American public to suggest by calling this aid loans that this program is going to cost less than it is. Bad paper is not an asset. It is a headache. It only causes friction between the people who hold it and those who owe it, and we're not going to get the dollars back by merely designating the aid loans." — Paul G. Hoffman, Economic Cooperation Administrator.

Yes, if all this generosity is really necessary, by all means let's avoid deceiving ourselves about the nature of the transactions.

But why does Mr. Hoffman feel so certain that as things are now going, these peoples will ever stand on their own feet?

That is unless they have to!

Appointed Chairmen Of Curb Committees

The appointments of vice chairmen of four of the standing committees of the New York Curb Exchange have been announced by Francis Adams Truslow, President of the exchange.

Charles J. Kershaw of Reynolds & Co. has been named Vice-Chairman of the committee on floor transactions and Howard C. Sykes has been appointed to that post on the committee on finance.

Edward A. O'Brien will serve as Vice-Chairman of the committee on admissions of the exchange, while Caspar C. deGersdorff of Harris, Upham & Co. will act in the same capacity for the committee on securities.

With Kidder, Peabody

Kidder, Peabody & Co., members of the New York Stock Exchange, announce that John E. Sinclair has become associated with the firm as joint manager of its uptown office at 10 East 45th Street. Mr. Sinclair formerly was with Hornblower & Weeks.

Pennsylvania Brevities

Corporation News and Notes

Natural Gas for Eastern Penna.

Allentown-Bethlehem Gas Co., Harrisburg Gas Co., Consumers Gas Co. of Reading, and Lancaster County Gas Co., all subsidiaries of United Gas Improvement Co., have made application to the Pennsylvania Public Utility Commission to receive natural gas from Manufacturers Light & Heat Co., a subsidiary of the Columbia Gas System. Action on the applications is expected at an early date.

Last December the Federal Power Commission granted the petitioning companies authority to receive the natural gas and the Securities and Exchange Commission has authorized U. G. I. to advance $1,735,000 to the four subsidiaries to help meet the cost of laying pipe lines to connect with those of Manufacturers Light.

In a recent order, a request of the distributing companies to be declared not natural gas companies under the Natural Gas Act was turned down by the Federal Power Commission. Consequently the operations of the companies will remain under the jurisdiction of the FPC as well as the State PUC.

* * *

Giant Portland Cement Co.

Sales of Giant Portland Cement Co. in 1949 are reported at $4,451,265, compared with $3,165,405 in the preceding year. Net income of $508,008 was equivalent to 59 cents per share, compared with $445,903, or 52 cents per share, in 1948. During the year manufacturing improvements were put into effect at both the Egypt and Harleyville plants, a program which will be continued in 1950. Company report to stockholders stated that operation of a new quarry has improved the quality of raw material. Percentage of purchased limestone in the company's mix amounted to 6.9% last year compared with 15% in 1948.

* * *

Lehigh Valley Coal Corp.

Extensive interruptions in mining operations and protracted spells of unseasonably warm weather which adversely affected demand for anthracite have resulted in a consolidated net loss of $24,131 for Lehigh Valley Coal Corp. and subsidiaries in 1949. The loss was recorded after a tax carryback credit of $250,000 and compares with a consolidated net profit of $1,695,094 reported in 1948.

The mining company subsidiary, Lehigh Valley Coal Co., due to labor stoppages, reported working time of only 191 days in 1949, compared with 256 days in 1948, and sustained an operating loss of $649,841. No dividends were paid to the parent company.

Net income of the corporation dropped from $1,184,231 in 1948 to $182,003 in 1949. The latter figure is equivalent to 81 cents per share on the outstanding first preferred stock on which a dividend meeting is scheduled for March 16. Dividend rate on this issue is $3 per year, cumulative only if and to the extent earned and not paid.

* * *

A group headed by William A. Blakley, Chairman of the board of Guardian International Life Insurance Co. and President of the Lovefield State Bank of Dallas, Texas, is acquiring controlling stock interest in Girard Life Insurance Co. of Philadelphia. At least 90% of the 65,000 outstanding shares will be purchased at $27.50 per share. The new Girard board members will include Mr. Blakley, Ralph Morgan and M. S. Maloney, of Philadelphia, and Charles W. Windham and J. B. Tucker, of Illinois.

* * *

Westmoreland Coal Co.

Directors of Westmoreland Coal Co. last week took no dividend action on a common stock disbursement usually payable March 15, citing losses incurred since the first of the year due to the coal strike. Last year the company paid $1 per share in each of the first three quarters and, in December, a stock dividend of one share for each 14 shares held.

* * *

Hajoca Corporation

Reporting net sales of $29,486,298 in 1949, compared with $35,222,486 for the previous year, Hajoca Corp., manufacturer of plumbing supplies, showed earnings of $3.93 per share against $10.63 in 1948. Current ratio, however, improved to 2.81-to-1, compared with 2.12-to-1, and book value of the common shares increased to $52.07 from $50.82.

In November, 1949, Hajoca acquired the business of the Rowland Supply Co., High Point, N. C., bringing to 32 the number of branches operated by the company. A new property in Germantown, Pa., has been purchased and ground acquired at Lewistown, Pa., and Staunton, Va., for the erection of new buildings.

After 91 years of continuous operation, decision was made to discontinue manufacture of Hajoca brass since it was found to be more economical to purchase requirements from larger manufacturers. It is expected that building, machinery and equipment can be disposed of at book value or better, at no loss to the corporation.

In his letter to stockholders, W. A. Brecht, President, said, "Looking to the future, the Department of Commerce, the Bureau of Labor Statistics and leading economists all predict that

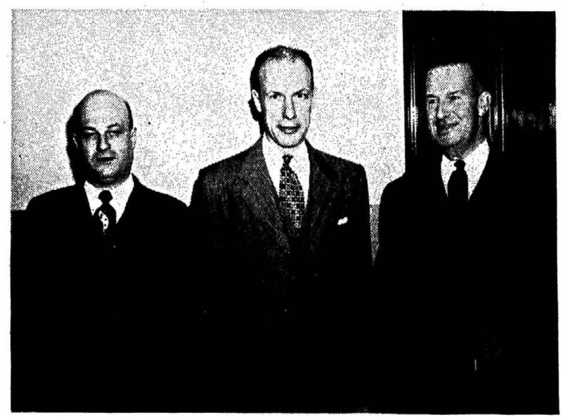
Continued on page 29

Investment Traders Association

N. H. Baumm, *Stroud & Co., Inc.;* R. Victor Mosley, *Stroud & Co., Inc.*, presenting to Larry Warren, *Reynolds & Co.*, $100 bond as the winner of the Crystal Ball Derby, an annual event at the *Stroud & Co., Inc.* cocktail party held prior to the dinner

Walter Kennedy, *Coffin & Burr, Incorporated*, New York City; Edgar Loftus, *R. S. Dickson & Co.*, New York; Robert E. Brindley, *Coffin & Burr, Incorporated*, New York City; Robert S. Weeks, Jr., *Coffin & Burr, Incorporated*, Boston

Herbert H. Blizzard, *Herbert H. Blizzard & Co.*, announcing the winner of the First Annual Crystal Ball Derby



William Nichols, Jim McAtee, and William D. Buzby, Jr., all of *Butcher & Sherrerd*

Floyd Justice, *Kidder, Peabody & Co.;* Walter L. Morgan, *Wellington Fund, Inc.*

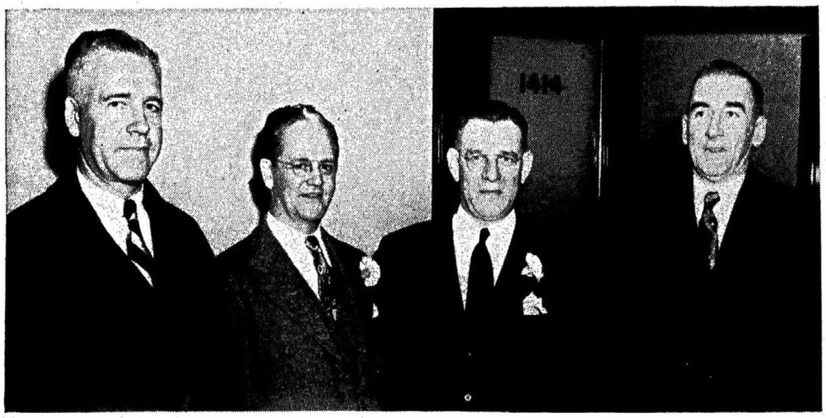
Tom Love, *George E. Snyder & Co.;* Jack Weller, *Hallowell, Sulzberger & Co.;* Eddie Christian, *Blair, Rollins & Co.;* Hal Murphy, *Commercial & Financial Chronicle*, New York City

E. Budd Laughlin, *Harry Downs & Co.*, New York City; Nick Tollner, *Barr Brothers & Co.*, New York City; Harry Downs, *Harry Downs & Co.*, New York City; George F. Hamilton, *Geo. F. Hamilton & Co.*, New York City

E. Coit Williamson, *Schmidt, Poole & Co.;* Henry Hood, *Fidelity Mutual Life;* Ellwood Robinson, *Aspden, Robinson & Co.;* Don Poole, *Schmidt, Poole & Co.*

Joe McCabe, *Hornblower & Weeks;* Jack Murphy, *Hornblower & Weeks;* Ned Phillips, *Samuel K. Phillips & Co.;* Joe McNamee, *Hopper, Soliday & Co.*

Holds Winter Dinner



Thomas Krug, *Bioren & Co.;* Leo D. Tyrrell; Bob Holdsworth, *Hornblower & Weeks;* Harold Nash, *H. N. Nash & Co.*

Thomas C. Pattison, C. Howard Umstead, N. H. Baumm, and Robert J. Campbell, Jr., all of *Stroud & Co., Inc.*

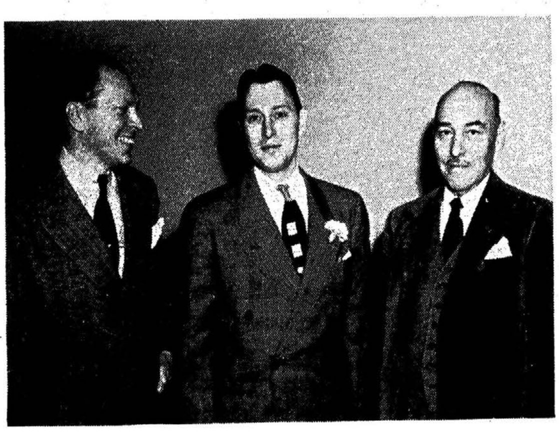
Walter Fixter, *J. W. Sparks & Co.;* John Derickson, *Blair, Rollins & Co., Inc.;* Bill Battin, *Yarnall & Co.*

Harold Scattergood, *Boenning & Co.;* Larry Stevens and Wallace Runyan, *Hemphill, Noyes, Graham, Parsons & Co.*

Fred Devoll, *J. Arthur Warner & Co.;* Richard Heward, *Janney & Co.;* Bob McCook, *Hallowell, Sulzberger & Co.*

Henry Ecroyd, *Provident Trust Co.;* Phil Vazzano, *Carl M. Loeb, Rhoades & Co.;* Hans A. Widenmann, *Carl M. Loeb, Rhoades & Co.*, New York City; John Flynn, *E. W. Clark & Co.*

Russ Ergood, *Stroud & Co., Inc.;* Len Sullivan, *Phelps, Fenn & Co.*, New York City; Scott Russell, *Glore, Forgan & Co.*, New York City; Anthony E. Tomasic,, *Thomas & Company*, Pittsburgh



Bill Schreiner, *F. J. Morrissey & Co.;* J. Lewis Armstrong, *J. Lewis Armstrong & Co.;* J. Gentry Daggy, *H. M. Byllesby & Co.*

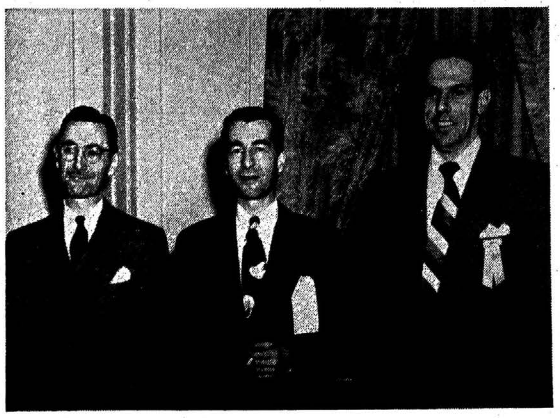
Leo Dolphin, *Dolphin & Co.;* Marguerite Campbell, *A. C. Wood, Jr. & Co.;* John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*, New York City

Jim Cleaver, *Goodbody & Co.*, New York City; Sally Lewis, *Provident Trust Co.;* Chas. A. Taggart, *Charles A. Taggart & Co.*

At the Benjamin Franklin Hotel

Henry Parish, II, *Carl M. Loeb, Rhoades & Co.;* New York City; George J. Stadtler, Jr., *Girard Trust Co.;* Harry E. Hite, *Penn Mutual Life Insurance Co.;* James J. Mickley, *Corn Exchange National Bank & Trust Co.*

Al Hutchinson, *Cohu & Co.*, New York City; George Martens, *Cohu & Co.*, New York City; Henry Warner, *Henry B. Warner & Co.;* Jim Sebold, *Neergaard, Miller & Co.*, New York City



J. C. Briggs, *Montgomery, Scott & Co.;* Newt Parkes, *Bioren & Co.*, President of the Investment Traders Association of Philadelphia; Bob Greene, *Kidder, Peabody & Co.*

Pete Molloy, *Neergaard, Miller & Co.*, New York City; Dunbar Abell, *Reed, Lear & Co.*, New York City; Allan Kadell, *Homer O'Connell & Co.*, New York City; Irv Maxfield, *Cohu & Co.*, New York City

Vic Reid, *York Affiliates, Inc.*, New York City; Charles Gesing, *Hiscox, Van Meter & Co.;* Arthur G. Hiscox, *Hiscox, Van Meter & Co.;* Louis Weingarten, *Herzog & Co.*, New York City

Al Bracher, *Jones, Miller & Co.;* Phil Street, *DeHaven & Townsend, Crouter & Bodine;* Frank J. Fogarty; Larry Griffiths, *De Haven & Townsend, Crouter & Eodine*

Chick Guerney, *Bioren & Co.;* Bill Whitehead, Camden, N. J.; Al Davis, *H. A. Riecke & Co.;* Col. Oliver J. Troster, *Troster, Currie & Summers*, New York City

C. A. Shaufler, *Moncure Biddle & Co.;* John McGarvey, Jr., *Martin & Co.;* Lloyd Brown, *Arthur L. Wright & Co.*

Phil Strader and Lud Strader, *Strader, Taylor & Co.*, Lynchburg, Va.

Sam Kennedy *Yarnall & Co.;* Joe Carson, *Kidder, Peabody & Co.;* Roy Trevine, *Harriman Ripley & Co.*

February 21, 1950

Maurice Hart, *New York Hanseatic Corp.*, New York City; Bill McCullen, *Hendricks & Eastwood;* Ray Allen, *H. A. Riecke & Co.;* Bob Lienhard, *Troster, Currie & Summers,* New York City

Donald L. Larsen, *Drexel & Co.;* A. Moyer Kulp, *Wellington Fund;* John E. Knob, *Drexel & Co.;* Samuel R. Rosenberg, *Asiel & Co.*, New York City

R. Conover Miller, *E. W. & R. C. Miller & Co.;* Harry Knecht, *Presbyterian Board of Pensions;* Bill Kurtz, *Fidelity-Philadelphia Trust Co.*

Harry Welsh, *Lilley & Co.;* Graham Walker, *Jos. McManus & Co.*, New York City; Samuel K. Phillips, *Samuel K. Phillips & Co.;* Ben Van Keegan, *Frank C. Masterson & Co.*, New York City

George Wyckoff, *J. W. Sparks & Co.;* Sewell W. Hodge, Treasurer, *Provident Mutual Life Insurance Co.;* Alex Seidler, Jr., *National State Bank,* Newark, N. J.

Joe Dorsey, *Merrill Lynch, Pierce, Fenner & Beane,* Philadelphia; Ellwood Williams, *The Pennsylvania Company for Banking and Trusts;* Perce Ayres, *Merrill Lynch, Pierce, Fenner & Beane,* Philadelphia; Charles O'Brien Murphy, *Merrill Lynch, Pierce, Fenner & Beane,* New York City

W. N. Britton, *Drexel & Co.;* John J. Gallagher, *Beneficial Saving Fund;* T. J. Meaney, *Wellington Fund;* W. H. Christopher, *R. W. Pressprich & Co.*, New York City

Joe Smith, *Newburger & Co.;* George Muller, *Janney & Co.;* Cormac Tully, *Weeden & Co.*, New York City

Morris Grossman, *Gerstley, Sunstein & Co.;* Bernard Tobias, *Gerstley, Sunstein & Co.;* Robert De Fine, *Wertheim & Co.*, New York City

William Jennings, Ed Schultz, and Phillip Drass, all of *J. H. Drass & Co., Inc.*, Sunbury, Pa.

Continued from page 24

Pennsylvania Brevities

1950 will be another good year for the building industry. It is anticipated that construction contracts will exceed $18 billion and we fully expect to participate in this record building business."

* * *

Lee Rubber & Tire Corp.

An unusually refreshing philosophy in respect to a corporation's stockholders was expressed by A. A. Garthwaite, President of Lee Rubber & Tire Corp., at the annual meeting held last week when he said:

"We realize that the cost of living of the stockholder has increased like that of everyone else and, while in the past, we have been pretty conservative, we are now going to try to give more consideration to the stockholder."

In the last fiscal year, ended Oct. 31, 1949, the company paid four quarterly dividends of 50 cents and a year-end extra of $1. Last week the board declared the regular 50-cent quarterly dividend plus a 50-cent extra, both payable May 2 to stock of record April 14. Henceforth, said Mr. Garthwaite, the question of extra dividends will be considered every six months. Last fiscal year earnings were $4.78 per share.

* * *

George Friedland, President of Food Fair Stores, last week told the Financial Analysts of Philadelphia that company's sales and earnings will set new records for the fiscal year ending next April 29. Net for the year, he said, should be between $1.90 and $2 per share.

* * *

Baldwin Locomotive Works

Although Baldwin Locomotive Works sales for 1949 declined to $119,002,443 from the $126,434,845 reported in 1948, net profit rose to $3,522,223, or $1.41 per share, compared to $3,167,741, or $1.26 per share in the previous year. During the year, Baldwin received no dividends from its subsidiary, Midvale Co., which operated at a loss.

Smoke Abatement Problems

Commenting on Bayuk Cigar Co.'s 1949 decline in net income to $733,835, or 93 cents per share, compared with profit of $2,126,516, or $2.70 per share in 1948, Harry P. Wurtman, President, attributed unfavorable results to a nationwide falling off in the demand for cigars and to increases in raw materials and operating costs. The company, he said, is seeking solutions to both problems.

National cigar consumption fell to 5,587,000,000 in 1949, compared with 5,774,000,000 in 1948 and 8,000,000,000 in 1920. A campaign, in which Bayuk will participate, is being sponsored by the Cigar Institute of America, the National Association of Tobacco Distributors and the Retail Tobacco Dealers of America in an effort to step up national sales. A portion of the advertising will be directed toward women, promoting the idea of having their men smoke cigars.

In respect to controlling costs, Bayuk's policy involves the development of improved cigar manufacturing, handling and packaging machinery. Another favorable factor is the declining trend in the cost of raw tobaccos. Bayuk is still using wrapper and filler purchased 18 months ago at considerable higher than the present prevailing market. On an average cost basis, however, the price of present inventories is lower than at any time last year.

Sales resistance, Mr. Wurtman said, is encountered chiefly in cigars selling from 9 to 15 cents while cigars priced to sell at 4 to 6 cents are expanding in demand. Early last year Bayuk introduced its 5-cent Prince Hamlet Junior and will continue to cultivate this market. Effort will also be made to bring the price of Phillies, company's leading brand, below its present price of 10 cents.

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Strikes Hit Penn. R.R.

Walter S. Franklin, President of Pennsylvania Railroad, stated last week that the direct effects of strikes in the steel and coal industries in 1949 reduced the road's revenues by $45,000,000. Total revenues declined to $848,211,159, compared with $999,982,900 in 1948, a decrease of $151,771,741. Of this loss in revenue, $133,000,000 is attributed to freight alone.

The company squeaked through with $5,710,097 available for dividends, compared with $29,977,999 in 1948, and achieved black figures only by reason of a $12,462,500 dividend from its subsidiary, Pennsylvania Co., and a $2,000,000 tax-saving resulting from a modification of leased-line agreements. Earnings per share were reported at 43 cents, compared with $2.28 the previous year.

IBA Conference

Some 500 representatives of members of the Eastern Pennsylvania Group of the Investment Bankers Association of America are expected to attend a series of forum meetings to be held at the Warwick Hotel, Philadelphia, next Wednesday. Sales and statistical personnel as well as partners and officers of members of the association are invited.

The conference will start at 10 a.m. and will continue through luncheon, dinner and into the evening.

The schedule follows:

10 a.m. Municipal Forum—Herbert V. B. Gallagher, Yarnall & Co. (Chairman). **Addresses:** "Federal Housing," by William G. Laemmel, Vice-President, Chemical Bank & Trust Co.; "Authority Issues," by Hon. William S. Livengood, Department of Internal Affairs of the Commonwealth of Pennsylvania.

11:15 a.m. Public Relations Forum—T. Johnson Ward, Merrill Lynch, Pierce, Fenner & Beane (Chairman). **Address:** "Merchandising Securities at Merrill Lynch," by Robert A. Ma-

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Continued from page 29

Pennsylvania Brevities

gowan, partner, Merrill Lynch, Pierce, Fenner & Beane.

12:30 p.m. Luncheon. Address: "The importance of Southwestern Natural Gas to the Economy of Pennsylvania," by Gardner Symonds, President, Tennessee Gas Transmission Co.

2:00 p.m. Railroad Forum—R. Victor Mosley, Stroud & Co. (Chairman). **Addresses:** "Current and Prospective Trends in Railroad Traffic and Earnings," by Julius H. Parmelee, Vice-President Association of American Railroads. "Some Guide Posts for Railroad Investors," by Marshall Dunn, Wood, Struthers & Co.

3:30 p.m. Public Utility Forum—John S. Malick (Chairman). **Addresses:** "Effect of Federal Government Activities on Private Electric Companies," by P. L. Smith, President, National Association of Electric Companies; "Near-Term Outlook for Utility Industry," by Nelson Schaenan, partner, Smith, Barney & Co.

6:30 p.m. Cocktails.

7:15 p.m. Dinner. Addresses: "The Investment Bankers Association Today," by Albert T. Armitage, President, Investment Bankers Association of America, and President of Coffin & Burr, Inc.; "Insuring Our Technological Future," by Murray Shields, Vice-President and Economist, Bank of the Manhattan Company.

Janney Co. Opens Branch in Easton, Pa.

EASTON, PA.—Janney & Co. have opened an office in the Drake Building, under the management of Francis E. Werkheiser. Mr. Werkheiser was formerly Easton manager for Fitzgerald & Company.

Shedd-Bartush Foods Common Stk. Offered

Blair, Rollins & Co., Inc. and Shader-Winckler Co., on Feb. 28, publicly offered 120,000 shares of Shedd-Bartush Foods, Inc., common stock (par $1), at $12.25 per share. These shares are part of the holdings of a stockholder who will continue to be a major stockholder in the company.

At the same time the company is offering directly to key employees 20,000 shares of authorized and unissued common stock, the net proceeds of which will be used in part to reduce a bank loan incurred in connection with the acquisition on Jan. 3, 1950, of the business of Southwest Margarine Co., Dallas, Texas.

Shedd-Bartush Foods, Inc. is engaged in the manufacture and sale of margarine; dressings, including salad dressings, mayonnaise and sandwich spread; peanuts and peanut butter; and to a minor extent, prune juice and pickles. Of the company's net sales for the fiscal year ended June 30, 1949, margarine sales accounted for approximately 75% of the total, dressings for approximately 19%, peanut products for approximately 4%, and the balance of items for 2%.

Income Builders, Inc.

Income Builders, Inc., has been formed with offices at 30 Rockefeller Plaza to engage in a securities business. Officers are Charles Dobbrow, Jr., President, Treasurer and Secretary, and M. B. Dobbrow and Horace E. Baker.

New NASD Governors, Officers Take Office


John J. Sullivan


Clarence A. Bickel


Ewing Thomas Boles


Charles P. Cooley, Jr.


W. Fenton Johnston


Harper Joy


Ira D. Owen


Albert W. Tweedy

WASHINGTON, D. C. — At the meeting of the Board of Governors of the National Association of Securities Dealers, Inc., the following new Governors took office:

Clarence A. Bickel, Robert W. Baird & Co., Milwaukee.

Ewing T. Boles, The Ohio Company, Columbus.

Charles P. Cooley, Jr., Cooley & Company, Hartford.

W. Fenton Johnston, Smith, Barney & Co., New York City.

Harper Joy, Pacific Northwest Company, Spokane.

Ira D. Owen, Allison-Williams Company, Minneapolis.

Albert William Tweedy, H. C. Wainwright & Co., Boston.

New officers of the association (their nomination was announced previously) who will take office at this meeting are:

Board Chairman: John J. Sullivan, Bosworth, Sullivan & Company, Denver.

Vice Chairmen: Francis Kernan, White, Weld & Co., New York City; Eaton Taylor, Dean Witter & Co., San Francisco.

Treasurer: S. Davidson Herron, The First Boston Corp., Pittsburgh.

Executive Director: Wallace H. Fulton, NASD, Washington, D. C.

Each of the association's 14 districts is represented by one or more Governors. Seven new Governors are elected each year to serve for three years. Officers serve one year.

Governors whose terms expire either in one or two years are:

Howard E. Buhse, Hornblower & Weeks, Chicago.

Philip L. Carret, Gammack & Co., New York City.

Warren H. Crowell, Crowell, Weedon & Co., Los Angeles.

Clement A. Evans, Clement A. Evans & Company, Inc., Atlanta.

James J. Lee, Lee Higginson Corporation, New York City.

Frederick H. MacDonald, Burke & MacDonald, Kansas City, Mo.

John D. McCutcheon, John D. McCutcheon & Co., Inc., St. Louis, Mo.

Charles H. Pinkerton, Baker, Watts & Co., Baltimore.

Sampson Rogers, Jr., McMaster Hutchinson & Co., Chicago.

Jesse A. Sanders, Jr., Sanders & Newsom, Dallas.

Greenfield, Lax Offers Mid-States Equip. Stk.

Greenfield, Lax & Co., Inc., on Feb. 28 publicly offered 300,000 shares of Mid-States Equipment Co. common stock at $1 per share. Proceeds will be used for expansion purposes, additional working capital, and retirement of indebtedness to finance the company.

Mid-States was organized in Delaware on Nov. 30, 1948 and immediately thereafter acquired and now owns all of the outstanding capital stock of Modern Atlas Corp. (Mich.). On April 2, 1949, Mid-States took over active operation of the business formerly carried on by Modern Atlas.

The company is engaged in the business of retailing household equipment, furnishings and specialties on the budget plan, principally through sales agents. Among the articles sold are silverware, sterling silver, waterless cookware, dinnerware, sheets, blankets, curtains, drapes, venetian blinds, rugs, lamps, radios, jewelry, television, vacuum cleaners, refrigerators, washing machines, and other electrical appliances. Many of these goods are branded with names exclusively used by Mid-States Equipment, other articles being nationally-advertised merchandise.

Detroit Bond Club to Hold 34th Ann. Dinner

DETROIT, MICH. — The Bond Club of Detroit will hold its 34th annual dinner on March 8, at 7 p.m. at the Statler Hotel. Guest speaker will be P. P. Stathas, Senior Partner of Duff & Phelps, public utility analysts.

Dinner arrangements are under the direction of Reginald MacArthur, Miller, Kenower & Co., Chairman of the Program Committee, Gilbert S. Currie, Crouse & Company, is President of the club.

Benjamin A. Brooks Adds

PHILADELPHIA, PA. — Ben Brooks, trading department, E. W. and R. C. Miller & Co., 123 South Broad Street, announces the birth of a son, tentatively yclept Richard, on Feb. 26. The Brooks juvenile roster now stands at seven, four boys and three girls. Friends believe the event may mark a turning point in a long bull market.

Public Utility Securities

By OWEN ELY

Public Service Electric & Gas Co.

Public Service Electric & Gas Co. (Stock Exchange symbol PEG) serves most of the larger cities in New Jersey and many smaller communities, and the population now served with both electricity and gas approximated 2,877,000 in 1940. About 74% of its revenues are from electric operations and 26% from gas. The company owns all but directors' shares of the capital stock of Public Service Coordinated Transport, which together with its subsidiaries operates a comprehensive transit system in New Jersey, together with lines to New York and Philadelphia. The bus fleet is the largest single fleet operated in mass transportation service in the United States. Operations of the transit system are not, however, included in the income account of the parent company except as to dividends received, which in the year ended Dec. 31, 1949 approximated $1,706,000.

The company was formerly a subsidiary of Public Service Corp. of New Jersey and when the latter company was dissolved in 1948 PEG was recapitalized.

It is difficult to make any historical comparison of share earnings for Public Service Electric & Gas because of the numerous changes which occurred in connection with the 1948 recapitalization, and also the changes in plant amortization figures for both the parent company and the transit company. In the calendar year 1949 PEG earned $1.96 from electric and gas operations and received a dividend from the transit company equivalent to 29 cents a share, bringing stated earnings to $2.25. If the transit earnings had been consolidated (as previously done by Public Service Corp. of N. J.), PEG's earnings would have approximated $2.34. This is after a total of $1,500,000 plant amortization for both companies, or about 27 cents a share.

Because of the difficulties in trying to work out pro forma figures for earlier years, only the operating profits are shown below—before other income, fixed charges, etc.:

	Net from Operations		
Year	Electric-Gas	Transit	Total
1949	$29,900,000	$3,100,000	$33,000,000
1948	27,400,000	2,400,000	29,800,000
1947	30,900,000	2,600,000	33,500,000
1946	32,900,000	6,000,000	38,900,000
1945	26,700,000	4,400,000	31,100,000
1944	26,400,000	4,500,000	30,900,000

PEG late in 1949 issued $25 million preferred stock to raise construction funds. The dividend requirement on the new issue approximates $1 million per annum of which only $187,000 was accrued in 1949. Capitalization as of Dec. 31, 1949 was approximately as follows:

	Including Intangibles		Excluding Intangibles	
Long-term debt	$284,000,000	55%	$284,000,000	58%
Preferred stock	25,000,000	5	25,000,000	5
Preference com. stk. and common stock	203,000,000	40	*177,000,000	*37
Total	$512,000,000	100%	$486,000,000	100%

*After eliminating about $19 million intangibles in the parent company plant account (plant acquisition adjustments and net deferred assets) and $7 million in its equity in the stock of the transit company.

PEG has had a heavy construction program since the war. At Sewaren, the company's newest electric generating station, 330,000 kilowatts of new capacity are now in service. Substantial gas-making capacity has also been added. Thus far the construction program has been taken care of without equity financing.

The company's operations were favored last year by low fuel prices as well as savings due to installations of the efficient generators at Sewaren. Since the third unit (110,000 kw.) did not go into operation until Oct. 16, some additional benefits from this unit will be gained in 1950. In 1951, a fourth generator of 125,000 kw will be added. The average quantity of fuel required to generate one kw. has decreased from an equivalent of 1¼ pounds of coal in 1937 to approximately one pound in 1949, while at Sewaren only ¾ of a pound is consumed.

The company has been receiving a small amount of natural gas from Texas Eastern Transmission Corp. since last July, but will receive a far larger amount from the Transcontinental Gas Pipe Line Corp. beginning about next October. This gas will be used as raw material in the production of manufactured gas, except during the warmer months when any surplus can be used for boiler fuel in electric generating stations. The company's gas operations benefited last year by a decrease in the cost of oil.

It is possible that PEG may face a heavy addition to labor costs this year, if new union demands have to be met. Electric union wage contracts come up for renewal May 1, and gas around August. Philadelphia Electric last April was fortunate enough to obtain a 9.3 million rate increase, but has had to give union employees a 6% wage increase, it is reported. If PEG should be forced to make a similar concession to the unions, it is estimated that this might amount to some 20-25 cents a share after tax savings in 1950 (or 36 cents on a full annual basis).

Transit dividends may be smaller this year than in 1949, since passenger mileage is now in a declining trend. The company was permitted to increase its basic fare from 5 to 7 cents about the middle of 1948 and at the end of 1949 the Board of Public Utility Commissioners declared this fare to be just and reasonable, but the Attorney General of New Jersey has appealed the issue to the Superior Court of New Jersey. The company is confident, however, that the 7-cent fare can be maintained.

How about residential rates and earned rate of return on rate base? PEG's residential rates average about 3.7 cents per kwh. as compared with the national average around 3 cents but this is explained by higher labor and fuel costs in the metropolitan area. Average net plant account (excluding gas plant acquisition adjustments but including $32 million allowance for working capital) in 1949 approximated $435 million and the ratio of net operating income to this figure was about 6.9%. However, while it is not known what rate base the State Commission might adopt in any rate case, it is quite possible that it might be considerably larger than $435 million. The Commission in the past has approved the issuance of securities for the acquisition of leased properties amounting to possibly $100 million in excess of original cost. If this amount were included in the estimated rate base, the 1949 earnings ratio would be only 5.6%. Moreover, it is customary in some cases to make an allowance in the rate base for pending construction expenditures. In any event, the return on the rate base does not seem excessive, on any liberal interpretation of the accounts, particularly if some allowance should be made for cost of reproduction.

PEG is currently selling around 24½ to yield about 6½%, which rate compares with a recent average of 5.4% for 19 other large electric utilities. But at the present price a 5.4% return would reflect a dividend rate of only about $1.32. To assume that the company would have to lower the dividend to such a level seems somewhat unreasonable, considering possible future economies from new generators, use of natural gas, etc. If a 6% yield should be considered about normal, taking into account the capital structure and above-average residential rates, this would correspond to a dividend rate of $1.47 at the present price. In a recent talk before the Luncheon Forum of the New York Society of Security Analysts, Vice-President McDonald gave assurance of the intention of the directors to continue the $1.60 dividend rate through 1950, even if it should be necessary to draw on surplus. The subsequent decline of about two points in the stock appeared due to disappointment of Wall Street hopes that the company might be planning to increase the rate to $1.80, as well as fears that this year's earnings might be somewhat lower due to higher operating costs. It is understood that the company is currently preparing a new study of the outlook for 1950 earnings but this has not yet been completed.

Railroad Securities

ICC Decision on Maine Central Plan

Last week the Finance Division of the Interstate Commerce Commission handed down its first decision in a stock recapitalization plan under the so-called Mahaffie Act. Debt revision plans have been consummated by Central Railroad of New Jersey and Lehigh Valley under this new procedure which was designed to expedite voluntary reorganizations. When the act was passed it was modified so as to cover stock recapitalizations as well as to protect railroads considered to be in temporary financial difficulties from going through the long drawn-out process of reorganization under Section 77. It was assumed that the new act would allow a number of railroads with large preferred dividend arrears to liquidate such accruals by other means than gradual cash payments.

If the first decision of Division 4, which was in respect to the Maine Central railroad plan, is to be accepted as setting a precedent, earlier hopes of getting relief under the Mahaffie Act would seem to be doomed to disappointment. A Commission examiner had recommended that the plan be approved, with certain changes. The Commissioners differ with the proposed report of the examiner. They have denied the application of the railroad for authority to consummate a readjustment plan under the Mahaffie Act. The most interesting point is the reasoning behind the denial of the petition.

Maine Central has two classes of preferred stock. The 6% prior preference stock went into arrears in the late 1930 but these were cleared up in 1944 and the stock has been on a regular dividend basis ever since. The 5% regular preferred has not paid any dividend since 1931 and arrears thereon on Dec. 31, 1948, the date for which the plan was drawn up, amounted to $85 a share. The management proposed to give in exchange for each 5% preferred share and dividend accumulations one new share of $185 par value 4% preferred. There were numerous objections and modifications were proposed by a protective committee. As to the validity of the proposed modifications the Commission made no findings, ruling that the plan itself was not necessary and did not come under the terms and intent of the Mahaffie Act.

The decision reads in part, "The chief purpose of section 20b is to afford carriers, subject to its provisions, means whereby they may avoid financial difficulties or remove obstacles to needed financing which cannot be avoided or removed by voluntary action on the part of the carrier or by agreement between the carrier and its security holders. Immediate removal of dividend arrearages, which a carrier is in position to liquidate but which it cannot liquidate except over a long period of time, might well come within the purposes of section 20b and be shown to meet the requirements of that section, where such removal would enable the carrier to resort to equity financing or otherwise aid it in solving its financial problems in the public interest. Here there is no such proposal."

The report went on to say that the evidence strongly supported the protective committee's contention that the plan was designed primarily "to afford the common stockholders immediate access by way of dividends to the applicant's present accumulation of surplus and its prospective earnings." Mention was also made of the unusually large holdings of common stock by the directors, and it was finally stated that "Everything which the applicant can accomplish by the proposed modification or alteration of the preferred stock, except the immediate removal of the obstacle to the payment of dividends on the common, can be accomplished by a resumption of dividends on the preferred and the liquidation of arrearages as net income will permit."

Aside from Maine Central it had been expected that four other roads would attempt to eliminate dividend arrears by recourse to the Mahaffie Act. Boston & Maine has already set up such a plan and Nickel Plate was expected to have one ready shortly. Plans for Missouri-Kansas-Texas and Western Maryland were considered more remote. Based on the reasoning of Division 4 in the Maine Central case it is difficult to see how any of these other readjustments could be justified.

Continued from page 10

Television Industry Grows Up

as has been done for the first half thus far.

Whatever may be the further improvement in consumer attitudes toward television, the present potential market is already being covered rapidly.

At the start of this year over 3.5 million homes had television sets, or roughly a sixth of the 22 million families to whom service is now technically available. However, a portion of these 22 million homes are not in an income bracket that makes purchase of a TV set practicable at present TV prices.

Hence, sets in use already cover over one-fifth and perhaps as much as one-fourth of the homes that can afford sets and which are served by television programs at present. On the basis of the expected 1950 output, the number of TV sets in use will double the present figure by the end of this year. This means that even with some moderate expansion in television service areas, perhaps a half of the market that is within the range of stations and that can afford sets will have been "sold" by the end of this year.

The building of new stations and possibly further reductions in prices after this year will expand the potential market. It remains to be seen how much demand all this will generate in comparison with the industry's productive capacity of some five million sets a year.

Television has soared to a multimillion annual production rate in less than four years. Automobiles, being a much higher priced item, did not expand as fast. But neither did refrigerators, which more closely approach television sets in price range. Radio also exhibited phenomenal growth in its early years and comes closest to approximating, although it did not match, TV's record. Radio took six or seven years to reach comparable volume, just about twice as long as television. (See Chart 1.)

The spectacular rise of television seems to point up the enormous development of the American economy. Higher per capita incomes and tremendous gains in mechanization and industrial facilities make it possible for new industries to grow with great momentum. At least this appears to be the case of new industries turning out a completely new product.[4]

While TV manufacturers, distributors and retailers have enjoyed profitable operations, station owners have suffered losses. Partly because of large initial capital expenditures, telecasting has not yet reached the money-making stage. National television advertising for the first three quarters of 1949 was running at a rate of around $15.1 million a year—about 7% of radio's rate for national advertising during the same period.[5]

A considerable increase in number of television advertisers has taken place in the past year and a half. Net work and spot advertisers each have multiplied fivefold from June, 1948, to October, 1949, while local advertisers have increased tenfold in this period. The total number of television sponsors has risen from 234 to 1,891.[6] With expansion of the video audience, still greater numbers of advertisers will be attracted to the medium. This will, no doubt, make for more and bigger programs.

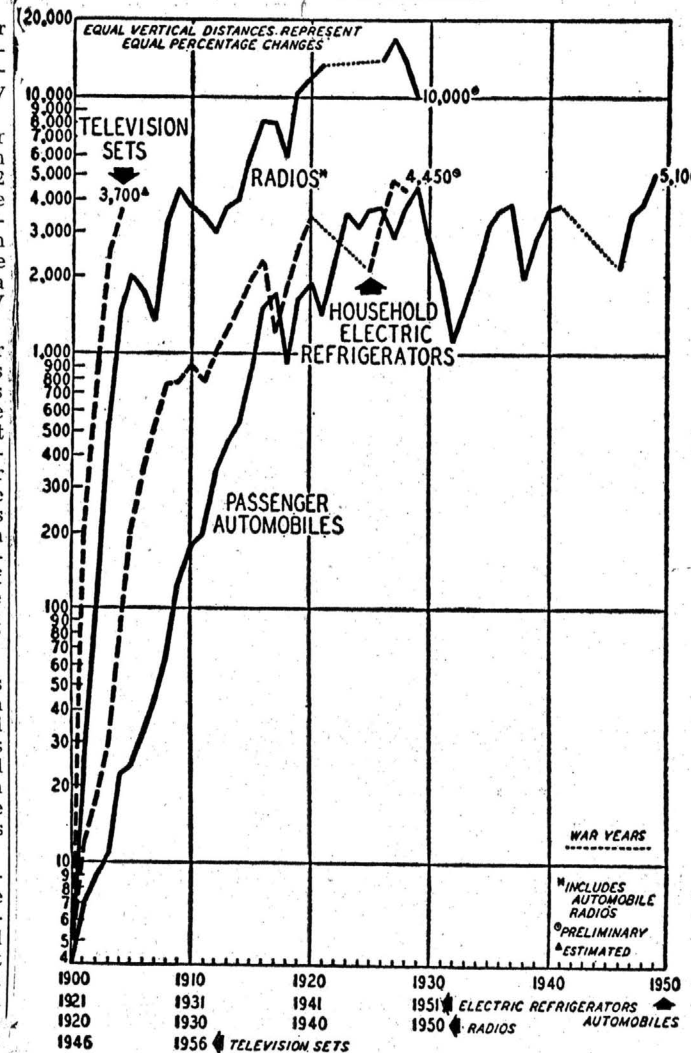
4 Growth is not necessarily so fast for new industries putting out products in direct competition with existing ones, such as rayon and frozen foods.

5 Based on figures compiled by *Printers' Ink*, McCann-Erickson, Inc. Figures used represent expenditures for television and radio time only and exclude production costs.

6 *Rorabaugh Report on Television Advertising*, October, 1949.

Chart 1: Television Grows Fastest

Production in Thousands

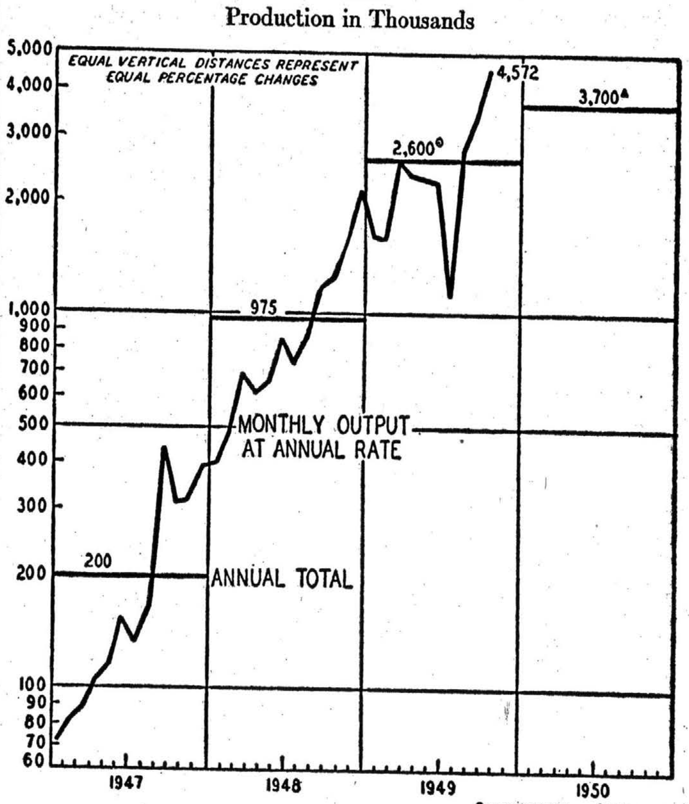


Sources: Automobile Manufacturers Association; Caldwell-Clements, Inc.; Electrical Merchandising; Radio Manufacturers Association; The Conference Board

Chart 2: Television over the Crest

Sources: Radio Manufacturers Association; The Conference Board

Production in Thousands



Based on reports to Radio Manufacturers Association by member companies and adjusted to represent entire industry.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Richard K. Paynter, Jr., Financial Vice-President of the New York Life Insurance Co. was elected a trustee of **The New York Trust Co. of New York** on Feb. 28, it was announced by Charles J. Stewart, President of the trust company. Mr. Paynter, widely known in insurance and banking, was first associated with investment banking after graduating from Princeton University in 1925. He joined the New York Life Insurance Co. in 1934, holding numerous executive positions with that company before being elected to the office of Financial Vice-President in 1949. He is a director of several insurance companies and is an active member of various clubs and societies.

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A new short-term rental plan has been announced by the Chase Safe Deposit Co. of New York for individuals and firms having need of temporary or additional safe deposit service. While box rentals usually are on an annual basis, the new plan permits leases as short as three months at approximately pro-rata cost. This new service, to be inagurated March 1, will be available at the company's head office at 18 Pine Street and 25 New York City branches.

* * *

The New York agency of Credit Suisse has received word from the head office in **Zurich** of the election, at a general meeting of stockholders on Feb. 25, of Peter Schmidheiny to the board of directors succeeding Dr. Jacob Schmidheiny who was retired. The bank also announces the retirement as a director of Professor Dr. A. Stoll. At the same meeting on Feb. 25, stockholders of the bank declared a dividend of 6% for 1949.

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The admission on Feb. 17 of seven banks in Puerto Rico as members of the **Federal Deposit Insurance Corp.** was made known on Feb. 19. The banks are: **Banco Popular De Puerto Rico, San Juan; Banco Credito Y Ahorro Ponceno, Ponce; Banco De Ponce, Ponce; Roig Commercial Bank, Humacao; Credit Union Bank, San Juan; Banco De San German, San German; Banco De Economias Y Prestamos, San German.**

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S. Sloan Colt, President of **Bankers Trust Co. of New York,** announced on Feb. 27 the election of R. H. Oxley, as Vice-President. Mr. Oxley has been manager of the London Office of Bankers Trust Co. since 1943. He came with the bank in 1927. At the same time, two other members of the staff of the London Office were raised to official positions. They are E. F. Bray and A. W. Mellows, who were made Deputy Managers.

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The election of Eric L. Harvie, K.C., senior member in the law firm of Harvie, Arnold & Crawford of Calgary, Canada, and President of Western Minerals and Western Leaseholds Ltd., to the Board of Empire Trust Co. of New York was announced on Feb. 23 by Henry C. Brunie, President of the trust company. Prominent in Canadian business affairs, Mr. Harvie holds numerous directorships including — Vice-President and Director—All-Canada Radio Facilities; Director and Member of Executive Committee—Southam Co., Ltd. and Director of Calgary Broadcasting Co., Ltd.

Willard K. Denton, President of **The Manhattan Savings Bank of New York** has announced the promotion of L. Emory Boyden from Assistant Vice-President to Vice-President. A graduate of the American Institute of Banking and the Graduate School of Banking, Mr. Boyden has been with the bank for 25 years. He has been in charge of the Rockefeller Center Office of the bank since its opening in 1943. William H. Guilfoy and William D. Clement were also promoted from Branch Manager to Assistant Vice-President. Both are at present enrolled in the Graduate School of Banking and are in charge of the bank's Canal Street and Lexington Avenue Offices respectively. Chartered in 1850, the bank is celebrating its hundredth anniversary this year. Its resources recently passed $200,000,000.

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A certificate of increase of the capital stock of the **Peoples Industrial Bank of New York** was approved by the New York State Banking Department on Feb. 16; the plans approved will increase the capital stock from $437,500, consisting of 17,500 shares of the par value of $25 each, to $750,000, consisting of 30.000 shares of the par value of $25 each. The bank is located at 855 Avenue of Americas, New York.

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Brooklyn Trust Co. of Brooklyn, N. Y., announced on Feb. 23 that its new Kew Gardens Office, at 116-22 Queens Boulevard, Kew Gardens, Queens, would open for business on Feb. 24. The new office is in charge of Harold A. Camp as Manager and Frank Stein as Assistant Manager. It is the 25th banking office of the company.

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The election of M. C. O'Brien as Vice-President of the **Lincoln Savings Bank of Brooklyn, N. Y.,** and Chairman of the bank's Mortgage and Finance Committee was indicated in the Brooklyn "Eagle" of Feb. 19. Mr. O'Brien is a trustee of the bank, and for several years headed its Finance Committee.

* * *

The directors and officers of the **Franklin National Bank at Franklin Square, New York,** announce that the bank will operate the new Elmont Office, Hempstead Turnpike at Elmont Road, Elmont, N. Y. (Nassau County) on March 4.

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The sale of $100,000 of new stock of the Roslyn National Bank **& Trust Co. of Roslyn, Long Island, N. Y.,** has resulted in increasing the capital from $150,000 to $250,000. The capital was enlarged as of Jan. 12.

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William D. Ireland, President of the **Worcester County Trust Co. of Worcester, Mass.** has been elected President of the **Second National Bank of Boston** in which latter post he will succeed Thomas P. Beal, who will assume the newly created office of Chairman of the Board. It is noted that with these changes, it will be the first time since 1857 that the Presidency of the bank has not been held by a member of the Beal family.

The directors of the Second National also established the office of Vice-Chairman of the board and elected thereto Redington M. DeCormis; they also elected Robert Baldwin and Alfred S. Woodworth to the newly created posts of Senior Vice-Presidents. The foregoing changes in the Second National Bank will become effective on July 1 next.

* * *

Announcement is made by the directors of the General Industrial Bank of New Haven, Conn., of the election of William Horowitz as President, and the election of Milton Small and Samuel Weinberg as directors. The New Haven "Register" of Feb. 21, from which this is learned, says:

"Mr. Horowitz, formerly Vice-President of the bank, succeeds Maurice Podoloff. In other official changes George E. Tester becomes Secretary and Joseph I. Sachs Treasurer. Louis Sachs is Vice-President."

* * *

The **Federal Reserve Bank of Boston** on Feb. 24 announced that the **First National Bank of Manchester, Conn.,** would open its doors for business on Feb. 25, automatically becoming a member of the Federal Reserve System. William B. Rogers, is President of the new bank, Saul M. Silverstein is Vice-President and N. William Knight is Executive Vice-President and Cashier.

* * *

The Directors of the **Real Estate Trust Co. of Philadelphia** have announced the promotion of Frank F. McCarthy from Trust Officer and Assistant Secretary to Secretary and Trust Officer, it is learned from the Philadelphia "Evening Bulletin" of Feb. 20, which states that at the same time Robert A. Bodine was promoted from Assistant Trust Officer to Trust Officer.

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The Upper Darby National Bank of Upper Darby, Pa. (a suburb of Philadelphia), reported a capital on Feb. 15 of $687,500, increased from $625,000 as the result of a stock dividend or $62,500.

* * *

George H. Lewis, Jr., Vice-President and Treasurer of the Petersburg Newspaper Corporation and general manager of **The Progress-Index,** was elected a member of the Advisory Board of **The Bank of Virginia in Petersburg, Va.,** on Feb. 20, according to an announcement by George R. Dupuy, Vice-President in charge of the Petersburg Bank, which is a branch of the Bank of Virginia at Richmond. From his graduation from college in 1927 Mr. Lewis entered newspaper work and has continued in that field with the exception of four years' military service.

* * *

The name of the **La Grange National Bank of La Grange, Ill.,** was changed on Jan. 13 to the First **National Bank of La Grange,** according to a recent bulletin issued by the Office of the Comptroller of the Currency.

* * *

Following the conversion of the **Peoples Commercial & Savings Bank of Bay City, Mich.,** to the **Peoples National Bank of Bay City,** a merger has been effected of the National Bank of Bay City with the Peoples National. A charter for the latter, which has a capital of $1,000,000 (common), was issued on Feb. 10, and the consolidation became effective on Feb. 15. Charles A. Coryell, who was President of the Peoples Commercial & Savings Bank, is President of the Peoples National; J. Stanley See, who was President of the National Bank of Bay City, is Vice-President of the Peoples National. Randall E. Graves is Vice-President and Cashier.

* * *

Myles W. Leep was elected President of the **State Bank, of Milwaukee, Wis.,** on Feb. 14, succeeding the late Floyd A Ross. Mr. Leep, said the Milwaukee "Journal," is President of William F. Zummach, Inc., paint manufacturers. Gregory B. Schaefer, Vice-President of the bank, was elected to the board to fill the vacancy due to the death of Mr. Ross.

* * *

The capital of the **Union National Bank of Wichita, Kansas,** has been raised, effective Jan. 25, from $200,000 to $300,000 by a stock dividend of $100,000.

* * *

The Third National Bank in Nashville, Tenn., reports a capital of $2,000,000, increased from $1,000,000 by a stock dividend. The enlarged capital became effective on Jan. 13.

* * *

Recent advancements in the **Trust Company of Georgia at Atlanta, Ga.,** were announced on Feb. 14 by President Marshall B. Hall, following a meeting of the directors, it is learned from the Atlanta "Constitution," from which we quote:

"Garnett O. Wood was elected Comptroller, a new position created to coordinate the expanding accounting and auditing departments' operations. C. G. Arant was named Assistant Vice-President; Morgan L. Smith became Auditor; J. D. Burke was elevated to Assistant Secretary and J. B. Richner, Trust Officer. Mr. Wood served as Auditor since 1943." The "Constitution" also said Mr. Smith had been serving as Assistant Auditor. Mr. Arant had been Assistant Secretary; Mr. Burke, who has become Assistant Secretary will continue as Manager of the Consumer Credit Department, and Mr. Richner, the new Trust Officer, has been Assistant Trust Officer for the past five years.

* * *

A stock dividend of $60,000 has served to increase the capital of the **First National Bank of Anniston, Ala.,** from $300,000 to $360,000. The capital was enlarged as of Jan. 16.

* * *

Under date of Feb. 15 the **Citizens National Bank of Waco, Texas,** increased its capital from $250,000 to $500,000; part of the additional capital accrued through a stock dividend of $175,000, raising the capital from $250,000 to $425,000, while the sale of new stock to the amount of $75,000 brought the capital up to $500,000.

* * *

Through a stock dividend of $75,000, the **Montana National Bank of Billings, Mont.,** increased its capital as of Jan. 19 from $150,000 to $225,000.

* * *

W. A. Maurer, formerly Vice-President and Assistant Trust Officer of the **Empire National Bank, St. Paul, Minn.,** was recently elected an Assistant Vice-President of **California Bank, Los Angeles, Cal.,** Frank L. King, President, announced. Assigned to the bank's main office in downtown Los Angeles, Mr. Maurer joined the California Bank staff Sept. 15, 1949.

* * *

A consolidation of the **Citizens Bank of Monrovia, Cal.,** with the **United States Bank of San Diego, Cal.,** was effected on Feb. 14 under the charter and title of the United States National Bank of San Diego. According to the Feb. 20 Bulletin of the Office of the Comptroller of the Currency the initial capital stock of the consolidated bank will be $1,000,000, consisting of $335,500 of preferred stock, divided into 16,775 shares, par $20 each, and $664,500 of common stock divided into 33,225 shares of $20 each. It is added that the initial surplus will be $315,000 with initial undivided profits and reserves of not less than $50,000. Before the consolidation the United States National had a capital of $700,000, of which $521,000 was common and $179,000 preferred. The Citizens Bank of Monrovia had a capital of $300,000, of which $143,500 was common and $156,500 preferred.

Corporate Bonds and Real Estate Mortgages Now Total 58% of Life Insurance Investments

More than three-fourths of funds were placed in these two categories in 1949.

Corporate bonds constituted the most widely used channel for putting life insurance dollars to work during 1949, with real estate mortgages a close second, the Institute of Life Insurance reports. Together, these two investment channels accounted for more than three-fourths of all new investments made in the year and at year-end represented 58% of all assets of the U. S. life companies.

Corporate bond purchases by the life companies, including railroad, utility, industrial and miscellaneous, last year totaled $3,668,000,000 and net holdings of such securities increased by $2,501,000,000 to a year-end $21,390,000,000, or 36% of total assets.

Mortgages acquired in 1949 amounted to $3,434,000,000 and mortgage holdings rose during the year by $2,031,000,000 to a year-end $12,892,000,000, or 22% of total assets.

The combined holdings of these two categories have increased since 1945 by an amount greater than the increase in total assets in that period, reflecting the greater financing provided business, industry and home owners since the war's end.

The year's new investments and holdings for the industry are reported by the Institute as follows:

(000,000s Omitted)

	Acquired				Holdings	
	December,		12 Months,		December 31,	
	1949	1948	1949	1948	1949	1948
U. S. Government securities	$172	$43	$672	$1,717	$15,192	$16,679
Foreign government securities	18	10	149	194	1,448	1,454
State, county, munic. bonds (U.S.)	25	29	224	322	1,022	864
Railroad bonds (U.S.)	16	31	133	248	2,959	2,955
Public utility bonds (U.S.)	162	268	1,320	1,933	9,438	8,489
Industrial and misc. bonds (U.S.)	219	254	2,148	2,551	8,479	6,990
Stocks (U.S.)	24	10	250	184	1,651	1,463
Foreign corporate securities	15	4	67	85	516	457
World bank bonds	----	----	10	10	55	53
Farm mortgages: Veterans' Admin.	----	----	3	10	29	30
Other	31	25	312	290	1,130	983
Nonfarm mortgages: FHA	140	155	1,365	1,214	3,490	2,404
Veterans' Administration	14	23	133	390	1,238	1,181
Other	174	149	1,621	1,517	7,005	6,263
Total securities and mortgages	$1,010	$1,001	$8,407	$10,665	$53,652	$50,265
Farm real estate	----	----	1	1	43	58
Other real estate	44	41	260	276	1,193	996
Policy loans	30	39	473	414	2,227	2,057
Cash	----	----	----	----	882	906
Other assets	----	----	----	----	1,283	1,101
Total assets	----	----	----	----	$59,280	$55,383

Business and Finance Speaks After the Turn of the Year

We are able to accommodate in this issue the concluding 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. 16, Feb. 2, Feb. 9, and Feb. 23.—*Editor.*

FREDERICK JOHNSON

President, The Bell Telephone Company of Canada

The huge postwar demand for telephone service, which has resulted in 544,000 additional telephones being placed in service in The Bell Telephone Company of Canada's territory in Quebec and Ontario since the end of 1945, is continuing unabated. Despite this growth of about 51 per cent in four years, some 91,000 applications for service and 111,000 requests for higher grades of service were unfilled at the close of last year.

Frederick Johnson

During 1949 the net addition of some 138,000 telephones brought the total in service to about 1,594,000. Local calling reached a new peak of 10,000,000 daily, while toll calls averaged 211,000 daily, a new record.

Faced with the highest demand for additional telephone service in its 70-year history, the company has a construction program designed to meet that demand. During the three-year period from 1950 to 1952, inclusive, the company estimates its gross construction expenditures at $254,000,000, of which, $82,000,000 would be spent in 1950. To finance this three-year program $141,000,000 new outside capital will be required, $52,000,000 of which must be obtained in 1950.

In October of last year, because of the steadily declining return on capital due largely to increased costs and with the needs of the huge expansion program in mind, the company sought authority to raise telephone rates to a level that would augment revenues before taxes by 20.6%. This was the first general rate increase asked by the company since 1927.

The company pointed out that it had failed to earn fully its dividend requirements in every month since December, 1948, that its surplus of $12,500,000 was being rapidly drained away at a time when most industries were building up theirs, and that its vast expansion and improvement program would be endangered—with ill effects on investors, employees and public alike—if adequate relief were not granted quickly.

The Board of Transport Commissioners for Canada, the Federal Government body having regulatory powers over the company's operations, was unable to hear the application in 1949 because of previous commitments. However, the Board has assured the company that its case would be heard at the beginning of March and that, if the proceedings were protracted, a request for temporary relief would be considered at that time.

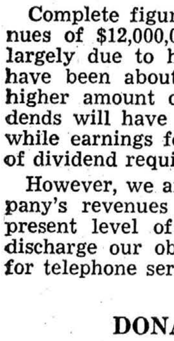
Complete figures for 1949 are likely to reveal revenues of $12,000,000 more than in 1948, but expenses, largely due to higher wages and material costs, may have been about $14,000,000 higher. Because of the higher amount of capital invested, interest and dividends will have increased by approximately $3,000,000 while earnings for the year are expected to fall short of dividend requirements by about $4,700,000.

However, we are confident that in due time the company's revenues will be so adjusted as to meet the present level of costs and enable us to continue to discharge our obligation to meet the public's demand for telephone service.

DONALD H. McLAUGHLIN

President, Homestake Mining Company

The year 1949 has been crowded with developments of the greatest significance, not only for the gold mining industry, but for the cause of sound money. In a special sense the gold mining industry has an important, abiding stake in the issue of good money throughout the world, but particularly in the United States. Throughout our history, with the brief exception of the Civil War and post-Civil War period and the years of managed currency under the guidance of "competent and responsible men" since 1933, this country has had an eminently satisfactory unit of exchange which the law has defined as a precise quantity of gold.



D. H. McLaughlin

Since 1933 our government has sought to create the impression that this country still enjoys an honest currency based on gold, but at the same time has eliminated the essential safeguards that a real gold standard must provide. The definition of a dollar as 1/35 of an ounce of gold is particularly misleading, since no American citizen is permitted to exchange the paper promissory notes which now pass in circulation for the real money which the statute protends to provide.

The only exceptions to this observation are domestic fabricators in gold and foreign governments. The latter, notably since Sept. 18, 1949, have availed themselves of their privileged right to exchange paper for real dollars and have taken out of our monetary stocks several hundred million dollars in gold.

When Sir Stafford Cripps stood before the House of Parliament on Sunday evening, Sept. 18, to announce the devaluation of the pound, he confessed in fact that the whole structure of international currency ratios was an artificial fabric resting on deception and wholly incapable of realization. His action was followed by more than thirty other countries, constituting thereby a mass confession by the greater part of the civilized world that the artificial ratios established by the schemers of Bretton Woods could no longer be sustained.

The devaluation of the British pound brought some measure of relief to the gold miners of South Africa, Canada, Australia, and elsewhere in the sterling area, but with the price in American money still held at $35 per ounce, the correction of the inequities was still only partial.

In spite of the reduced earnings of most gold mining companies, however, some of the boldest exploration and development in the history of mining have been undertaken in South Africa in the past few years. The skill with which gold-bearing reefs have been discovered beneath thick overlying layers of barren later sediments in the western extensions of the Witwatersrand and in the Orange Free State, and the assurance with which vast sums are being expended in deep shafts and development are difficult to match in any type of mining the world over. The expenditures that are being made surely reveal an abiding confidence on the part of hard-headed financial groups with regard to the prices that gold will eventually command in the world's currencies.

The results of this country's failure to maintain a sound currency based on gold are now starkly evident. The evil effects can be postponed only with the greatest difficulty. The salutary brakes which the gold standard hitherto has always imposed upon spend-happy governments are absent. As a result, the American Government in a year of almost record peacetime prosperity finds itself unable to balance the budget. Even after deducting all the charges against revenue represented by wars—past, present and future—the residue of $12,000,000,000 still far exceeds even the inflated budgets of the thirties, during which the government was meeting the charges of past wars, current defense, the normal expenditures of government, and a substantial charge of pump-priming. The fact is clear beyond dispute that, in the absence of an honest gold standard, the will to live within its means cannot be effective upon government, even when the government is as high-minded and sincere as the government of the United States.

The people of this country today are properly fearful of a revival of inflation. In spite of the extraordinary economic strength and great vitality of this country, it cannot continue indefinitely to spend more than it collects or to issue its I. O. U.'s indefinitely. It would seem to be the first order of business to devise a procedure by which this country can get back to a tried and tested currency standard in the shortest possible period.

From the geological and technical point of view, the question might well be raised as to the effect of an increase in the profits from gold mining upon total output. When the price was raised to $35 an ounce in 1933, the spread between the return to the miners and their cost of production was temporarily higher than what might be regarded as normal. The rapid depreciation of paper currencies, however, soon changed their position. With a fixed price for the product and steeply mounting costs, the gold miner is in a much more unfavorable position than he was in the early thirties when gold brought $20.67 an ounce.

When an authentic gold standard is re-established in this country it should be on the basis of a gold price that fairly reflects current costs of production. Such a gold price should also be at a level which will permit the resumption of specie payment and gold coinage without jeopardizing the nation's stock of monetary gold.

In that event, profits in gold mining would permit steady production from the major fields with development of new properties at a rate in reasonable balance with the world's needs. The discoveries in the Orange Free State and the extensions of the gold-bearing country beneath cover to the southwest of the Rand can be counted upon to offset the expected decline of the central field. Occasional discoveries in the Canadian field are still likely to be made at a rate sufficient to offset the slow decline of production from the older districts.

Within the United States, free interchange of gold and dollars at a realistic level would surely go far toward restoring the production of California mines to something like their prewar output, though it must be recognized that the major mines of this country are well beyond middle age, and a declining output over the decades ahead probably must be anticipated.

Restoration of a true gold standard is surely an objective to be desired by the gold mining industry, not only for our own good, but also for the welfare of the entire economic world.

It is not possible to reverse the course of time and re-create at this point the conditions which made the gold base of the nineteenth and early twentieth centuries practicable today. Almost a generation has passed since the American public was last permitted to handle gold coins as media of circulation. A great deal of water—political and economic—has passed over the dam in this interval. Values and value relationships have been distorted almost beyond recognition.

The first step, it would seem, should be to ascertain a value of gold through free market processes which would permit the re-establishment of a gold standard with coins in circulation. A level of gold value must be established which will not subject the substantial monetary stocks of this country to the danger of precipitate dissipation. In a world suffering from chaotic currency exchanges and subnormal trade, nothing would do more to promote wholesome trade between countries than the re-establishment of a gold base with a universally recognized common denominator for all currencies.

ARTHUR E. McLEAN

President, The Commercial National Bank, Little Rock, Ark.

What the year 1950 may hold for business is anyone's guess. In my opinion it will not be as good as 1948 or 1949. The recovery which began last August is continuing into the new year but part of this recovery has been due to the relief that fourth round wage increases, pensions being granted, and the new 75¢ an hour minimum wage rate can only mean a higher price level. This reasoning has been a big stimulant in the recent wave of buying, and once this demand has been satisfied, a slowing down of business will become noticeable. There will be price resistance on the part of the public, keen competition, and with costs higher, profits for many lines of business must inevitably suffer.

Arthur E. McLean

It is not a happy outlook that faces American business today. The increase in the minimum wage rate from 40¢ to 75¢ an hour has been too great a change. It will increase the number of unemployables and add to the unemployment and relief rolls throughout the nation. The adjustment will be painful to small business and create problems for many communities.

Farm income will be less in 1950 with lower farm prices and acreage reductions for many crops. This reduced purchasing power will have its effect on the country's economy.

Organized labor is out of hand and now enjoys the greatest monopoly ever known. To enforce its demands it can stop the wheels of commerce at any time and cut the people's very life line. Arrogant labor leaders openly threaten members of Congress with defeat at the polls if opposed in their demands. Properly defined, collective baragining means only one thing, viz.: **Surrender** or **Economic Death.**

In Washington is an incompetent and wasteful socialistic Administration, greedy for power and control over the destiny of its citizens. An Administration unwilling to curtail its reckless spending, and demanding more and more taxes from an already tax burdened people. It holds out as bait a false unsound promise of security to the people; the price to be paid a surrender of freedom.

Can the American economy successfully combat such odds and make 1950 a happy and prosperous New Year? I hope that it can.

L. L. MATTHEWS

President, American Trust Co., South Bend, Ind.

It is significant that industry and finance are entering the new year with a spirit of optimism and confidence not noticeable in January of 1949. At that time "inflation" and "deflation" were terms frequently used in discussing our future economy. Neither seems to occupy an important place in today's predictions. Nineteen-forty-nine was a surprise year for most businesses as they reviewed volume and profits at the year-end. There were exceptions, of course, but they were in the minority. In general, growth and earnings were satisfactory.

L. L. Matthews

While we have practically reached a buyers' market in most lines, easy credit, tremendous savings and the prospect of high prices for the foreseeable future should aid materially in keeping sales at a high volume until mid-year. Then, too, work stoppages in the past few months in basic industries have created shortages, the effects of which will be felt for some months to come.

Banking in the industrial centers of the Midwest has been geared to relatively high commercial activity and a minimum of unemployment, resulting in deposit growth and a satisfactory demand for loans during 1949.

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Deficit financing by the government is, of course, conducive to increase in bank deposits, and we anticipate no downward trend in this phase of banking for several months. Insurance refunds to veterans during the first quarter will be another factor toward maintaining the tempo of our present economy.

Federal and private housing projects, as well as instalment buying, should be important elements in maintaining loans at current levels.

Banks will find it difficult to increase earnings from their bond portfolios under the present monetary policy, and no doubt must seek other income sources to offset higher operating costs, which will be influenced to some extent by the new wage-hour regulations.

However, with an increased consciousness of expense control and operating efficiency, and considering good prospects of local industry, banking in this area should experience another year as satisfactory as 1949.

E. F. SCHAEFER

President, Gardner-Denver Company

We are glad to outline briefly our opinion of 1950 prospects in the various industrial classifications upon which we are dependent for our business.

In addition to general industry, which might be primarily defined as any type of manufacturing plant, the Gardner-Denver Company is basically dependent upon oil field business, contracting business, mining and transportation.

Edgar F. Schaefer

We are optimistic for 1950 in regard to the possibilities for continued activity in the construction field. Many projects such as the installation of additional tunnels to insure sufficient water supply for the city of New York have, of necessity, been postponed since the beginning of the war in 1941 and must now be completed. Construction work of this nature in all parts of the country, along with the improvement of highways and the utilization of grade separations, almost insures an active year in 1950 in the construction field.

Continued requirements for material in the construction field along with the anticipated general industrial activity and the general continued demand for all mineral products indicates that mining should expect another busy year in 1950. In a limited number of cases, the temporary over-supply of some minerals has resulted in lower prices which have had detrimental effects on operations in certain mining fields but these conditions can quickly change and, in general, prospects for mining business seem very good during the coming year.

In 1947 and 1948, the oil industry experienced almost unprecedented activity and required an abnormal volume of equipment. 1949 represented a period when some readjustments were made, of necessity, in the oil industry and this breathing space has enabled the oil industry to proceed on an even sounder basis than previously. There seems to be no question regarding the ever increasing demands for oil and gas and it is probable that the requirements of the oil industry in 1950 will approach an average between the great demands of the immediate postwar years and the adjustment period of 1949.

In the export field, all industry has, of course, been adversely affected by the devaluation of numerous foreign currencies with the result unfavorably high prices for American products prevail. However, past experience has indicated that much of this advantage of countries operating with depreciated currency is rapidly dissipated and there seems to be some reason to expect that as 1950 advances, our competitive position in practically all foreign fields will tend to improve.

In general, we look with optimism toward prospects in 1950, particularly during the first six months of the year and while it may be too much to expect to equal 1948 and 1949, we hope total sales will not be much below those figures.

FRANK A. SEWELL

President, The Liberty National Bank, Oklahoma City

Business prospects for Oklahoma during 1950 look good to me.

Agriculture, the determining basic factor in our economy, is in very sound condition. The value of crops produced in Oklahoma during the past three years, excluding all livestock and dairy production, has averaged about $400 million annually. These recent bumper crops have so fortified the farmer that he finds himself today in probably the best financial shape in his history.

Frank A. Sewell

Prospects for both crops and livestock are good at this time. Winter wheat production represents about 40% of the value of all crops, and thanks to seasonal rains the U. S. December forecast for wheat in Oklahoma this year is better than it was in either 1947 or 1948. As a consequence, wheat pasture is and has been good to excellent in most of the wheat growing area.

I am not very disturbed about acreage reduction of wheat and cotton under the government allotment plan. Wheat acreage was reduced from 7,500,000 acres to 6,000,000 acres, and cotton acreage will be cut back by about 4%. I believe the total agricultural production will be about the same as before because the best land will be planted to these two crops, increasing the per acre yield, and the surplus acreage will be planted to other needed crops such as grain sorghums, corn, hay, alfalfa, etc.

The mild Winter to date, together with an abundance of good feed and fine Winter pasture, has caused the livestock situation to be very good, too. Barring unusually severe weather conditions during the remainder of the Winter, Oklahoma livestock should enter the Spring months in better condition and in greater numbers than for some years past.

The outlook in Oklahoma's great oil industry is bright. New oil play, discoveries, and development continue apace, while older production is stabilized under proration.

Construction, both private and public, will continue, it seems, at a good pace for at least most of 1950.

Employment, while off some from the high, is nevertheless maintaining a good record.

Well-managed banks may be expected to have another good year in Oklahoma during 1950. The year probably won't be as good as either 1948 or 1949, but should be somewhere near 1949. Loan demand is expected to increase during the year with gradually strengthening rates. This continuing increase in bank loan demands will serve as a cue to the alert banker that he must place greater emphasis on a careful analysis of his borrowers' statements. Bank deposits in the state during the past three years have remained almost steady, while loans have increased nearly 50%. Bank deposits as a whole may decrease slightly during the year.

It is my belief that banks and other businesses in Oklahoma that subscribe to good management will enjoy another good year in 1950.

FREDERIC E. SMITH

Chairman, Trust Committee, First Security Bank of Utah

The trade area, which comprises Utah, parts of Idaho, Wyoming and Nevada, of which Salt Lake City is the center, looks forward in 1950 to further expansion of its industrial activities which had their beginning during the war. Since that time, beginning with the acquisition of the vast Geneva Steel Plant by United States Steel, there has been an influx of fabricators, both large and small, which has added greatly to the expansion of our economy.

Frederic E. Smith

Kennecott Copper Corporation, whose largest mine is situated in Utah, expects to complete and put into operation in 1950, a complete refinery unit which will cost approximately $20,000,000.00. This plant will produce refined copper which will be available for fabricators in this area and on the Pacific Coast. There is an important development in the chemical industry revolving about the large phosphate deposits in Eastern Utah and Western Wyoming, which not only has actuated the construction of one large plant in Pocatello, Idaho, but has necessitated the doubling of an already large plant for the production of sulphuric acid in Salt Lake City. It is expected that other plants will shortly be constructed. Salt Lake City is becoming the center of oil refining for the Mountain States. Three of the major oil companies have refineries in Salt Lake City which are supplied by two pipe lines which bring crude from Utah, Colorado and Wyoming. A pipe line for refined products has just gone into operation which will eventually move these commodities to the northwest and tidewater.

It is significant to note that the Utah Power and Light Company and the Idaho Power Company, sensing the expansive nature of our economy are in process of a construction program which within the next few years will cause the expenditure of approximately $100,000,000.00.

Preliminary figures on the census place the Pacific Coast as the most rapidly growing section in the United States and give the Mountain States second place in this classification. This shift of population is, of course, responsible for a great deal of the economic expansion in the area. It appears that percentagewise the rate of increase has tapered off a little, yet it is anticipated that the curve will remain upward for some time to come. Construction should remain at about the same levels as estimated in 1949.

The Mountain States have always depended to a marked degree on livestock and agriculture for a substantial part of their income. Consequently the prices of these commodities have a great deal to do with our economy. Taken all in all, I think that even though there is a slight dip in the price structure the general income of the agricultural areas may not suffer too much due to the fact that the growth, not only in our own section but of the Pacific Coast States, will tend to stimulate a more intensified endeavor in these lines and will produce a more diversified and more stabilized product, such as poultry, milk and cheese, which will move into the areas on the Pacific Coast now becoming more densely populated.

To summarize, it is my opinion that the economy of the Mountain States should do a little better than the average of the country as a whole, and I look forward to the year of 1950 with the expectation of at least maintaining business on a level equal to 1949 and possibly doing a little better.

WILLIAM F. WYMAN

President, Central Maine Power Company

At the close of this last decade and one of the most turbulent half-centuries in U. S. history, it is difficult to isolate business conditions in 1949 and to review them in such a manner that future trends can be accurately predicted.

Wm. F. Wyman

On the one hand, events and developments of previous years have had a tremendous impact upon business operations in 1949. On the other hand, sufficient time has not yet elapsed to permit these 1949 conditions to be impartially analyzed with the degree of accuracy needed to form predictions.

But a brief review of business achievements in Maine during the entire decade of the 40s shows that great progress has been made in most fields of endeavor. Contrary to the beliefs of some observers, this progress was not limited to a war-born temporary boom. Economic gains of the period were also consolidated into preparing plants and equipment for the postwar period of competitive merchandising. The basic pulp and paper, cotton and woolen textile industries alone earmarked some $47 million for plant and machine modernization in Maine.

During this 10-year period manufacturing establishments in Maine increased about 50% in number while the ranks of production workers increased some 25%. From 1939 to 1949 cash receipts to farmers have climbed from $47,988,000 to $211,995,000; coastal fisheries' income has jumped from $20,000,000 to $60,000,000 and payrolls in the four major industrial groups have increased from $45,755,000 to $146,908,000. The value of industrial products has risen from $174,307,000 to $580,716,000.

There are, of course, a number of factors responsible for this all-round growth and most of them are of such a permanent nature that prospects for continued progress in the future seems greatly strengthened.

The great strides which have been made in the fields of transportation and communication are two such factors. Not too long ago Maine seemed remote to the people in such centers as New York and Philadelphia, despite the fact that within a mere 500-mile radius of the State are two-thirds of the population and three-fifths of the wealth of North America. Today, Maine produce and manufactured products are sped everywhere so rapidly that lobsters can be served on tables all over the nation within 24 hours after being caught.

New methods of food processing and packing, industrial research, decentralization of industry, controlled use and restocking of natural resources and a dependable labor market have all been important factors in Maine's expansion.

The State is most fortunate, however, in the variety, abundance and excellence of its natural resources which are available for development as new methods and processes are put into operation. These resources are Maine's greatest assets in so far as continued future prosperity is concerned.

Maine's land area, which is about as large as that of the other five New England states combined, is nearly 85% covered with forests and wood lots. These supply the raw materials for the State's largest industry, pulp and paper, and the numerous wood-working plants and saw mills. Today, even the lowly sawdust is eventually used in the manufacture of certain products.

Although Maine has long supplied about one-fourth of the nation's feldspar, its other mineral resources are being studied for future development. These include asbestos, manganese, beryl, mica, limerock, peat and clay.

The State's land area also supports some 20,000 producing farm units. More than 7,500 are dairy farms and nearly 6,000 are potato producers. Poultry and orcharding are other important agriculture components. Of the nation's blueberry crop, Maine produces 75%, and 90% of its frozen or canner blueberry pack.

Maine's long coastline not only helps attract tourists, who brought $125 million of new money into Maine in 1949 alone, but also affords excellent deep water ports which in nautical miles are actually closed to east coast ports of South America than are New York, Baltimore or New Orleans.

The coastal fishing industry is important and has increased 300% in the past 10 years. Maine produces 95% of the nation's herring sardine pack, 90% of the domestic lobster catch and 75% of its soft shell clam production.

Ever since industry first started in the pre-colonial days, the rivers and streams of Maine have been a great attraction, first as a source of mechanical power, later as a source of electric power. And, just as Maine's other natural resources are still being developed, so are its water power resources.

The State's electric power is principally derived from dams along its rivers, although there are, of course, steam electric plants to supplement and back up its hydro-electric power. These were particularly valuable in supplying electricity during the abnormal low water periods of the past few years.

Three of Maine's six large rivers are located in the territory served by the Central Maine Power Company. Sixteen of the company's hydro-electric plants, with generating capacity in excess of 167,000 kilowatts, are located on these rivers. In addition, several major industries have water power installations of their own on the Kennebec and Androscoggin Rivers.

Rivers are of dependable value in making electricity only as long as they have good storage systems. Over the years storage conditions have been improved by using such natural lakes as Moosehead and creating man-made lakes such as Brassua. The newest man-made lake will come into being following the 1950 spring runoff when Central Maine Power Company's new Dead River storage project will form a lake covering 32 square miles and adding one-third to existing storage on the Kennebec River. This project was planned and the first pieces of land were purchased nearly 30 years ago.

In providing the electric power necessary to the development of Maine's natural resources in its territory, Central Maine Power Company has spent over $10 million a year during the past several years in improving and enlarging its facilities. And this program is continuing.

While the hydro-electric potential of Maine's rivers feasible of development is not, in our opinion, as great as Federal Government figures would indicate, the full development of the rivers has by no means been reached. Engineering studies are being continually made of sites which can be developed as the need arises.

Combining Maine's good supply of natural resources with the scientific and industrial developments of the past and those yet to come, add the unbounded faith and high ideals of its people, and the general outlook for the future is indeed promising.

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Securities Salesmen's Opportunities In A Changed Market

do the trick. Those who wait and sit at their desk expecting the business to come in are going to be answering the telephone less and less. In many firms such salesmen cling to their accounts with inhuman intensity. But such salesmen are human in the end and there is a turnover. Whenever the opportunity presents you should grab such accounts in order to diversify your opportunities, but you shouldn't depend on them. In order to be able to service these sophisticated accounts, it is essential that the salesman prepare himself to be of service. Fortunately for the partners of the firms, this new type of institutional salesman has developed. In many cases he has had statistical and trading department experience. He is alert and ready, he studies money conditions; from time to time he recommends to his accounts that they take advantage of changing trends; he uses all the services available in order to be able to recommend a sound purchase or sale of securities that are out of line. The institutions now are glad to see him because he contributes to their knowledge.

There is no guarantee of a bonanza in the institutional business in the future. As the life insurance companies grow larger they tend to go direct, thus cutting out the middleman. They have a tremendous advantage over the investment banker—in selling to them with or without an agent the issuer avoids the time, trouble and expense of a registration statement. The size of their individual holdings has become so great they seldom trade in and out—and from a salesman's point of view, sound turnover is a wonderful thing. I recall after a long struggle selling a block of preferred stock to the buyer for a large company that didn't want the stock but would have it at 100. A year later, when the stock was at 108, I begged in vain for a sell order. Two years later I again in vain endeavored to get him to average at 90. This week he again refused a bid over the call price.

There is a lesson to be learned from the growth of the insurance companies. The investment trusts exhibit somewhat the same growth trend. The people who are able to service them will reap a handsome reward in future years.

Potentialities of Individual Market

What about the individual market? It has greater potentialities than ever before. Many Wall Street firms are exploiting it, though probably not as aggressively as they should in their own self interest. In the meantime, the open-end investment trusts have taken the merchandising lead. While the so-called orthodox firms were doubting there was much money around for investment they were finding it. As you know, the assets of these companies now total approximately $2 billion and are still growing at a fast rate.

The sales management departments have not done a great deal for the salesman who concentrates on the individual. Many of the Wall Street statistical organizations have as much gold in them as in many mines. But, often little is done to dig it out. In addition, a hit-or-miss search for customers by the sales departments is not enough. Better methods will have to be used to locate the prospective customer more quickly. Anything that can be done to bring him into the office is important. The living on Wall Street has been so easy there hasn't been sufficient urge for experimentation. But some concerns have had real success with aggressive newspaper advertising and with radio programs. Financial advertising is in its infancy and is certain to increase in effectiveness provided the SEC continues to liberalize its attitude.

Advertising Is Effective

I am reliably informed that certain financial ads have pulled as many as 3,000 individual responses. One large brokerage firm attributes 20% of its business directly or indirectly to its advertising campaign. Advertising can locate the leads, from there on there is an opportunity for ingenuity and shoe leather on the part of the salesmen. A little head work will pay off. It is now being more generally recognized that the owners of capital have not been getting adequate coverage. Since 1929, about 30,000,000 people have died or moved into old age. Approximately 35,000,000 people have come to adult age and into their major earnings bracket in an atmosphere of New Deal antagonism toward Wall Street — these new people must be educated and informed of the proper place of capitalism in the economy and the advantages to them from investment in corporate securities.

Selling securities is probably more difficult than any other kind of selling because of the complexities of the many different types of securities, the ever-changing markets and the lack of uniformity in the prospects. But in such selling there is great opportunity which is not generally recognized. This is that there is all kinds of business available for the salesman who is alert. If the prospect doesn't want to buy a security, perhaps he has some securities that he should sell. He may not have any securities of his own, but he may direct the finances of his company. He may purchase senior securities for sinking fund or he may be ready to listen to ideas for raising additional capital or refunding outstanding issues. Many more new issues have been originated by the wide-awake salesman than by statisticians sitting at desks in the buying departments.

In concluding, I can't resist the opportunity of giving advice. If I had followed it I'd be far better off today. There is much wisdom in the old adage, "if you want to be a success do as I say not as I do." So here goes for a few suggestions which may help to tie in the important technique of salesmanship with the practical aspect of retailing securities to your clients and accounts. I have not listed them in any particular order, leaving it to you to decide their relative importance.

(1) **Know thoroughly what you are selling.** This is largely a matter of educating yourself and keeping abreast of financial developments by diligent reading and study.

(2) **Believe in what you are selling.** In this connection, I feel it is important to be with a good organization and to have a conviction that what you are offering is sound. If a salesman believes in the integrity of his firm and is convinced of the merits of the securities he offers, he is likely to convey the same feeling to his prospective clients.

(3) **Put your client's interest above all other considerations.** Remember a client is hard enough to find without jeopardizing his good will by over-trading him or loading him up with the wrong securities.

(4) **Never call on a prospective client without having something worthwhile to offer.** A person with money is usually fairly busy; unless you can offer him something he should have, he'll regret the time he spent with you waiting unsuccessfully to hear about it.

(5) **Never whine over failure to get business.** Failure should be a challenge not a cause for annoyance. Your job as a salesman is to convince your prospect. He, on the other hand, has no corresponding obligation to be convinced by you or anyone else. A good salesman will blame himself for failing to tell his story effectively, and will think up another approach for his next visit. There usually won't be another visit, however, if he has complained to his prospect.

(6) **Be selective in your calls.** One of the rules of selling is to make a great many calls, on the theory that the law of averages is bound to work in your favor. But I think to be successful, it takes **quality** as well as **quantity** of interviews. Seek out people who have money; you'll sell more securities to them and you'll learn a lot more from them. Another corollary to this rule of selling is this: Be a salesman, not a pedestrian. I think that explains itself!

(7) **Try to use all your time effectively.** By this I mean don't try to duplicate the work of others in your firm, but utilize the results of their efforts for your own and your client's benefit. Obviously, the salesman who tries to be a trader and an analyst at the same time is not likely to get in much selling. If, on the other hand, he utilizes the specialists in his firm who are qualified in these activities, he can devote his full time to finding new customers and selling them.

(8) **Try to develop a field of specialized knowledge after you have gained a general knowledge of the securities business.** It helps tremendously when competing against salesmen of other firms for the business of worthwhile clients. In fact, almost every investor likes to feel he is getting the benefit of specialized knowledge of some kind. If you have a particularly good understanding of some phase of the business, your client will take pride in his connection with you. Moreover, he is likely to tell his friends how much smarter you are than most security salesmen; such a belief can mean a sizable amount of referred business.

Suppose you decide utilities or insurance stocks or whatever are attractive currently for the long pull; it shouldn't take you long with all the information available to become more of an expert in the specialty of your selection than many of the professional buyers for the largest accounts. One salesman friend of mine has specialized in the money market. He couldn't have a better calling card with the institutions. As a result, he has obtained much business that had nothing to do with the securities selling on a money yield basis. The buyers in gratitude for his contribution to their problem, have paid him handsomely in business.

(9) **Don't be afraid to say "I don't know."** Never bluff, you can always reply "we have someone in the office who knows all about it and I'll give you the right answer tomorrow."

(10) **You will do better if you don't offer too many securities at once.** A shot with the rifle at the securities sales target is far more effective than with a shotgun. Always understate rather than overstate, for one overstatement depreciates the validity of everything else you have said.

(11) **Last but not least, try to develop and perfect the "art of closing."** There have been many sales spoiled by too much talk. He who can interest a prospect but who cannot "close" a sale is not a salesman—though he may become a polished conversationalist!

Julius Maier Opens

Julius Maier is engaging in a securities business from offices at 12 West 66th Street, New York City. Mr. Maier was formerly with Cohu Corporation handling mutual funds, and prior thereto was with Sutro Bros. & Co.

D. H. Morrill Opens

PITTSBURGH, PA.—Denzil H. Morrill has opened offices in the Union Trust Building to engage in a securities business.

B. L. Wilson in Detroit

DETROIT, MICH. — Bessie L. Wilson is engaging in a securities business from offices at 2680 Rochester Avenue.

With Lester & Co.

PASADENA, CALIF. — A. Wayne Hough has become associated with Lester & Co., 234 East Colorado Street.

J. D. Goodman to Admit

PHILADELPHIA, PA. — Joseph D. Goodman & Co., 1528 Walnut Street, members of the New York Stock Exchange, will admit G. Curtis Steinman to partnership on April 1.

Shields & Co. to Admit

Shields & Co., 44 Walnut Street, New York City, members of the New York Stock Exchange, will admit H. V. Sherrill to partnership on March 9.

Ireland President of 2nd Nat'l of Boston

BOSTON, MASS.—Directors of the Second National Bank of Boston have elected William D. Ireland President to succeed Thomas P. Beal on July 1, 1950, when the latter will take the newly-established office of Chairman of the Board. This will mark the first occasion since 1857 that the Presidency has not been held by a member of the Beal family.

The directors also established the new offices of Vice Chairman of the Board and Senior Vice President. Redington M. DeCormis, formerly Vice President of the bank, was elected to the former post and Robert Baldwin and Alfred S. Woodworth were advanced to the position of Senior Vice Presidents, also effective July 1.

Mr. Beal, who succeeded his father as President in 1923, joined the Second National Bank as Assistant Cashier in 1908. Previously, he had been associated with Kidder, Peabody & Co. and Northwestern National Bank, of Minneapolis.

Mr. DeCormis joined the bank as Vice President in 1920 and has been a director since 1923. He is a trustee of the Boston Five Cents Savings Bank.

Mr. Ireland had been President of the Worcester County Trust Company since 1942. He had previously been a Vice President of the National Rockland Bank of Boston for nine years, and prior to that a Vice President of the Fidelity Trust Company in Portland, Me.

He is a director of the Worcester County Electric Company, the Worcester Street Railway Company, the Wyman-Gordon Company and the Crompton & Knowles Loom Works; and a trustee of Bowdoin College and of the Worcester County Institution for Savings. He is a member of the Executive Council of the American Bankers Association.

The Second National Bank, which at the close of 1949 had total resources of $171,071,964, was chartered in 1832 and opened for business as the Granite Bank in January, 1834. In October, 1857, when the bank had $900,000 of capital and $487,000 of deposits, James H. Beal, the new Chairman's grandfather, was elected President. During the Civil War, under his direction the bank became the chief fiscal agent of the Federal Government in New England. Following enactment of laws creating the national banking system, the bank changed to a federal charter in March, 1864, and became the Second National Bank.

John Gleissner With Putnam Fund Dist.

BOSTON, MASS. — John H. Gleissner has recently joined Putnam Fund Distributors, Inc., 50 State Street, the general distributor of The George Putnam Fund, and will be associated in the Boston office of the company. Mr. Gleissner was formerly with Shields & Co. in Chicago.

Henry Wehrhane Dies

Henry H. Wehrhane died on Feb. 15 at the age of 80. Prior to his retirement in 1919 he was senior partner in Hallgarten & Co.

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The Lackawanna Story

of New York, was growing rapidly; therefore passenger business became of great importance and the Road of Anthracite saw in each new suburbanite not only a daily commuter but also in each family a consumer of coal and other commodities that could be brought to him only by his railroad. The position of the Lackawanna was becoming more firmly established every year and while some regimes refrained from furnishing passenger service on the Sabbath, no effort was spared in giving to the local communities and passengers, the best service that could be secured.

The D. L. & W. built its Lake Hopatcong cut-off in 1908 to 1911 out of treasury cash issuing to itself stock of the Lackawanna Railroad of New Jersey for the full cost of this project. Prosperity ran high, passenger business, aided by fair rates and low taxes, to say nothing of the Phoebe Snow slogan, was showing a profit and 10% dividends on D. L. & W. were paid regularly. In this fortunate circumstance, the stock of the Lackawanna Railroad of New Jersey was impressed with a guaranty of perpetual dividends of $4 per share per annum and distributed to D. L. & W. stockholders as a special dividend.

While the building of this cutoff was justified by operating economies, it is doubtful whether the gratuitous guarantee of the $4 dividend was good judgment.

In connection with the distribution of a 100% stock dividend by Lackawanna in 1921, it became necessary for the railroad to divest itself of its coal producing properties and a sale of such properties to Glen Alden Coal Company for $60 million in bonds was accordingly effected. It is safe to say that neither part of the enterprise has been so remunerative since the separation.

So long as anthracite was the customary winter fuel of New York and New England, the Lackawanna made money for its stockholders and so long as passenger travel could not be diverted to private motor cars, the railroad was dominant. The introduction of oil (and later gas) for house heating plus the wider use of motors for personal travel and food delivery in congested suburban areas brought a difficult time to the Lackawanna and several times in the 1930's the gross revenues fell to about one-half the amount of 1926. In fact, 1929 was the last year in which this property, once a consistent distributor of $5 per share in dividends, earned as much as $4 per share. It paid 50c in 1931 and not another cent until 1948 when 25c was paid.

Mr. White's number one job on New Year's Day, 1941, was to find ways and means to get back traffic, traffic that had been lost through reduction in the domestic use of anthracite and traffic that could be picked up competitively from connections and handled expeditiously. His job depended on licking this problem of declining traffic and, doing that, handling the increased volume at a profit.

In 1940 the Lackawanna had taken in $52 million and after expenses had only $205,000 left to show the stockholders, a mere 12c per share. By contrast, ten years before receipts of nearly $70 million had produced a net of $6 million, or $3.60 per share for the owners.

Here was a golden opportunity to create a comeback.

Dollars follow sound operation and mere volume is not the sole key to successful operation. But, 1948 revenues exceeded $91 million, net was $6¼ million and the stockholders' earnings of $3.70 per share beat 1930.

How Operations Were Improved

A railroad sells two products, freight ton miles and passenger miles. In 1930 Lackawanna passengers paid an average of 1.74 cents to ride each mile, in 1948 they paid 2.10 cents. Similarly in 1930, the Lackawanna received 1.33 cents for moving one ton of freight one mile, and after years of effort exerted toward obtaining increases, the rate in 1948 was 1.53 cents for the same service. Increases in freight rates are seldom granted on a uniform basis and even when they are, coal is usually given a limited rise.

In the eight years 1941 through 1948, Lackawanna freight tonnage increased from 22 4/10 million tons in 1940 to 29 2/10 million tons in 1948. Coal tonnage remained practically stationary but by aggressive solicitation plus superior service to Tidewater, the merchandise freight (which usually pays the higher rates) together with animal and agricultural products produced most of the increase.

The Lackawanna has for many years offered a superior service for the handling of car load lots from Buffalo to the Port of New York, particularly for export shipment. It has built up almost an overnight service in this respect and its railroad and water connections at Buffalo favor this accomplishment.

Even when new business is secured we must weigh the cost of services in order to appreciate the satisfactory results obtained in the years of White's management.

In 1941 payrolls took 44 4/10% of revenues but while revenues were increasing so were wages and the 1948 payroll took 48.9% of gross.

Fuel and material costs rose too from 17 8/10% of gross in 1941 to 18 9/10% in 1948.

To show how careful one must be in controlling expenses, the balance of revenues in 1941 available for additions and betterments and other corporate purposes was 5 9/10% of gross. It rose to 6 8/10% in 1948 but in dollars it nearly doubled.

To convert motion into profit in railroad service, one must intensify the use of every facility. When White took charge in 1941, the average number of tons of freight per loaded car was 23.58 but by 1948 it was 30.86. In the same period the number of loaded cars in each freight train increased from an average of 54.08 to 62.08. Motive power must also be pressed for better efficiency and the number of gross tons (contents plus car weight) in each revenue train mile increased from 2,112 tons in 1940 to 2,816 tons or over 33%. In 1948, the gross tons carried one mile for each hour of train movement reached 42,000 tons, a very satisfactory figure.

Mr. White was in charge during the entire war period and like others suffered from lack of supplies and equipment. In 1941, the Lackawanna was able to put into service only three new box cars and six new steel barges but was forced to retire 173 freight cars and 13 pieces of other equipment. No one dared let a locomotive get beyond repair.

By the end of 1948 the equipment position was thoroughly improved. From 1945 to 1948 the Lackawanna purchased 1,748 box cars, 1,100 hopper cars and 39 Diesel locomotives augmented by 300 box cars, 600 hopper cars, 15 Diesels and 38 passenger cars in 1949. With incidental equipment the total cost will exceed 36 million dollars, a sum nearly six times the net income of 1948, a banner year. The re-equipment program is now practically completed. The cost of "machines" needed to keep pace with technological improvement is higher today than ever before, therefore, their usefulness must be strained to the limit for the depreciation charge on old machines does not keep pace with the rate of obsolescence. To illustrate, in the last eight years Lackawanna retired 4,234 freight cars and 151 steam locomotives. Some of its steam locomotive shops are for sale. All new motive power since 1941 has been deisel and the efficiency has improved, resulting in lower power costs.

The physical plant is greatly improved and the Lackawanna is today in better state both as to equipment and condition of road than for many years. In anticipation of a 40 hour week for non-operating employees the first eight months of 1949 saw a great deal of road work done that will carry a long way into the future.

We must now watch for the benefits. It should not surprise anyone that from October 1949 onward the operating ratio will start to decline and that a distinct saving in transportation expenses (the actual operation of trains) will be noted even if traffic declines to a moderate degree. This will be the result of planning and true management.

On the operating side we must agree that Bill White has fulfilled his job.

Financial Problems

The growth of the D. L. & W. from its start as a local coal carrying railroad in Pennsylvania to the present Lackawanna System serving three highly populated and industrialized states had been accomplished by the leasing of connecting railways. Some of these were built by or in the interest of the D. L. & W. but as each came into the System, the parent undertook to pay as rental a fixed rate of dividend on leased line stocks and in many instances the principal and interest of their bonded debt. Because the D. L. & W. as a corporation had no funded debt, the charges for interest on its obligations were almost negligible but its commitments to lessors reached a peak of $7,700,000. in 1932 and 1933. With other charges added, they were reaching the point of embarrassment.

In the days prior to March 1, 1913 little thought was given to the possible effect of Federal Income Tax regulations on leases which promised a fixed and perpetual rental to the stockholders of one railroad when its property was leased to another. The D. L. & W. like many othe reastern railroads had entered into leasing agreements right and left, had promised rates of annual dividend up to $12 per share, and the lessors, accepting these payments, had passed the cash out to their own stockholders in full.

The record does not tell whether Bill White spent any sleepless nights worrying about the Lackawanna's finances in 1941 but it is certain that some of the investors in the leased line issues were unhappy.

The Lackawanna itself owed very little except for equipment but as lessee it was faced with an annual charge of nearly 6⅓ million to support the leases including such important mileages as New York, Lackawanna & Western, Morris & Essex, etc.

The Lackawanna had furnished no funds to the leased lines to pay any possible Federal Income Tax on that part of rentals represented by leased lines guaranteed dividends and after this had continued from 1933 to 1939, the Bureau of Internal Revenue took action. It demanded its levy for these years and a promise for the future.

The D. L. & W. had regularly paid to the stockholders of the lessor companies the stipulated amounts of rental. The Lackawanna was naturally concerned over the contention that such direct payment to stockholders gave rise to a Federal income tax liability on the part of the lessor company on the theory that the lessor company had constructively received the income, and that under the terms of the leases the Lackawanna was obligated for that liability. Had the contention been sustained the Railroad's liability for guaranteed rentals would have been increased proportionately.

In 1942 the U. S. Circuit Court of Appeals for the Second Circuit held that the leases did not render the D. L. & W. liable for Federal income taxes of the lessor companies on the rental payments and the Bureau of Internal Revenue thereupon enjoined future payments of guaranteed rentals to the stockholders of the lessor companies until the tax was collected.

While its own skin had been saved by the decision, it was up to the Lackawanna to find a solution that would allow the holders of leased line stocks to receive their income as promised.

It was a nice delicate situation to hand to the new president when the D. L. & W. was equally involved elsewhere by reason of its share of the State of New Jersey Tax Claims.

In the years of 1932-1940, the railroads in New Jersey had run up a balance of back taxes amounting to $34 million. A large part of this was interest and penalties. The Legislature tried to enact a law providing for annual payments on account, waiving of penalties and reduced interest on deferred amounts. The Lackawanna's share was to be 7¼ million exclusive of penalties. While the railroads never had the true benefit of installment payment, the fight over the constitutionality of the statute gave some period of grace and improved earnings enabled the State to collect in full from the solvent roads. The ultimate cost to Lackawanna was in excess of $15 million.

The leased lines situation was settled by the device of replacing fixed guaranteed "dividends" with "interest charges" which would be partly fixed and partly contingent on earnings. The revenue act was appeased by payment of the back Federal income taxes, initially by the Lackawanna, but ultimately 50% by the Lackawanna and 50% by the holders of the contingent interest bonds.

The merger program was develepend in a most resourceful way by the Counsel for the Lackawanna and while it could best be described as boot strap financing, it remained for White to make it effective by putting the property on its feet.

Briefly the plan was this: If the D. L. & W. had guaranteed 5% on the stock of a leased line, the Federal Income Tax on the lessor company would be roughly 40% of the payment. But if the D. L. & W. were to merge with such lessor company and give the old stockholders 60% of par in a 5% bond secured by a fixed charge on their own property, they would get the same fixed income as would be left after taxes, then the D. L. & W. would also give 40% of par in a 5% bond upon which the interest would be deferred until one-half of the back tax was made up and after that the bond would be entitled to interest if earned. As a general refinement the new bonds, both fixed and contingent interest, would be entitled to a sinking fund payment annually out of net income, as defined. Until the new fixed charges were reduced to an annual amount of less than 4½ million, the new bonds bearing contingent interest were to benefit by a junior general lien on the lines of railroad owned or operated by the D. L. & W. and on equipment owned by it theretofore unmortgaged.

It is satisfying to note that as of March 1, 1949 the annual fixed charges dropped below 4½ million and the lien has been satisfied.

The series of mergers which were submitted to the various lessor companies in 1944 were all completed by 1946. Some differed from others but all were of a pattern and with the tax claims of the Federal Government out of the way, the sum of fixed and contingent interest plus percentage sinking fund afforded by the new bonds equalled the amount of guaranteed dividends in most cases. Small minorities of guaranteed stocks were acquired for cash.

The result of the program has been aided by the ability of the Lackawanna to buy so many of its securities at sharp discounts because the state of the market has given little indication of the radical improvement in Lackawanna credit that has taken place since 1944.

Reduction in Fixed Charges

When William White became President of the D. L. & W. in 1941, the company had beside its guarantees of debt and dividends the following obligations of its own:

Equipment trust ctfs.___	$5,842,000
Loan from R.F.C.______	2,000,000
Loans from banks______	900,000
Debts to equipmt. mfrs.	1,050,180
	$9,792,180

In addition, the claim of the State of New Jersey covering back taxes on railroad property for the years 1934-1940 was hanging over his head and three issues of bonds on the Ferry Companies were due in a few years. The application of funds to the payment of debts of all character must of necessity come from earnings or savings in operations because at the end of 1940 the cash funds were only $3,790,671.

The sources of cash savings from operations afford a greater amount of funds for these purposes than is indicated by the figure of net earnings after all charges as shown in the annual income account. These cash funds may be shown as follows:

	1945	1943	1947	1948
Net ry. oper. income	$2,347,900	$5,109,258	$8,322,247	$11,362,804
Depreciation road __	1,531,942	1,500,202	1,528,503	1,484,034
Depreciation equipt.	2,570,711	2,485,619	2,610,215	2,780,060
Amortization ______	4,275,510	------	------	------
Cash available ___	$10,726,063	$9,095,079	$12,460,965	$15,626,898

During this period application of cash was substantially as follows:

	1945	1943	1947	1948
Fixed charges _____	$6,439,547	$5,192,557	$5,170,856	$5,034,888
Contingent charges_	113,360	551,090	569,134	564,362
To reduce debt and tax arrears ______	4,666,891	4,259,737	3,870,042	5,134,028
	$11,219,798	$10,003,384	$9,610,032	$10,733,278

While the table of cash available does not take into account small sums of miscellaneous income and miscellaneous income charges, it should be emphasized that the New Jersey tax arrears paid in 1945 ($2,845,162) were for prior years. The current taxes on property have been taken out before stating available cash income.

It will now be appropriate to examine the changes in publicly held securities of the System for which the D. L. & W. was obligated in most cases for principal when due but in every instance for interest and dividends. Here the great improvement in financial condition may be seen at a glance.

Principal of bonds	$86,758,000
Guaranteed stocks	42,794,680
Total	$129,552,680

Starting with May 1, 1944, an early point in the merger program, the D. L. & W. was faced with fixed charges for its leased lines as follows:

Interest	$3,540,845
Dividend	2,585,167
Fixed charges	$6,126,012

As a result of the mergers and an aggressive policy of debt retirement the total divisional debt was reduced to $114,169,300 as of Oct. 31, 1949. Annual charges then were; fixed interest $4,393,225 (a reduction of $1,732,757) and contingent interest $589,674. The reduction in capital liability was $15,383,380 in four and one-half years.

Cash expenditures for the Lackawanna for the years 1941 through 1948 included the following:

To R.F.C. and banks	$2,900,000
To N. J. back taxes	15,133,074
To retire equip. obligs.	12,132,348
To pay for grade cross.	296,888
To reacquire securities	10,316,889
	$40,779,199

The program of equipment purchase has been completed, at least for the present and there is no indication that the amount of equipment obligations, $21,195,107 principal amount on Oct. 31, 1949, will be increased in the near future. These obligations mature over a space of 15 years, the final installment being due in 1964. The recent issues and some of the older ones overlap in series so that maturing equipment obligations plus annual interest call for $3,495,000 in 1949 and $3,352,000 in 1950. At present the annual charge for Depreciation of Equipment is $3,120,000. After 1950, the cost of maturing equipment obligations plus annual interest thereon declines rapidly and on a 15-year basis, the annual average is $1,572,382 or about one-half the annual depreciation charge on equipment alone.

The Benefit to Lackawanna Stockholders

In the early days of 1949 the D. L. & W. had reached the relatively comfortable position of having reduced annual fixed charges on its funded debt to a level below $4,500,000. Notice of this accomplishment was filed with the Trustee of the Junior General Mortgage on Aug. 29, 1949 whereupon that mortgage was satisfied. The benefits to stockholders aside from the important fact that fixed charges have been reduced over 25% are as follows:

(1) The first lien on the original D. L. & W. lines in Pennsylvania in favor of the contingent interest bonds has been canceled.

(2) The general lien on equipment similarly created has also been canceled.

(3) The D. L. & W. has acquired in 1947-1948 and holds unpledged 60,000 shares New York, Chicago & St. Louis Railway common stock representing nearly 18% of the equity in that important property.

This result has been no mean accomplishment for the short period of four years and was done without public financing or outside help.

The Lackawanna has succeeded in putting its physical and financial houses in order and has acquired an important interest in Nickel Plate looking to a merger in the future, all by employing its own talents and resources. If any stockholder of 10 years' standing has been disappointed in the fact the D. L. & W. has paid its stockholders only a total of 50c per share since 1931 to date, let him be more thankful for the decidedly improved position of his company rather than for the two bits he received in 1948 and 1949.

The creditors' position, particularly that of the holders of the first mortgage bonds, has been radically improved. The ability to meet future interest charges is more clearly demonstrated and of course, the opportunity to reacquire its own bonds for retirement was aided by the desire for liquidation by some bondholders who could not recognize an improving situation.

By far the largest unit holding in Lackawanna stock has been that of the New York Central which for many years had held over 132,000 out of 1,688,824 shares but in the last two or three years other large holdings of the shares have shown at annual meetings in the name of brokers, one of whom held 215,000 shares at the 1949 election. Such increase in concentrated holdings (there were other nominees for relatively large amounts) indicates an appreciation of the important place Lackawanna is destined to play in the transportation field.

The Lackawanna serves as an important part of two established routes, one from the Middle West to the Port of New York and the other from the Middle West into New England. The former is made up of Nickel Plate and Lackawanna and the second of Nickel Plate, Lackawanna, Delaware & Hudson and Boston & Maine. Both routes are direct and more important both routes must use Lackawanna from Buffalo to Binghamton.

In addition to its Tidewater connections, the Lackawanna has many points of contact for freight interchange in both Pennsylvania and New York and its interest in Lehigh & Hudson River Railroad, a freight line only, affords a direct outlet for all-rail coal via the New Haven into New England.

The importance of Lackawanna's purchase of Nickel Plate at a price of, say $50, now quoted above $100 in the market, is best seen when the railroad map is studied. Nickel Plate, once owned by New York Central, fell into the hands of C. & O. and was distributed to its stockholders as a dividend. Its lines reach from Buffalo to Detroit, Chicago and St. Louis, and it has recently leased the Wheeling and Lake Erie. It is a profitable property, operating at a low ratio and in excellent condition. Its debt and charges are low, having been reduced materially since 1932.

The Nickel Plate and Lackawanna in combination have afforded a complementary service for both freight and passengers for many years. Their competition has come from New York Central and Erie, both of whom have their own lines—New York to Chicago. Other competitive routes connect at Buffalo as Wabash to the West and Lehigh Valley to New York. A merger of Nickel Plate and Lackawanna would be desirable and effective. Furthermore, it could be accomplished without fear of a claim that competition would suffer. The Lackawanna holdings in Nickel Plate are sufficient to warrant an assured position for D. L. & W. at any merger discussion.

The eight years of White's Presidency has been a rebuilt and re-equipped Lackawanna capable of economical operation; a reduction in fixed charges of over 25%; an increase of cash on hand from $3,790,000 to $5,290,000, plus temporary cash investments of another $5,304,000, enough to pay all charges for more than one year; and last, but importantly, an investment in New York, Chicago & St. Louis as a free asset worth over $6,000,000.

The position of stockholder, as well as creditor, has been greatly improved and the outlook is materially better than before. Whatever the contribution to these results has been brought about by general conditions, the fact remains that Bill White has fulfilled the stipulations of the job he undertook in 1941. The present management is young in spirit but adequately experienced—it should give a good account of itself in the future.

Heavy Attendance Anticipated at Meet'g Of Eastern IBA Group

Approximately 500 investment men are expected to attend the special conference meetings in Philadelphia next week to discuss and study problems affecting the man with average income, and the larger individual investors faced with overburdening taxation, as well as questions currently concerning businessmen — from the smaller business man to the railroader or utility operator.

That's the scope of the forum meetings arranged for the Eastern Pennsylvania Group of the Investment Bankers Association, starting at 10 a.m., Wednesday, March 8, at the Warwick Hotel, Philadelphia.

Municipal Forum, with Herbert V. B. Gallager, Yarnall & Co., as Chairman, will hear William G. Laemmel, Vice-President of the Chemical Bank & Trust Company, speak on Federal Housing, and Hon. William S. Divengood, Secretary of Internal Affairs of Commonwealth of Pennsylvania, on the subject of "Authority Issues."

Public Relations Forum, T. Johnson Ward, Merrill Lynch, Pierce, Fenner & Beane, Chairman, will be addressed by Robert A. Magowan, partner of Merrill Lynch, Pierce, Fenner & Beane, on merchandising securities.

At the luncheon meeting, Gardner Symonds, President of Tennessee Gas Transmission Company, will speak on the importance of natural gas to the economy of Pennsylvania.

Railroad Forum, R. Victor Mosley, Stroud & Co., Inc., Chairman, will have Julius H. Parmelee, Vice-President of the Association of American Railroads, speak on trends in railroad traffic and earnings, while Marshall Dunn of Wood, Struthers & Co., will point out guide posts for railroad investors.

Public Utility Forum, John S. Malick, Fidelity-Philadelphia Trust Co., Chairman, will have P. L. Smith, President, National Association of Electric Companies, tell the effect of Government activities on electric companies. Nelson Schaeman, partner of Smith, Barney & Co., will speak on the outlook for the utility industry.

The dinner meeting will be addressed by Albert T. Armitage, Coffin & Burr, Inc., Boston, President of the Investment Bankers Association. He will be followed by Murray Shields, Vice-President of the Bank of the Manhattan Company, who will speak on the need of insuring our technological future.

Smith, Talbott & Sharpe

PITTSBURGH, PA.—Smith, Talbott & Sharpe has been formed to engage in the securities business from offices in the Empire Building. Partners are Robert A. Smith, Richard W. Talbott and Ian S. Sharpe.

Wilson, Johnson Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Eugene E. De Lay has become affiliated with Wilson, Johnson & Higgins, 300 Montgomery Street.

Securities Salesman's Corner

By JOHN DUTTON

Good health is a necessary requisite for achieving results in sales work. Most good salesmen are both mentally and physically healthy. The other day I heard a young man about 32 years of age make the leading address when he was installed as the new head of a southern college. Within the short space of two months since he has come to this community of about 80,000 people he has captivated the imagination of everyone—the press, the students, the townspeople. He has poise, personality, a good voice, intelligence, good manners, but he also can take it. It has been a continuous round of speech making, of picture taking, of banquets, of interviews. He has had to be on his P's and Q's. He is following a great leader of this school who has built up a small beginning into what it is today. That takes brain work and thinking, too. You can't make many slips at the beginning in this sort of spot. This is a selling job, too. All college presidents have a big selling job today. Try and get money for a college—that is what they do, among other things. But people are now saying that this new man will do things. He's got the health and the stamina for it.

If you will check over your own acquaintance with salesmen you will find that very few of these "lukewarm" fellows ever made good. The man who drags himself out of bed in the morning and take a leisurely breakfast, then strolls lazily into his office and immediately goes out for another cup of coffee, then comes back and doodles a while before he makes a few half-hearted calls, isn't the kind of man who is going to make a success out of motivating anybody. I'd rather see a man make a blunder by being over-aggressive than by not trying hard enough. You can cure psychological blunders, you can learn tact, you can modulate your voice, but there is little you can do for the fellow who hasn't enough glandular energy to grow enthusiastic over anything.

Enthusiasm is a vital and living thing. A man who is half dead physically can't carry conviction. A man who is tired can't inspire faith or belief in what he is selling. A man who is under par will tire easily. Selling is a battle of wits. Every man is different. The only reason any man gives a salesman a **valid** objection is that he is literally **asking** the salesman to **sell him.** Invalid objections are those which are frivolous. But if a man has a need and you know it; if you think you can better his position by helping to fill that need, you have to show him the way. Sheer animal magnetism is not enough. The healthiest fellow that ever lived couldn't sell anything on health alone. But if he has sales ability, training, and knows his product, and he can back it up with the power that can enthuse and lead (not drive) that man can sell!

I once knew a life insurance man who made selling a fine art. He worked five days a week—but to him it was play. He worked—there wasn't enough time in the day. Then on Saturday he played, and nothing could get him back to business when he was playing. On Sunday he went to church and he rested. But come Monday morning he was at it again. Six-feet-two, and healthy all over. This is how he kept that way. He arose at 6:30. He took 10 minutes of light setting-up exercise and then spent the next 20 minutes shaving and showering. He had a good breakfast—no toast and coffee for him. He rode to his office and he arrived at eight o'clock. He always took at least an hour for lunch. If he didn't go home for dinner he would go to his club, shower up again and have a leisurely dinner. If he had a night appointment he made it. Every other night he had at least seven hours sleep and sometimes he would get seven-and-a-half. He said he was too busy to worry. The rest of the time he ate, slept, worked, and sold life insurance. Saturday he played golf, or went hunting (if it was in season). I asked him about his social life. He said, "I almost forgot, the Missus always has Wednesday nights and Sunday evenings, when we entertain or join with friends." There was nothing in this schedule that a well man couldn't do—but one that was not healthy had better not try it.

If you are well you can take the rebuffs that are bound to come in sales work. In some lines it takes thirty or forty calls to get a sale. Think of it! How many men in other lines of work could lose thirty-nine times before they won. Why they would go all to pieces and quit. But we salesmen take answers like these day after day: "Not in; don't want any; come back later; wait till Christmas; your firm is this or that; I am not interested; what's the use of changing, I've got a good broker; don't like the outlook; wouldn't buy gold dollars for 50 cents, etc., etc." Keep well, stay well, it's your best asset. In this business you need your health more than in any other.

Edward H. Heller to Open Own Offices

(Special to THE FINANCIAL CHRONICLE)

ATHERTON, CALIF.—Edward H. Heller is engaging in a securities business from offices in Atherton. Mr. Heller was formerly for many years a partner in Schwabacher & Co.

Danford, Brewer & Co.

SAN FRANCISCO, CALIF. — Danford, Brewer & Co. has been formed with offices in the Russ Building to specialize in mutual investment funds. Principals are Porter R. Danford and R. Glen Brewer.

With First California

(Special to THE FINANCIAL CHRONICLE)

RENO, NEV. — L. Stanford Reese is with the First California Co., 35 Sierra Street.

Allan Kadell With Homer O'Connell Co.

Homer O'Connell & Co., Inc., 25 Broad Street, New York 4, N. Y. announces that Allan Kadell is now associated with their firm.

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Wildrid C. Aldous is with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

With Investors Diversified

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Frank S. Fuhr, formerly with William Walter Securities Co., is now associated with Investors Diversified Services, Inc.

Continued from page 8

DuMont and the Television Industry

is this "freeze" that we have had on in Washington, on the allocation of new stations. In September, 1948, the Federal Communications Commission put a "freeze" on any grants to new stations and that has been in effect since that time. So far, the industry has been able to move ahead in spite of that, but various leaders in the industry are fearful that it is going to catch up with us one of these days, and we are putting on a lot of pressure to see if we cannot get a little run down there and have the "freeze" lifted. This "freeze" on allocation of new stations originally started because of interference between Cleveland and Detroit. In that particular allocation, they put the stations too close together. There are only 90 air miles between Cleveland and Detroit, and they found out, with that separation, one station interferred with the other. However, the experience has been that when stations are 200 or 225 miles apart, there is very little difficulty, and the industry originally asked the Federal Communications Commission to hold up, to take a look at the situation and make the changes before they went ahead with additional allocations.

Well, about the time the thing was ready to be cleaned up, Senator Johnson, who is the Chairman of the Interstate Commerce Commission, came out with a blast against the industry, stating that it had color all developed and it was holding it back selfishly, and so forth and so forth.

Agitation for Color

It disturbed the Commission enough so that they decided to hold hearings on color before going ahead with the allocations. We have had hearings on color. They started in December of last year and they are still going on. Later this month, we are going to have some more color demonstrations and then, after that, there will be some more hearings. The attitude of the Senator and one of the FCC people, namely, Commissioner Jones, has been that until the industry accepts color, they are not going ahead with these allocations. I don't know how long they can keep that going, but so far they have been able to hold up any allocations throughout the country.

Now, there is no technical reason for that. Various tests have been made to indicate that they can go ahead with allocations immediately, and if, when and as color is ready, color can be fitted right into the picture; in other words, stations transmitting the black and white or color need only be separated by the same distances, and there are no particular problems in that connection; so there is no reason why they couldn't go ahead immediately and make these allocations instead of holding back and keeping the industry from progressing.

The present distribution of stations in this country is that you have 98 stations operating in 58 market areas. That leaves the difference between 140 and 58 as your main market areas, so you have a very large number of areas where there is no television whatsoever. Furthermore, in 39 of the 58 areas where you do have television, you have only a single television station, and we have found that as far as the sale of receivers goes, it is much greater in a town that has two, three or four stations than in a single-station town, where the owner of the set has no choice whatsoever as to the programs he can receive; so that if we can break up this "freeze" in Washington, it is going to mean a lot to the industry.

Transmitters Held Up

Obviously, our transmitter division this year did not do nearly as well as we would like to have seen it do. It is pretty hard to sell transmitters when the Government says you can't put them up.

RCA and ourselves and GE, the three major manufacturers of transmitters, have simply been marking time until this is over; in other words, this "freeze," so far, as far as the sale of receivers is concerned, has not hindered the industry but we are afraid that if we do not have expanding markets, we can't continue to progress at the rate we have been progressing.

The operation of this "freeze" has also affected our network operation materially. At the present time, the stations have done considerably better than most people thought they would do. Various surveys show that somewhere around one-third of all the transmitters in this country are now in the black; one-third are about at the break-even point; and one-third are losing money. The general consensus was that it would be quite a bit longer period of time before this would have happened, but that is the situation today.

Networks All Losing Money

As far as the networks are concerned, they are all losing money. In our particular case, we have three company-owned stations, and if you add the income up from those three stations, we are well in the black. But on our network operation, the feed to the 53 or 56 stations throughout the country, we are definitely in the red there, and we don't see where we can overcome that until this "freeze" is over. The situation is simply this: that we have to buy the cables on a monthly basis from the telephone company, and where you have only a single station in a lot of these towns, you have four networks that split the fee; in other words, it may be 25% for each network or it may be some variation of that; so that we have these cables each network has cables to all these spots, and we can only use them a small portion of the time and get revenue back. The minute this allocation thing is over, you will undoubtedly have three or four stations in these various towns, and the operation of the network at a profit should be a very simple proposition.

Color TV Reviewed

I would like to go briefly over the situation on color television, because that is something in which I think you people would be interested. There have been three systems of color television proposed down in Washington: one by the Columbia Broadcasting System, one by RCA, and one by CTI; that is, Color Television, Inc., of San Francisco. The system proposed by Columbia is similar to the one they proposed in 1941 and then they proposed it in 1946 and now it is up again. It is a system that uses a rotating color filter in front of the cathode ray tube. It is known as the field sequential system. In other words, each picture is in a different color.

These three particular systems all differ in their method of transmitting the color; that is, in the Columbia system, one picture is in red, the next in green, and the next in blue. In the RCA system, each little dot in the picture changes color—a red dot, a green dot, and a blue dot. And in the Columbia system, one picture changes color. So each system is entirely different from that one angle. But the Columbia system is the only system that they have proposed that is a mechanical system.

The industry generally has not been particularly keen about going ahead with the mechanical system or the Columbia system.

In 1941, their proposal was for 343 lines in the picture; in 1946, it had gone up to 525 lines in the picture; and now it is back down to 405 lines in the picture. The present black-and-white system is 525 lines. One of the objections that the industry has to the Columbia system is that the detail in the picture is only one-third the detail that we get in our present black and white; in other words, there is both the horizontal and vertical resolution that you have to consider there. In addition to its being 405 lines and the black and white being 525, their horizontal resolution is only 180 lines as against 330 lines for the black-and-white system. So that if you add it all up, they have about 85,000 elements in their picture as against 220,000 in the present black and white. The industry generally feels that in order to have a satisfactory system, we should have a system where we start off at least with the detail we have in black and white and then add color to it. Their philosophy is that color is so wonderful that it more than makes up for the loss in resolution.

Disadvantages in Columbia System

There are other disadvantages as far as I am concerned, and as far as most of the industry is concerned. in the Columbia system. They transmit only 24 pictures a second as against 30 pictures a second with the present black and white. That means that the brilliance of the picture can be only 25-foot lamberts as against the brilliance in our present system of 100-foot lamberts before you get any objectionable flicker. If you bring the color picture up bright enough, there is a very objectionable ficker in the picture.

Another thing about the Columbia system, on their own admission, is that they cannot get any picture bigger than from a 12½-inch tube; in other words when you go to a bigger picture than that, the scanning disc gets so immense that it is impractical, and with the trend in the industry to larger pictures, we think that is a very definite limitation.

Last year, the most popular set utilized a 10-inch tube; this year, at the present time, 12½-inch sets are the most popular and the trend is very definitely toward the 16-inch tube now; so that I believe that by the end of this year, there will be more 16-inch sets than any other type, and we even think that next year it may go up to 19-inch. We think that is about the upper limit, that you won't have big sales with a much bigger picture than that. But with your color system limited to the 12½-inch, with relatively poor detail, a picture that can't be too bright. we think there are too many limitations there.

In addition to those particular things that I have spoken about, you also have the fact that the Columbia system is incompatible, so-called; in other words, a transmitter transmitting the color picture with the CBS system cannot be received on present receivers, and it is pretty well a major operation to take the present receivers and convert them for the Columbia color system. You have to get inside the set, you have to change the power supply, you have to change the sweeps, and then you have to put this big scanning disc, not inside the cabinet, because it will not fit in there, but put this big cabinet in front of the set, and you are also up against the proposition that if you decide that you don't want to look at the pictures from Columbia but you want to look at the standard pictures, you have to move physically that scanning disc away from the front of the set in order to see the regular black-and-white pictures; so that it is a system that just doesn't fit in with our present system at all, and would cause a lot of conflict generally.

The RCA System

Now, the second system, the so-called RCA system, has a lot of development work to be put on it before it is anywhere near a practical commercial proposition. They had several different types of receivers at the demonstrations. One of the receivers used three cathode ray tubes; in other words, with a filter in front of these tubes, or, in some cases, the fluorescent salts were colored—the red, green and blue tubes—and then they focussed pictures from each one of those tubes onto a common screen, and the experience in this country, by and large, has been that even with black and white the projected picture is not too good, and when you try to put color in there, it is very much poorer, because you just can't get enough light in the picture to make it satisfactory.

Well, after the second or third day, they withdrew the projection-type receivers, and they had another type of receiver which they were showing, which utilized three cathode ray tubes of the normal size, and in front of each one of these tubes they had what is known as a dichroic filter, and these tubes are so arranged that you look in a shadow box, and the mirrors, these dichroic mirrors, give you the proper picture. Each one takes out a certain color, and you look at the picture, and it is a picture in color. Those particular sets with the so-called direct viewing tube did have fairly good brilliance. But the difficulty of this mirror arrangement is such that if you get five or ten degrees from the tube, you can't see it. It is in the shadow box, and more or less has to be on account of these mirrors; so it has a very great objection from that standpoint.

From another standpoint, the cabinet for that particular set with the three cathode ray tubes instead of one is really massive, and it just doesn't work out very well.

Furthermore, the RCA system at the present time uses exactly one hundred tubes in this color television receiver. Now, you are familiar with the normal black-and-white receiver today. That uses from 18 to about 30 tubes in the receiver, so you can just see there a lot of other things I could tell you as to the difficulties of the system, but those are just a few highlights to indicate that it is a long way off before they are going to be able to work out that system.

Now, it does have an advantage from this standpoint, that it is a so-called compatible system; in other words, they can transmit the pictures in color, and all the receivers that are out today can receive those pictures in black and white and get fairly good pictures with them. Nothing has to be changed whatsoever in the receivers that are out today in order to receive the color transmissions in black and white. Obviously, if you want to receive the pictures in color, if you want to convert your present set, you have a major operation. I don't think it is practical in the RCA system or the Columbia system. I think it really means buying another set if you want to get color; but at least the sets have been sold on the basis of being designed for reception of black and white and everybody will be able to continue along that line, if you use a compatible system.

The CTI System

The third system is the CTI system and I am not going to say very much about it. It is a projection system similar to the one which RCA discarded, as far as the projection angle is concerned. It has only 10 pictures per second, and there is a very objectionable crawl and flicker in it, and I think that is even further away from possible commercial development than the RCA system.

I am simply going hurriedly over the problem of color, but the point is that nobody in the industry thinks that we should go ahead with color. The only people who think we should go ahead with it are these two people I mentioned, namely, Senator Johnson and Commissioner Jones. The last time when we standardized on black-and-white television, you had everybody in the industry that asked the Commission to consider standards. This time, you have nobody in the industry asking for color standards, but they are just trying to tell the industry what it should do; so that we have a little problem there to straighten that out and really get rolling in the situation.

Industrial Use

On the matter of the networks, there is one interesting thing that we are starting with, in order to try to make the network pay before this "freeze" is over. You may have seen it in the paper recently. We have set up an arrangement so that any industrial concern can come to us that wants to have a general meeting of all its branches throughout the country, and they can have the meeting right in our studio, and in each city they can have their representatives there, and they can see the people in New York or Chicago or wherever it is. The whole thing is over the cable. It doesn't go over the air, so it is a private conference, where you can tie all the cities together in the country and demonstrate a new product or government policy, or anything you want.

We have had a fair amount of interest in that and we have some scheduled, but it is an attempt to utilize the cables that are not making money for us in this way, and it may be a very useful device even after we have use for the cables full-time.

We have tried on our network to overcome the particular high cost that some of these programs require. I don't know whether you have noticed it, but a number of the programs we are now putting on have four or five sponsors over an hour, and each one participates. So far, we have been able to line up a fair amount of business; in other words, national advertisers that are not big enough to carry the full-hour show by themselves, split it up, either four or five ways, and run a participation show. We are also doing that same thing on our daytime programs. You see, we have a program for, say, an hour, and we have four minute spots in there, where the local station can sell those and increase its revenue; instead of taking a half-hour or an hour show, they just take a participation for either 20% or 25% of the total amount.

The outlook, as I mentioned previously, for this industry looks extremely good, and it will look still better if we get this allocation problem solved.

Lewis Adams Opens

(Special to THE FINANCIAL CHRONICLE)

GLEN ECHO, MD. — Lewis A. Adams is engaging in a securities business from offices at 1 Tulane Avenue.

Business Man's Bookshelf

Monetary Policy and Economic Prosperity — Testimony of Dr. W. W. Stewart before the Macmillan Committee July 3-4, 1930 —American Enterprise Association, 4 East 41st Street, New York 17, N. Y.—Paper—50c.

New German Constitution, The —Arnold Brecht—Reprinted from Social Research for Dec., 1949—Institute of World Affairs, 66 Fifth Avenue, New York 11, N. Y. —Paper.

New York: The Poor Man's Reno—Richard H. Wels—Reprinted from Cornell Law Quarterly, Winter 1950.

Peaks and Valleys in Wholesale Prices and Business Failures—Roy A. Foulke — Dun & Bradstreet, Inc., 290 Broadway, New York 8, N. Y.—Paper.

Social Security: Fair Words or Buttered Parsnips—Jo Bingham—Reprinted from 20th Century Economic Thought, Philosophical Library, 15 East 40th Street, New York, N. Y.

Six Easy Ways to Recognize a Bad Check — C. H. Fletcher—Fraud Detection and Prevention Bureau, 2515 West 82nd Street, Chicago 29, Ill.—Paper—$1.00.

With Sam'l B. Franklin Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Michael C. Niccoli is now associated with Samuel B. Franklin & Company, 215 West Seventh St. He was formerly with Fewel & Co. and Gross, Rogers & Co.

Two With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Paul R. Hackstedde and John W. Moore are with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Daugherty, Cole Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—Raleigh F. Graver is now associated with Daugherty, Cole & Co., 729 S. W. Alder Street. In the past he was with Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co.

With Link, Gorman Co.

(Special to THE FINANCIAL CHRONICLE)

GREEN BAY, WIS.—Curtis G. Hartstern is now with Link, Gorman, Peck & Co., Northern Building. He was formerly with Gillespie & Wouters.

Two With Dayton Bond

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO — Aaron H. Sullivan, Jr. and Fred C. Williams have been added to the staff of the Dayton Bond Corp., Third National Building.

With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — David I. Elterman has become connected with Leo Schoenbrun, 1385 Westwood Boulevard.

O. L. Johnson Opens

MIDLAND, TEXAS — Otto L. Johnson is engaging in a securities business from offices at 104 North Loraine Street.

Continued from page 5

The State of Trade and Industry

stores and apparel stores. The largest increases in wholesaling failures were in the food trade and in commercial service.

STEEL OUTPUT SET AT SHARPLY LOWER RATE FOR CURRENT WEEK ON DIMINISHING COAL SUPPLIES

Steel producers this week are surrendering grudgingly, though inevitably, to the coal shortage, according to "The Iron Age," national metalworking weekly, in its current review of the steel trade. Steelmaking operations are scheduled at 70% of capacity, down 18½ points from last week's rate of 88.5%. Even this rate is tentative. It will be revised sharply downward if no coal is mined again this week. Production of coke and pig iron have been cut back far more drastically than steelmaking. Another week of these reduced operations will bring the ingot rate down with a bang.

Steelmakers have gambled that the coal-labor crisis would be resolved before their operations were greatly affected and as a consequence have held production at a high level despite their rapidly disappearing coal stocks. Although their policy in the past had been to bank furnaces when coal stocks were reduced to about two weeks' supply, some companies, this time, have already extended themselves beyond that danger point.

At the same time steelmakers have kept their operations at a high level, they have been reaching out for every ton of coal they could get their hands on. Much of this has been expensive and of poor quality. This has caused steelmaking costs to jump, the magazine notes.

Most steelmakers have greatly increased the proportion of scrap steel being charged into their openhearth furnaces. This partly explains why some companies which have cut coke making and blast furnace operations to a mere 25% of capacity have still been able to keep their steelmaking rate at near 75% of capacity. But there is a limit to how far their ingenuity can be stretched, this trade authority adds, since for most companies it will be reached this week.

The shutdowns will naturally aggravate the current strong demand for steel products. Steel men generally had expected demand to continue strong through the second quarter—if they were allowed to continue operating at a high rate. But the feeling now is that the clamor for steel will be extended into the third quarter.

This week the steel market is reflecting familiar characteristics of former times. Demand is at a very high level, with conversion activity increasing rapidly and the return of the gray market on a limited scale. The return of the gray market is being prompted by steel consumers who have juicy orders for their products but who have been unable to get harried steel producers to promise delivery of the material they need.

So far, most conversion arrangements have been going pretty well on schedule. This week the pressure from this direction is being accelerated by the efforts of one big steel consumer to buy up all available ingots. Much of this tonnage could be converted into usable steel items even of the coal crisis continues, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 73.7% of capacity for the week beginning Feb. 27, 1950. This is a decline of 15.1 points from last week's rate of 88.8%.

Operations continued to decline steadily since the Jan. 16 week, as coal reserves reached a precarious state.

This week's operating rate is equivalent to 1,404,900 tons of steel ingots and castings for the entire industry compared to 1,692,800 tons one week ago. A month ago the rate was 93.1% and production amounted to 1,774,700 tons; a year ago it stood at 100.5% and 1,852,700 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT CURTAILED FURTHER BY REDUCED CONSUMPTION DUE TO COAL STRIKE

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 25, was estimated at 5,854,259,000 kwh., according to the Edison Electric Institute.

It was 77,092,000 kwh. lower than the figure reported for the previous week, 295,052,000 kwh., or 5.3% above the total output for the week ended Feb. 25, 1949, and 602,324,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS DROP FURTHER AS COAL STRIKE CONTINUES

Loading of revenue freight for the week ended Feb. 18, 1950, totaled 560,116 cars, according to the Association of American Railroads. This was a decrease of 8,725 cars, or 1.5% below the preceding week this year, due to a further reduction in coal shipments.

It also represented a decrease of 137,219 cars, or 19.7% below the corresponding week in 1949 and 244,821 cars, or 30.4% under the comparable period in 1948.

AUTO OUTPUT IN LATEST WEEK EXCEEDS PREVIOUS WEEK'S LEVEL

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada rose to an estimated 126,737 units compared with the previous week's total of 123,712 (revised) units.

Despite work stoppages which have resulted in a production loss of some 170,000 vehicles this year, United States car and truck builders have reached the one million-unit mark two weeks ahead of last year, Ward's said. The million mark in 1949 was not attained until the week ended March 12.

The total output for the current week was made up of 95,904 cars and 22,941 trucks built in the United States and 5,844 cars and 2 048 trucks built in Canada.

The week's total compares with 118,815 units produced in the United States and Canada in the like 1949 week.

BUSINESS FAILURES TURN DOWNWARD

Commercial and industrial failures dipped to 210 in the week ended February 23 from 218 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were considerably more numerous than in the comparable weeks of 1949 and 1948 when 180 and 93 occurred respectively. They remained noticeably below the prewar total of 267 in the similar week of 1939.

Failures involving liabilities of $5,000 or more declined to 155 from 166, but exceeded the 149 of this size reported a year ago. A slight increase appeared among small casualties, those having liabilities under $5,000, which rose to 55 from 52 and compared with 31 in the corresponding week last year.

Manufacturing failures fell in the preceding week, but this decline was almost offset by an increase in commercial service, which reached its highest total since the week ended May 5, 1949. Little change occurred in other industry and trade groups. All lines except manufacturing had more businesses failing than a year ago, with the rise marked in retailing and service.

WHOLESALE FOOD PRICE INDEX LOWER AFTER FOUR WEEKS' RISE

Declining for the first time in five weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell 3 cents to stand at $5.83 on Feb. 21, from the six-month peak of $5.86 recorded the week before. The current index, however, is still about 1% under the comparable 1949 figure of $5.78.

The index represents the sum total of the price per pound of 31 foods in general use.

WHOLESALE COMMODITY PRICE INDEX HOLDS TO A NARROW RANGE

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued in a narrow range last week, closing at 249.16 on Feb. 21, as compared with 249.20 a week previous, and with 257.41 at this time last year.

Trading in grains on the Chicago Board of Trade was comparatively light last week. Price trends were generally firmer although daily movements continued in a narrow range. Cash grains were in fairly good demand with limited offerings easily absorbed aided by buying by export and milling interests. Tightness in the cash wheat market was attributed to the large amount of that grain in the government loan.

Trading in the domestic flour market was fairly active late in the past week although aggregate bookings were only moderate with most mills. Export flour buying was rather slow. Cocoa values trended easier, reflecting lagging demand for actuals and large arrivals over the past several weeks. The raw sugar market showed signs of steadying following a further drop at midweek to the lowest levels since June, 1948. The coffee market displayed a slightly easier tone. Warehouse stocks of coffee in the Port of New York showed a further moderate increase in the latest week.

Domestic cotton prices continued upward last week, touching new high ground for the season on Saturday, Feb. 18.

On Monday of last week, however, prices suffered the severest losses in over a month as the result of liquidation in the spot month, coupled with profit-taking and hedge selling.

Early strength in the market reflected continued activity in mill and export price-fixing. Also lending support were the relative scarcity of offerings and the announcement by the CCC that, for the present at least, sales of 1948 pooled cotton would be made at a price sufficient to cover all costs incurred by the government on such cotton.

Consumption of cotton for the period Jan. 1 through Jan. 28, as reported by the Bureau of the Census, totaled 734,186 bales, against 674,283 in January a year ago. Consumption for the season through Jan. 28 amounted to 4,340,000 bales, a rise of 3.3% over the same period last year when 4,200,000 bales were consumed. Entries into the government loan stock continued to decline in volume.

RETAIL TRADE CUT SLIGHTLY BY ADVERSE WEATHER AND HOLIDAY—WHOLESALE TRADE VOLUME APPROXIMATED 1949 WEEK LEVEL

Adverse weather through much of the country plus one less shopping day were instrumental in moderately curtailing retail buying in the period ended on Wednesday of last week, according to Dun & Bradstreet, Inc., in its latest weekly summary of trade. While total dollar volume rose proportionately with that for the similar week in 1949, it remained slightly below the level for the 1949 week.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1 to 5% below that of a year ago. Regional estimates varied from the level of a year ago by the following percentages:

South, Midwest, and Northwest —1 to —5; Southwest and Pacific Coast 0 to —4; New England +3 to —1; and East —2 to —6.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 18, 1950, showed an increase of 1% from the like period of last year. In the preceding week no change was registered from the like week of 1949. For the four weeks ended Feb. 18, 1950, sales reflected an advance of 1% from the corresponding period a year ago, but for the year to date show a decline of 4%.

Retail trade in New York the past week suffered from unfavorable weather as was true for most of the country, and as a consequence, department store sales dropped to about 8% below the comparative week of 1949.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 18, 1950, fell 5% from the like period last year. In the preceding week a drop of 5% (revised) was registered from the similar week of 1949. For the four weeks ended Feb. 18, 1950, a decrease of 3% was reported from the like week of last year. For the year to date volume decreased by 7%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity."

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As We See It

consideration to this aspect of last week's election results, even if the British have repeatedly shown in the past that they are less likely to fall victims of such a state of affairs than the more inflexible, doctrinaire and emotional peoples across the English Channel.

Other Aspects

There are, however, certain other aspects of the voting last week which appear to us to be fully as important, and, in the confusion of current comment, much more likely to be overlooked. What in the collection of nostrums offered by the Labor Party did the British people show apparent hesitancy in accepting? Possibly, the best way to arrive at the proper answer to this question is to take careful note of those programs or policies of the socialists which were not in any real way challenged during the campaign. Of course, the Labor Party made much of its slogan "fair shares for all," but this phrase, like so many which become political slogans, cannot be assigned a precise meaning in terms of programs and policies.

Very much the same can and must be said of a good deal of the campaigning by the Conservatives. One of their most widely used set of catch phrases ran about like this: "High cost of living is the high cost of socialism. Conservatives will run things the practical way." Precisely what the "practical way" would be, deponent saith not. Here obviously is a situation rather strongly suggestive of the Dewey campaigns in this country. A good deal of the controversy, evidently, centered about the way in which certain things, heretofore quite out of keeping with the thought of free countries, would be done, rather than whether or not they would be undertaken at all. There was not even a pretense of attacking a good deal of the so-called progressive program of the Labor Party—except possibly by indirection and that as to the cost of it rather than the basic nature of it. And as to the cost of it, little was explained as to how the Conservatives would do the same thing at lower cost.

Some Real Issues

On the other hand, there were certain fundamentals upon which the two leading parties definitely and unequivocably hung horns—which is rather more than could be said of most of the recent Presidential elections in this country. There can be little question that the Conservatives, had they been placed in power, would have called a halt on nationalization of industry. Indeed they were definitely committed to a repeal of the law for the public ownership of the iron and steel industry. The Labor Party was as definitely committed to a vigorous prosecution of the socialization program already started. As things now stand, as a result of the voting last week, little is likely soon to be accomplished in further socialization. Another election with a definitely larger majority in favor of nationalization and all the rest that goes with socialization will be required to put the breath of life back into this movement, although, of course, it is not to be forgotten that slightly more than half the voters of that bedeviled land voted for this program.

As to most of the remainder of the "Welfare State," which the Labor Party has set up or has been engaged in setting up, the Conservatives attacked the costly way in which the work had been done, and the annoying degree of controls which had been imposed upon both business and the rank and file of the people, rather than the program itself. Their promises definitely were, not to eliminate them, or many of them, but rather to reduce their cost and to reduce, if not to eliminate, the controls to which, under Labor Party management, they have given rise. Thus a hostile, or even a realistic, critic might very well allege that in very significant degree the Conservatives endorsed the principle of "fair shares for all," indeed were definitely for them, their disagreement with their opponents being merely that they knew how to assure them, possibly to increase the product to be divided, at much lower cost than did the Laborites, and thus would be able to do all that the Labor Party was doing for the poor (now known as the lower income groups) without burdening any one so heavily.

We Are Skeptical!

Well, it is hardly for us to say what can and what cannot be done in Britain, but we cannot refrain from expressing strong skepticism when it is said that the medical services program now in effect in that country can be continued; the vast network of "social security" now in effect maintained; all the concessions now vouchsafed to the wage-earner retained, and the rest which go to make up the so-called Welfare State as exemplified in that stricken country—that all this can be done, and at the same time reduce taxes and reduce or eliminate controls. Indeed it is an open question whether it really can be done over any great length of time with or without crushing taxation and shackling controls. The fact of the matter is that Britain today is not producing enough to support itself even on that scale to which it had become accustomed before the war, and nothing that is now being done promises to bring that production up to the point where such living will again be possible (on their own) —and it is a vast improvement over this prewar standard that is being promised by the Welfare State.

For our part, we should have felt uncertain about the economic future of the British people even if the Conservatives had won a thumping victory at the polls last week.

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Are We Financing Insolvency Abroad?

credit systems and even to devalue their currencies, all to please us? Did they not plan singly and collectively to accede to the wishes and advices of their American mentors? They point proudly at the production indices which prove, allegedly, that Europe is working harder than ever. In terms of such gross indices, whatever they are worth, the industrial output of most ECA countries is well ahead of the average of the last prewar years. In some cases even foreign trade has risen above prewar levels. Also tremendous progress has been made in reconstructing, expanding and modernizing wardamaged dwellings and plants. Excluding our former enemies, the bankrupt nations have "accomplished" full employment and raised living standards, in addition to having overcome the much advertised communist menace.

Self-Glorification

Such is official Europe's line of self-glorification by mutually contradictory claims—e.g., how does the raising of living standards jibe with "austerity"?—naively echoed on this side. A typical example is Labor's election manifesto entitled, "Let Us Win Through Together." Having dragged Britain through one crisis after another, the party now brags about its success in dispensing full employment and fair shares for all without saying a single word about American loans, Marshall aid and similar "details" which made possible its Utopian experimentation. But it does say what obviously is contrary to the truth:

"In Europe great strides have been taken towards the creation of a new economic and political unity. No country has given more leadership to this great movement than Great Britain."

The Marshall Plan did contribute significantly to physical recovery: to boosting the volume of output and the level of consumption—for the time being. The trouble is that its results stop right there. It is one thing to keep a bankrupt firm going with the aid of ever-fresh charities, and quite another thing to put it on its way as a going concern. To have ignored the difference between an artificially bolstered and a genuinely self-supporting production is the Number One mistake of what is called International Finance.

Concept of Marshall Plan

The theory underlying the Marshall Plan was that Europe should first be given the food, fuels, feed, fertilizers and raw materials, then the machines and equipment that would enable her to escape "chaos" and to start producing. Once consumption standards are restored and the technical apparatus put in shape, output will grow until, by 1952, it will be large enough to supply the domestic needs as well as to leave over an exportable surplus. It was assumed, too, as axiomatic that intra-European good will and confidence would be reestablished automatically, ending the allround commercial warfare and reopening the channels of normal trade and capital flow.

What was forgotten is the very essence of the capitalistic system: its financial motor. Artificial industrialization as well as a high level of current production and mass consumption can very well go hand in hand with a progressively worsening financial status, with the respective countries "teetering on the brink of economic disaster." We have helped to build a shining edifice without providing any other foundation but the shifting sand of temporary stopgaps—to bolster a system that ignores the springs of human action and confuses productivity of investment with technological efforts, self-liquidating entrepreneurial activity with the construction of pyramids, agricultural progress with the breeding of subsidized "white elephants."

The truth is that our international planning and spending are instrumental in, if not responsible for, the perversion of the outer world's economic process into a shaky facade of make-believe expansion.

Europe's Plight Due to Too Much Money—Too Little Incentive

It is common knowledge that Europe's plight is due to too much money and too little incentive. The price-profit mechanism that determines the direction and the results of economic activity is being distorted in many ways. The facts have been so widely discussed that it is difficult to enlarge on them without risking to be platitudinous. What is less understood, however, is our contribution to prolonging the bankruptcy of nearly all foreign nations which, supported and directed by a $35 billion postwar American spending, with more under way, have lost much or most of their monetary reserves and apparently even the hope of becoming self-reliant. After having gone through the devaluation wringer, their currencies are "backed" by glimmering budgetary deficits, open and camouflaged credit inflations, unbalanced international accounts, trade-suffocating restrictions, bureaucratic strait-jackets, industrial unrests, wholesale capital malallocations, unduly high labor costs per unit of product, etc., etc. To make the disequilibrium complete, they are heading—thanks to our aid—for huge excess capacities in steel, tin plate, oil refining and numerous other lines.

Countries coming out of a physical cataclysm need fresh capital. The "classical" position that they should reconstruct themselves by eating less and saving more — perhaps for generations—has the charm of logical simplicity. It made sense in the early 19th century when people lived off their own soil, when the amount of heavy machinery and foreign raw material used was almost negligible, and when practically no political problems of an international scope were involved. To apply the same medicine in 1946 would have been very shortsighted. But it is worse than shortsighted to keep providing capital, on a large scale and with no end in sight, with virtually no strings attached. That will be our contribution to Europe's debacle, unless World War III beats us to it.

The question is not whether nations in distress should be helped. The question is, (a) what is "distress"? And, (b) what are the terms of aid which would promise that the aid will turn out to be helpful—that it would end the need for further aid?

Europe's Suicide Threat

That the "distress" period is over is proved by the fact that the only persuasive argument to the contrary is the threat of Bolshevism which is used profusely to blackmail this country. The unreality of that threat has been discussed in my previous article ("Commercial and Financial "Chronicle" of Jan. 26, 1950). It may be added that if the Westerners should voluntarily embrace Communism, which is virtually out of the question, the system they will choose will not be of the Stalinite variety. It will be Titoism or none; and if so, they would become more powerful allies against Stalin than they are at present. A totalitarian state, especially one forced into self-defense, is more likely to arm to the teeth than a democratic setup does, the emphasis of which is on social security and wealth redistribution — relying on Uncle Sam's armaments. Be that as it may, the war fears of Europe have almost evaporated since early 1949, and with them vanished a powerful motive responsible for capital flight. Even the cold war has lost its psychological and some of its economic (negative) significance, disregarding Germany and Austria.

The fact that the threat of suicidal self-bolshevization is dangled constantly in front of us goes to show how effective our anti-Russian propaganda is — to our own disadvantage. Marshall Plan instalments still are being sold under the "defense angle" (as is a growing number of domestic pork-barrels) to the American taxpayer. By doing so, we convince our wards that come what may, they can expect aid as long as the American sheep can be frightened by the spectre of the Russian wolf.

Financing Insolvency

There are more reasons why the Westerners think that our aid is inexhaustible. We have convinced them not only that we need their protection for our military security—or their support for our "imperialism"—but also their markets for our excessive production. They take it for granted that instead of tumbling into a depression, Uncle Sam will rather "sell" abroad even if he gets nothing in exchange. Our own publicity has spread the further idea that our means are virtually unlimited or at any rate sufficient to cover the "few" billion dollar annual deficit of Europe. Moreover, Europe has been lulled into believing that it, rather than any other part of the world, will be the permanent beneficiary of our need for military allies as well as for crutches to suport this industrial giant walking on the clay feet of an undigestible over-production.

Frozen Economies

It has been said many times that U. S. subsidies amount to financing socialism abroad. They finance more than that, unless socialism is the collective term to cover all roads to insolvency. The ingrained conviction that we will carry our "Allies" along no matter what they do, encourages them to do as they please. What Europe pleases to do is, in effect, not socialism in any of the several meanings of that ideal. That is not even the avowed goal of the majority of ECA countries. Britain is the only one among them in which the ruling class is definitely set on as much as a partial realization of clearly collectivist objectives.

To call such systems socialistic is to give them undeserved credit. Essentially they constitute attemps to freeze the economic status of all concerned—the pressure groups. That is the real nature of Welfarism, Full Employment, Social Security, Fair-Share-for-All set-ups, stripped of all ideological embellishments. Whether bank president or coal miner: the job should be secure, and the "normal" income that should go with it. Since risk-taking is virtually eliminated, why should one earn very much more than the other? The idea already was spreading over Europe in the 1930's. In particular, the Corporate States of Mussolini and Salazar strove to attain it, with half-way imitators following them on all sides. Under new names, and with greater emphasis on unionized labor than heretofore, the same approach prevails, more or less, in present-day ECA countries including those ruled by non-socialistic parties.

U. S. Financing "Security"

Unconsciously, we are providing the financial wherewithal to sustain these dreams of complete economic security for almost everybody — with the ultimate prospect of near-complete lack of opportunity for anybody (other than politicians and black marketeers) to rise beyond his status which is defined arbitrarily to the blatant disadvantage of powerless groups.

Both the practice of capitalism and the ideology of socialism must be profoundly perverted to fit into the pattern of freezing policies under the control of centralized bureaucracies. The basic trend should be borne in mind. The underlying longing for security expresses itself even in such typically medieval attitudes as the resistance of workers (even of entrepreneurs) against innovations, industrial and farm mechanization and against new marketing techniques or interferences with the traditional ways of doing business. Freezing of interest rates, wages, salaries, prices, living standards, as much as possible, are the concomitants. No change of elected governments will affect the attitude of people imbued with this philosophy.

"Stabilizing" Instability

The philosophy of "stabilizing" everything, including instability (change) itself, calls for regimenting technological and social progress as well as the individual's quest for self-betterment. But, of course, such a line of policy runs unto untractable obstacles — into dollar shortage as the immediate and poisonous derivative of the conflicts between the interests of the "selfish" individual and the wisdom of the Managers. That the unnatural tendency to hold back the clock of history goes as far and lasts as long as it does, is possible only under two conditions. The "stabilization" (protection) of vested interests has to be stabilized itself by making the respective country independent of world markets, hamstringing international trade and capital movements. And the cumulative effects on one's own balance of payments have to be mitigated by stop-gap pallitatives and—by free dollars. Which is what the Marshall Plan provides.

Global Planning

But the Marshall Plan is not just a device to spray dollars on drying-up economic fields. It is a grandiose planning instrumentality as well, the most ambitious one ever attempted in peacetime and on an international scale. Just what are the rules—other than the arbitrary arithmetics of distribution among the recipient nations—by which the allocation of funds takes place? Each participating government submits its requests; they then are "checked" by the American authorities and approved almost without exception. But by what standards are the "needs" determined? If a new steel plant is demanded, or new equipment for textile mills, more cotton or more oil—merchants, firms or farms to be equipped scarcely ever are checked on the intrinsic economic merits of their respective claims for dollars. The "business" of financing the world's greatest investment venture is being transacted as a matter of international displomacy, subject to the poltically concocted "plans" of each individual country. "Control" is based on national statistics of production, consumption, exports and imports, etc. Open criticism of one government by another is permissible only if the one happens to be—Germany. What is totally ignored as a frame of reference is the simplest and most reliable of all standards, the only rational gauge of efficiency: the profit accounting for each venture into which capital is to flow.

Planning Without a Yardstick

That yardstick does not influence ECA's Four Year Planners any more than Russia's Five-Year Plans (or maybe less so). In this context, an English industrialist's post-devaluation notes (in "Bankers' Magazine," London, October, 1949) deserve to be quoted extensively:

"By omitting the introduction of the financial yardstick, that is to say, the price mechanism and some kind of penalty for non-fulfilment of objectives, no inducement has been offered to save dollars.

". . . As an industrialist, I have not been required to prove the profitability of my project but only that the import was essential to maintain production or that it would lead in due course to a reduced dollar demand.

"There is no doubt that up to the present the Marshall Aid dollar was the cheapest commodity in the world and that its method of allotment offered no incentive to save dollars. . . . Nothing . . . is being done to set up economic incentives or penalties, which would . . . reduce future dollar demands. All Marshall Aid indents appear to have again been built upon quantitative requirements or global amounts in the new allocations. . . . The artificial cheapness of the Marshall Aid dollar will persist while it continues to be allocated at official (exchange) rates.

"The administration of Marshall Aid not only introduces an inflationary tendency but, by its mechanism, acts as a brake to the development of free national economies and prevents the emergence of new ideas. . . . It does so since it directs all industrial demand and effort through government machinery which naturally uses as its criteria past performance and favors the big schemes of public utility undertakings and established industries. The lending menchanism which existed before the war has largely been destroyed.

"It would seem that in a number of countries the attitude is quite openly: 'Let us get as much as we can. Whatever we get, it costs little or nothing and makes our lives easier.' In others, it is contended that the nature of the country's needs prevents the adoption of any yardstick."

Effect of ECA Aid

ECA policy favors, intentionally or otherwise, governmental enterprises notoriously run at a loss; the big and long-established units, whether profitable or not. The net result is to strengthen the monopolistic hardening of economic arteries, and to promote reckless investing in long-term schemes far beyond what a rational calculus of available resources—especially of "dollar resources"—should have permitted. Domestic over-investing is one of the causes of internal inflationary pressures as well as of balance of payment deficits. It absorbs too great a portion of imported materials and labor, and distracts production from export objectives. Without Marshall Planning, the dire necessity to do first things first would have compelled Europe to a far sounder management of all economic potentials—with much less dollar shortage, if any.

It would be unjust to omit mentioning that ECA also has exerted its influence in directions definitely favorable for "loosening up" Europe's congealing trend. Its much too gentle pressure for less monetary inflation and more trade liberalization has had salutary effects—especially so now, since Congressional dissatisfaction has shaken up the perennial optimism of Mr. Paul Hoffman. But so far, his exertions in the right direction have been too little, if not too late. Asking for a European Union, as he does now, is tantamount to postponing the problem of Europe.

Substantial reforms to break the vicious hold of commercial bilateralism and monetary unilateralism at the economic throats of the respective nations will entail serious adjustment crises — which might have been avoided if we had not missed the right time—right after the war.

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Some Benefits of Immediate Return to Gold Standard Money

vious, should set an encouraging example for other countries should hasten the removal of restrictions by other countries, and should in the end make their road back to redeemable currencies much easier.

(4) *Great Domestic Social Benefits Should Be Invited*—In so far as the basic money of a nation can be an influential factor in the economic life of a people, the introduction of redeemability should instill confidence and provide incentive for more saving, more investment, more production, more trade and, consequently, more and safer prosperity.

This has been the common, though not universal, experience of a people following resumption of specie payments.

The consequences depend much upon the management of credit and the behavior of all the other forces that affect production and prices. A good basic monetary system, like good strong rails on a railway, is a great facilitating instrument and, moreover, contains some elements of safety. But neither provides an insurance against the consequences of human foolishness, or stupidity, or recklessness, or bad management. Although the institution of redeemability should invite great social benefits, bad fiscal and banking policies and practices could precipitate a serious situation despite the existence of a gold standard and redeemable currency. The problem is to get good monetary management under the restraints of a redeemable currency. The solution is not to be found in freeing money managers from these restraints.

(5) *People Would Have Direct Power Once More Over Their Public Purse and a Protection Against Socialism*—Power to control the government's use of the people's purse would be returned to their hands where such power belongs. The fact that they might exercise that power slowly or too late, as has been the case sometimes in the past, does not alter the fact that the constant threat of its use tends to keep a government and the banks within bounds which do not raise fears. Every individual would be free to exercise his own judgment as to what percentage of his dollars he would prefer to put in gold in an effort to protect the value of his savings. If, with this freedom of choice, people are misled and fail to take the proper protective measures, they cannot charge their misfortune to a lack of power to use their own judgment. With a redeemable currency at their disposal, they would have a power not possessed today, and, it seems reasonable to suppose, if our government should continue with its programs of profligate spending and dissipation of our national patrimony, many people would begin to exercise their power to protect their savings and to this degree tend to bring this practice to a halt.

The fact that the government could again plunge them into an irredeemable currency to deprive them of this power — a point sometimes offered by defenders of an irredeemable currency as an argument against redeemability—merely means that governments can and often do take possession of the people's purse and become their dictatorial bosses. The implication of such argument is that since governments can engage in bad practices we should not endeavor to arrest such a practice if it is in current use. That remarkable contention by a defender of irredeemable currency does not alter the fact that the power over the people's purse must rest with the people if they are to have protection against an autocratic government.

Although in principle, an anti-Socialist political party, if elected to office and if determined to save our people from Socialism, could change the trend even under an irredeemable currency, the last 17 years have demonstrated that the people of this country cannot count on either political party to bring big government to a halt and to start a strong trend toward the encouragement and development of private enterprise so long as the support of vote-delivering pressure groups can be purchased so easily with irredeemable currency and so long as both parties have that as a basic purpose. A restoration of a system of redeemable currency provides the best and apparently the only assurance that our march into Socialism will be brought to a halt.

(6) *It Would Free Our People of the Prospects of Great Trouble or Disaster Inherent in Irredeemable Currency*—A restoration of redeemability could not and would not insure the people against sharp ups and downs in productive activity and prices. All that it could do is to provide the best type of currency known—one that, by its nature, does not cause a country to take the course to disaster made possible by an irredeemable currency. Before that unfortunate course can be taken the redeemability of a currency must be destroyed.

Business and price fluctuations are the result of a multitude of forces. The part played by a redeemable currency might well be of minor or negligible importance in the fluctuations of production and prices. In no event could it be the controlling factor. In high degree it is a facilitating instrument, a self - liquidating, and therefore sound, medium of exchange—a passive factor. It is an irredeemable currency that becomes a potent causal force because the element of depreciation and the potential dangers inherent in such a currency enter into people's calculations and plans. A gold standard and redeemable currency, on the other hand, do not carry these germs of disease; they must come from outside—from abuse in the use of credit.

(7) *Our People Would Once More Have an Honest Currency and the Benefits of Standards of Honesty Among Officials in Respect to the People's Money*—A resumption of redeemability would involve a return to standards of honesty in respect to honoring promises to pay on demand. Dishonesty is a fatal element in the social and political fabric of a nation. Its consequence is trouble. There is no valid defense of dishonest practices. And there is no ground on which to justify the implied contention that government and Federal Reserve bank officials may properly practice dishonesty while private citizens, by a highly-developed body of contract law, may be compelled to fulfill their promises to pay and the other obligations of contract. Indeed, if there is to be any difference shown in standards of ethics, the highest should be among government and Federal Reserve officials. But they have given themselves, and they are fighting to keep, a standard of responsibility that is not recognized in the legal obligations of contract applicable to private persons and non-government enterprises.

The employment of a low standard of honesty in officialdom can have, and tends to have, a demoralizing effect upon other people. Such practice diffuses its evil influence in many and subtle ways throughout a nation. When the bonds of integrity are loosened at the official level, the disease of dishonesty spreads rapidly through the foundations of society and its social institutions. The general avoidance of this issue by the defenders of an irredeemable currency, or their denial that there is a moral issue involved, has not been to their credit, nor has it been helpful.

The people of the United States cannot be served well in respect to this serious and urgent matter of our irredeemable currency system unless all facts and issues involved are faced fully, honestly, and completely, and an accurate picture is presented—so that a majority of Congress can understand it and act wisely in behalf of the best interests of the people of this country. Ignorance has to be excused. But presentation of half truths, the setting up of straw

Continued on page 42

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Every now and then the market roars out what its intentions are. Well, maybe it doesn't exactly roar, but it points a finger. Then again the market makes like a shy little maiden, hiding and refusing to say anything. Not even a peep.

* * *

I could say that it is now playing the coy little female, but the chances are I'd be wrong. Actually it isn't playing anything. In fact it is just dumb; neither aggressive or coy. It just is a market that opens at 10 and closes at three with no fal-de-ral about it.

* * *

You can hardly pick up a financial service without seeing the magical figures 200 and 205 mentioned in all sorts of scare type. If there's anybody around who doesn't know that the market is going straight through the roof once it penetrates the 205 level, or plumb through the floor if it breaks the 200 level, then he doesn't visit customers' rooms, or have his broker call him regularly. In fact, such a man is probably not even in the market. And such a man wouldn't be interested in this column anyway.

* * *

This would be the time for me to make a positive statement; one that would take all the guesswork out of this market. One that would take you by the hand, lead you to the order window, have you buy a hatful of stocks, all of which would promptly go up 10, 20 or even 50 points.

* * *

If I knew how to do that, I'd probably do it myself and let you stumble along the best way you know how. Unfortunately, my crystal ball is all clouded up and I don't know much more about the whole thing than my readers. Maybe my readers know more.

* * *

But behind all this talky-talk and second guessing there's a little thing that happened a week or so ago that opens the door slightly. The rails went through their old top and, according to a lot of old lessons, that means the bull trend has further to go.

* * *

If those lessons meant what they were supposed to, then this is the time to buy rather than sell. What to buy is of course another question. I prefer the steels and motors and some of the positive leaders. Not because they are endowed with any magical qualities. But they're easy to get out of if the supposition is wrong. Even their stops needn't be too far under their buying levels. A buy at the market with a stop two points under the buy point is the practice I would now follow.

* * *

If you don't want to do any more buying then just hold on to what you have. I think the denouement is closer than we think.

[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.]

Continued from page 41

Some Benefits of Immediate Return to Gold Standard Money

men, the misstatement of issues, the distortion or neglect of pertinent facts by debaters who are in positions of responsibility and are supposed to be able to get and to recognize facts are inexcusable. Supposedly smart quips and cliches, hit-and-run statements, hollow pontifications, ponderous and platitudinous pronouncements of the do-nothing variety, although common current substitutes for careful presentation of verifiable fact and principle, are not in the least helpful to a Congress that needs facts and reliable aid.

If we mend our ways and get our facts, principles and lessons in hand, and if, then, Congress will act upon them, and thus in the best interests of the people of this country, we should expect our currency to be made redeemable. The reason is that there is no valid argument for maintaining an irredeemable currency in this country. To argue for an irredeemable currency is to argue for a diseased monetary agent.

The Reed bill, and a similar Hale bill, providing for redeemability at the present statutory rate of \$35 per fine ounce of gold, have been introduced in Congress. The Reed bill (or Hale bill) should be made law.

The Prospects of Obtaining a Redeemable Currency

Monetary history teaches that there never has been a permanent suspension of specie payments. The reason is that paper is paper and gold is gold. Paper is no better, in the long run, than the value of the promise made by the promisor. Such promises have a notoriously poor record. Gold, on the other hand, is free of these weaknesses of human beings. It carries fulfillment in settlement in accordance with the weight and fineness of the amount of gold employed. It does not falsify. Its value does not depend on the promise of any man.

Many governments have attempted to put men's promises to pay on a par with gold without using gold to fulfill those promises; but, in due course, such attempts have been, and are, subjected to the acid test of their value as against fulfillment in gold, and failure in part or fully has been, and is, the common result.

Our government, as others have done, may profit from past experiences and return to redeemability before more severe damage is done our people. Or, it may follow a course, also common, of letting our present experiment with irredeemability carry us to a point of collapse in our fiscal and monetary affairs, following which we shall be compelled to face the basic facts regarding the virtues of a redeemable versus an irredeemable currency as we attempt to dig ourselves from the ruins then engulfing us.

As matters stand, the Executive Department of the United States Government, the Treasury, most Federal Reserve authorities, the majority of Congress, and, of course, the general public, including a large number of economists of the Socialist, pro-government-management variety, seem determined to continue with this dangerous enterprise. Therefore the only hope that the United States may be spared the tragedy to be expected from a continuation of this course rests either in the development of a majority in a Congress that will institute redeemability under the present Administration or in the advocacy and institution of redeemability by statesmen able to replace the present Administration and obstructive and irresponsible members of Congress.

If either course is to be taken, it apparently will be the result of the efforts of the thousands of concerned and responsible citizens scattered across this country who may succeed in persuading a majority of Congress to act, or in developing an opposition party with statesmen who will succeed in the restoration of redeemability of our government's and Federal Reserve banks' promises to pay.

There is undoubtedly a rapidly-growing movement among disturbed and responsible citizens to do all within their power to see to it that our currency is made redeemable at the earliest possible date. Busy men with heavy burdens, many of them tired and in need of rest, are devoting time, energy, and money, in an effort to find, if possible, a majority in Congress, or opposition leaders, or both, who will act in behalf of our national welfare by providing a redeemable currency. These men and women are making this supreme effort with the utmost unselfishness and patriotism. Some of them are endangering their health and positions by their efforts and sacrifices. They are Democrats and Republicans, industrialists, bankers, insurance executives, professional people, economists, government officials, financial writers, and a multitude of others from practically every field of human activity.

If this nation is to be saved from the logical consequences of using an irredeemable currency, it will be because this body of intelligent, patriotic, and unselfish men and women succeed in their efforts. If they should fail, then we may expect the United States and its people to be confronted in the course of time with a major tragedy in monetary and fiscal affairs.

[EDITOR'S NOTE: The foregoing is the concluding instalment of the three parts in which we have presented Dr. Spahr's paper. Previous instalments appeared in our issues of Feb. 16 and Feb. 23, respectively.]

Continued from page 2

The Security I Like Best

\$1.50, followed by a 50-cent quarterly declaration this month.

Earnings were reported at \$2.97 per share in 1946; \$4.58 in 1947; \$5.76 in 1948, and since \$3.06 was reported for the first half of 1949, we may consider the results of 1949 to be at least as good as 1948, for in the first half of that year net earnings were only \$2.17 per share.

Neptune Meter has had the distinction of being managed by a board of directors who are also substantial stockholders, and with the retirement of its long-term loans a more liberal dividend policy could be undertaken.

The company is probably the largest manufacturer of water meters and it is a demonstrated fact that cities and towns installing water meters in domestic service have accomplished a marked saving in per capita consumption.

The water famine which is now a serious problem in many of our eastern cities will undoubtedly be followed by more intensive campaigns to save water—one of the surest is to make the consumer water conscious by metering his supply.

TED C. HENDERSON
President, T. C. Henderson & Co., Des Moines, Iowa
(Iowa Power & Light Co.)

The security I like best is right here in the heart of the Corn Country — The Iowa Power & Light Co. (when distributed) common stock.

Ted C. Henderson

The common stock of this company will shortly be distributed to the holders of United Light & Railways common stock.

Having been born within a half - mile of their large generating plant on the Des Moines River and living here all my life I have watched the Iowa Power & Light Co. grow from a relatively small company into an outstanding operating gas and electric company.

The Iowa Power & Light Co. is engaged principally in the electric and natural gas business. Approximately 75% of its revenue is derived from the sale of electricity and 24% from the sale of natural gas. Service is rendered to 132,000 electric customers and 56,000 gas customers. It is a completely inter-connected system serving a population of approximately 300,000 located in Iowa. Des Moines, the capitol city, with a population of over 200,000, is the largest city served, which contains the home offices of 48 insurance companies and also is one of the largest printing and publishing centers in the Middle West. Publishers in Des Moines publish the well-known Des Moines "Register & Tribune"; Meredith Publishing Company's "Better Homes and Gardens" and "Successful Farming." Other towns served are Council Bluffs, Colfax, Clarinda, Glenwood, Knoxville, Oskaloosa, Missouri Valley, Red Oak and Shenandoah. Des Moines has been adding new homes at the rate of 1,000 per year since the war due to an acute housing shortage. Building permits for 1949 were twice the 1948 period. 1950 is expected to be another good year for home building and construction as it will take several years to eliminate the housing shortage.

One very important point to consider in evaluating the common stock of Iowa Power & Light Co. as an investment is the fact that electrical revenues are characterized by a relatively light industrial load which represents only 17% of total electric and gas revenues. This added to the general dependence of the territory on agriculture, in my opinion, adds great stability in times of business recession. When compared with other operating utility companies I believe Iowa Power & Light Co. common stock to be fairly priced at around 23¾ when you consider:

(1) Capitalization is conservative.

(2) No common stock financing is contemplated or foreseen for the next several years, and no financing of any kind will be necessary until late 1951.

(3) Additional extensions to farms not served and increased sales to present rural customers should augment normal load growth over the next few years.

(4) A larger supply of natural gas is expected to be available late in 1951 and should result in more than doubling present revenues of approximately \$1,500,000 from space heating alone in the course of the next five years.

(5) Increased generating capacity to go into service in late 1950 should produce substantial economies from improved efficiency, reducing power purchases and lower payments to the Power Pool of which the company is a member.

(6) A dividend rate of \$1.40 annually is expected to be established initially. After the present construction program has been completed and substantially more natural gas becomes available there is a good possibility this dividend rate will be increased.

(7) Earnings (excluding savings from filing a consolidated tax return with United Light & Railway) were approximately \$1.70 per share in the 12 months ended Sept. 30, 1949, and have been showing a substantial and persistent growth, and have been estimated by the management to reach \$1.95 in 1951.

I like Iowa Power & Light Co. common stock for conservative investors because, as stated above, of its conservative capitalization, light industrial load, and its location in the heart of the agricultural center of the nation which, to my way of thinking, is one of the most dependable segments in our entire economy. The stock will be listed on the New York Stock Exchange six months after distribution.

HAROLD M. ISEMAN
Member New York Stock Exch.
New York City
(Burlington Mills Corp.)

To my mind an attractive security should have several important characteristics.

(1) It should have a background of successful and soundly planned growth.

(2) It should be efficiently and courageously managed and have strong financial support and backing.

(3) It should have a future with definite growth prospects.


Harold M. Iseman

(4) Lastly, its appeal is increased if it happens to be in an industry that perhaps may be maligned from an investment standpoint, which would give increased opportunities for price appreciation.

Burlington Mills Corporation, the largest synthetic weaver in the textile industry and one of the leaders of that industry for a number of years, is my choice for "The Security I Like Best for the Future."

Let's examine the four points above.

(1) Burlington's growth has been steady and continuous since its founding in 1924, its dividend record is unbroken and the earnings trend generally has been consistently upward. Last year's earnings of $4.30 per share in what was a difficult year in the textile industry are evidence of the company's strength and progressiveness.

(2) The foresight of the management in keeping abreast of all new fibres, keeping its plants as modern as any in the industry, and with this maintaining a very strong and liquid financial condition lend strength to the conviction that they will meet the future successfully. A definite point of strength is the company's wide diversification within the textile field. Products now include women's woven and knit outerwear and underwear fabrics, men's wear fabrics, decorative fabrics, cotton piecegoods and yarns, industrial and transportation fabrics, ribbons, and hosiery for men and women.

(3) Future growth possibilities are most intriguing. Rayon suitings for both men and women have in a two-to-three-year period become almost predominant in the summer field. Heavier weight rayons and blends with rayon, nylon, wool and other fibres are now invading the fall and spring weight suiting fields. The amazing new fibres in various stages of development by the major rayon yarn producing companies forecast even wider diversification possibilities in not only the suiting and garment field, but in industrial uses also. Products from chemical test tubes presage a textile revolution in the future.

(4) The fact that the experience of certain cotton textile firms in the past has been spotty and poor has generally tended to blacken the reputation of the industry as a whole. My feeling is that Burlington's record, growth and future, particularly in the synthetic field, set in apart from the industry.

GLENN R. MILLER
Executive Vice-President, Otis & Co., Cleveland Ohio
(Steep Rock Iron Mines)

The security I like best is Steep Rock Iron Mines common stock.

With all the recent publicity on new iron ore projects in Labrador, Quebec, Liberia and Venezuela, one should not overlook the equally important development at Steep Rock, Ontario. Steep Rock is of more immediate importance because it is already producing ore at the rate of 1,200,000 tons per year and has ready access to Great Lakes water transportation by way of a main line of the Canadian National Railway. Before the Labrador, South American and African deposits can be commercially developed, it will be necessary to build expensive loading docks, many miles of railway over rugged terrain, and in some cases, ocean-going cargo vessels. In the case of Steep Rock, the transportation facilities are already developed, and the rich ore deposits, which may ultimately prove to total one billion tons, can be developed to produce at the rate of 10 million tons per year at a fraction of the cost necessary for the development of the Labrador and other foreign deposits.


Glenn R. Miller

In 1949, Steep Rock for the first time gave a hint of its earnings possibilities by reporting earnings of approximately $1,400,000. Late in 1949, $8,000,000 of additional capital was obtained for the purpose of developing a second ore body. The new mine, when completed within the next two or three years, will increase annual production from about 1,200,000 tons to between 3 000,000 and 4,000.000 tons per year.

Another recent event of major importance is an agreement by Inland Steel Co. to explore and develop a third ore body on the Steep Rock property. Steep Rock's engineers estimate that this third ore body contains 100,000,000 tons of ore for each 1,000 feet of depth and that the ore deposits will persist to a depth of at least 3,000 feet. If the exploration program confirms the expectancy, Inland is expected to develop a mine that should produce 3,000,000 tons per year. An important feature of the Inland agreement is that the development cost will be borne by Inland Steel, and Steep Rock will receive a net royalty on the basis of production.

Steep Rock common stock is an excellent inflation hedge. An increase of 50 cents per ton, just announced, in the price of ore will increase Steep Rock's earnings approximately $600,000 per year on the basis of 1949 production volume. The economics of the iron ore picture favor continued increases in ore prices. The rich, readily accessible Mesabi ores are gradually playing out. The only means of sustaining our nation's steel industry is to reach out for ore deposits at a greater distance or to beneficiate the lower grade ores, either of which will be costly and will necessitate higher ore prices. Steep Rock Iron Mines, located on the Canadian National Railway only 140 miles west of Port Arthur on Lake Superior and 120 miles north of the Mesabi, will benefit as ore prices move inexorably upward under the pressure of economic forces.

The stock is listed on the Toronto Stock Exchange, where it is currently quoted around $2.30 per share. The price in the United States, when the stock is traded over-the-counter, is about $2.00 per share. Earnings of 18 cents per share in 1949 represent only a fraction of potential future earning power after development of the two new ore bodies.

Uhlmann & Latshaw Add

(Special to The Financial Chronicle)

KANSAS CITY, MO.—Eldon R. Bell and John B. Saylor have become associated with Uhlman & Latshaw, Board of Trade Building, members of the New York and Midwest Stock Exchanges.

King Merritt Adds

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Stanley C. Todd has been added to the staff of King Merritt & Company, Inc., Chamber of Commerce Building.

Joins J. Arthur Warner Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—William V. Garland has become associated with J. Arthur Warner & Co., Inc., 89 Devonshire Street. He was formerly with Frederick C. Adams & Co.

With Carr & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — Bessie L. Shryer is with Carr & Co., Penobscot Building, members of the Detroit Stock Exchange. He was formerly with Bnnett, Smith & Co.

With Otis & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — Charles G. Wallace is with Otis & Co., Terminal Tower. In the past he was with Stroud & Co., Inc. of Philadelphia.

First California Adds

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Linwood F. Martin is with First California Company, 647 South Spring Street.

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NSTA Notes

Schlosser, Union Securities Corp.; Michael A. Voccoli, Jr., J. S. Farlee & Company, Inc.

Membership Committee — William H. Salisbury, Chairman, Union Securities Corp.; Thomas Curry, Stone & Webster Securities Corp.; Arthur T. Hamill, Lee Higginson Corp.; Irving Koerner, Allen & Company; William J. Swords, Zuckerman, Smith & Company.

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Steel Stocks Behind the Market

ing that offsets the threat of rising labor costs.

Roller-Coaster Market Action

Anyone who decides to take a position in the steels should be well prepared for some roller-coaster thrills, despite their improved investment position. Here is the record of the ups-and-downs of the 12 leading stocks, composite, at selected periods since 1929:

Feb. 15, 1950	$463.50
1946-7-8-9 low	328.75
1946 high	600.75
1937-42 low	181.25
1937 high	641.00
1932 low	50.37
1929 high	961.62

As the record shows, these 12 stocks are certainly not on the bargain counter historically—they are neither high nor low in relation to their past extremes. But in relationship to all the available indications of value, and in the light of the last 20 years' growth, there can be little doubt that the steel stocks are relatively underpriced. Until 1946 there was always a fairly clear relationship between stock market prices and company earnings, with occasional divergencies which were always corrected within fairly short periods. Measured by the Dow-Jones Industrial averages, stock prices always tended to exaggerate earnings trends, swinging too far in one direction or another but always coming back to their earnings anchor. Since 1946 this seemingly normal procedure has been reversed—stock prices have stayed within a relatively small trading area, and earnings have swung widely away, achieving what looks like a completely new postwar plateau. The investing public appears reluctant to accept the reality of this new level of earnings, despite all the evidence that the prewar standards are no longer applicable.

Appended is a table showing some of the more pertinent growth figures.

	Net Sales 1948 (000,000)	Net Sales 1937 (000,000)	Net Income 1948 (000,000)	Net Income 1937 (000,000)	Preferred Dividends 1948 (000)	Preferred Dividends 1937 (000)	Total Debt 1948 (000,000)	Total Debt 1937 (000,000)	Total Assets 1948 (000,000)	Total Assets 1937 (000,000)
U. S. Steel	$2,473.0	$1,087.0	$129.6	$94.9	$25,220	$25,220	$72	$121	$2,535	$1,919
Bethlehem Steel	1,312.6	418.6	90.3	31.8	6,537	7,471	173	166	1,029	715
Republic	766.4	250.4	46.4	9.0	1,693	2,400	69	93	489	364
Jones & Laughlin	446,1	117.5	31.2	4.8	1,468	4,100	60	32	379	219
National	436.5	145.9	40.1	17.8	None	None	40	59	329	204
Inland	392.7	110.7	38.6	12.7	None	None	73	53	292	158
Armco	382.6	114.9	32.0	8.2	900	2,025	69	4	316	145
Youngstown	378.0	144.3	35.7	12.2	None	825	30	58	311	220
Wheeling	155.0	90.5	15.0	4.2	1,815	1,930	42	33	172	123
Colorado Fuel & Iron	*138.3	†27.0	*10.2	†1.2	477	None	12	15	97	52
Crucible	130.8	59.7	3.6	4.0	1,567	1,672	25	6	112	110
Sharon	118.5	20.2	9.2	1.3	None	300	9	None	67	17
	7,130.5	2,586.7	481.9	202.1	39,677	45,943	674	640	6,128	4,246

*Year ended June 30, 1949.
†Year ended June 30, 1937.

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)	Mar. 5	73.7	88.8	93.1	100.5
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 5	1,404,900	1,692,800	1,774,700	1,852,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 18	4,996,850	4,951,250	4,962,300	5,418,300
Crude runs to stills — daily average (bbls.)	Feb. 18	¶5,278,000	5,362,000	5,513,000	5,369,000
Gasoline output (bbls.)	Feb. 18	17,617,000	17,887,000	17,988,000	16,984,000
Kerosene output (bbls.)	Feb. 18	2,398,000	2,327,000	2,663,000	2,189,000
Gas, oil, and distillate fuel oil output (bbls.)	Feb. 18	6,890,000	6,741,000	7,482,000	7,169,000
Residual fuel oil output (bbls.)	Feb. 18	7,758,000	8,693,000	8,266,000	8,530,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 18	131,647,000	129,362,000	122,204,000	122,533,000
Kerosene (bbls.) at	Feb. 18	17,116,000	17,120,000	19,046,000	19,929,000
Gas, oil, and distillate fuel oil (bbls.) at	Feb. 18	58,090,000	60,602,000	69,214,000	54,695,000
Residual fuel oil (bbls.) at	Feb. 18	51,336,000	52,865,000	58,585,000	59,693,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 18	§560,116	§568,841	§618,950	697,335
Revenue freight received from connections (number of cars)	Feb. 18	§517,959	§542,099	§557,104	626,030
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 23	$263,585,000	$120,047,000	$216,406,000	$75,622,000
Private construction	Feb. 23	166,960,000	85,084,000	163,002,000	27,485,000
Public construction	Feb. 23	96,625,000	34,963,000	53,404,000	48,137,000
State and municipal	Feb. 23	74,514,000	21,648,000	33,712,000	46,585,000
Federal	Feb. 23	22,111,000	13,315,000	19,692,000	1,552,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 18	2,425,000	*2,592,000	7,260,000	10,855,000
Pennsylvania anthracite (tons)	Feb. 18	616,000	701,000	732,000	698,000
Beehive coke (tons)	Feb. 18	2,400	*3,900	19,200	157,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 18	231	238	230	227
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 25	5,854,259	5,931,351	5,971,662	5,559,207
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Feb. 23	210	218	232	180
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 21	‡3.837c	3.837c	3.837c	3.754c
Pig iron (per gross ton)	Feb. 21	$46.38	$46.38	$46.05	$46.74
Scrap steel (per gross ton)	Feb. 21	$27.42	$27.25	$26.75	$37.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 22	18.200c	18.200c	18.200c	23.200c
Export refinery at	Feb. 22	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Feb. 22	74.250c	74.500c	75.500c	103.000c
Lead (New York) at	Feb. 22	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Feb. 22	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Feb. 22	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 28	103.46	103.44	103.85	101.61
Average corporate	Feb. 28	116.41	116.41	116.41	112.93
Aaa	Feb. 28	121.46	121.46	121.46	118.80
Aa	Feb. 28	120.02	120.02	119.82	117.00
A	Feb. 28	116.02	115.82	115.82	112.19
Baa	Feb. 28	108.70	108.70	108.88	104.48
Railroad Group	Feb. 28	111.62	111.62	111.81	108.34
Public Utilities Group	Feb. 28	117.40	117.40	117.20	113.50
Industrials Group	Feb. 28	120.22	120.22	120.22	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 28	2.24	2.25	2.22	2.38
Average corporate	Feb. 28	2.83	2.83	2.83	3.01
Aaa	Feb. 28	2.58	2.58	2.58	2.71
Aa	Feb. 28	2.65	2.65	2.66	2.80
A	Feb. 28	2.85	2.86	2.86	3.05
Baa	Feb. 28	3.24	3.24	3.23	3.48
Railroad Group	Feb. 28	3.08	3.08	3.07	3.26
Public Utilities Group	Feb. 28	2.78	2.78	2.79	2.98
Industrials Group	Feb. 23	2.64	2.64	2.64	2.79
MOODY'S COMMODITY INDEX	Feb. 28	356.1	355.7	354.0	377.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 18	179,849	201,511	189,449	152,291
Production (tons)	Feb. 18	205,712	209,827	204,852	175,628
Percentage of activity	Feb. 18	92	93	92	86
Unfilled orders (tons) at	Feb. 18	344,030	365,243	371,395	295,474
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 24	121.3	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. 11	29,848	33,790	40,999	24,699
Number of shares	Feb. 11	898,951	1,014,757	1,266,307	678,819
Dollar value	Feb. 11	$35,683,156	$39,840,155	$46,609,715	$24,987,555
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 11	34,351	35,523	42,534	20,818
Customers' short sales	Feb. 11	287	317	421	414
Customers' other sales	Feb. 11	34,064	35,206	42,113	20,404
Number of shares—Customers' total sales	Feb. 11	960,523	998,842	1,227,242	547,974
Customers' short sales	Feb. 11	10,230	11,036	15,448	16,475
Customers' other sales	Feb. 11	950,293	987,806	1,211,794	558,499
Dollar value	Feb. 11	$35,926,083	$35,505,730	$42,177,839	$19,743,773
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 11	324,980	307,570	417,850	144,710
Short sales	Feb. 11	------	------	------	------
Other sales	Feb. 11	324,980	307,570	417,850	144,710
Round-lot purchases by dealers—					
Number of shares	Feb. 11	270,150	340,560	413,170	263,580
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 21	152.5	152.2	150.7	158.5
Farm products	Feb. 21	159.4	*159.1	153.2	170.2
Grains	Feb. 21	152.6	161.1	160.3	160.3
Livestock	Feb. 21	199.5	202.6	191.2	203.7
Foods	Feb. 21	158.3	*156.8	154.5	163.2
Meats	Feb. 21	220.2	215.5	208.2	219.1
All commodities other than farm and foods	Feb. 21	145.2	145.3	145.1	151.0
Textile products	Feb. 21	137.0	137.2	137.4	144.6
Fuel and lighting materials	Feb. 21	130.3	*130.4	130.3	134.8
Metals and metal products	Feb. 21	169.4	169.3	169.3	175.4
Building materials	Feb. 21	191.5	*191.5	190.3	201.6
Chemicals and allied products	Feb. 21	115.3	115.4	115.8	122.6

*Revised figure. ¶Includes 406,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. (in short tons)—Month of November	35,865	45,790	50,714
Stocks of aluminum—short tons—end of Nov.	39,738	46,607	8,075
AMERICAN GAS ASSOCIATION — For Month of December:			
Total gas (M therms)	3,775,497	3,111,506	3,177,509
Natural gas sales (M therms)	3,442,934	2,841,602	2,844,921
Manufactured gas sales (M therms)	219,951	186,548	214,457
Mixed gas sales (M therms)	112,612	83,356	118,131
AMERICAN TRUCKING ASSOCIATION— Month of December:			
Number of motor carriers reporting	319	*319	319
Volume of freight transported (tons)	2,997,926	*3,112,452	2,919,131
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of Jan. (in millions):			
Total new construction	$1,500	$1,612	$1,293
Private construction	1,140	1,225	1,002
Residential building (nonfarm)	650	690	475
Nonresidential building (nonfarm)	253	261	285
Industrial	69	68	110
Commercial	77	84	82
Warehouses, office and loft buildings	27	26	29
Stores, restaurants and garages	50	58	53
Other nonresidential buildings	107	109	93
Religious	29	30	26
Educational	22	23	22
Hospital and Institutional	25	24	10
Social and recreational	18	19	20
Remaining types	13	13	15
Farm construction	11	15	12
Public utilities	226	259	230
Railroad	25	31	27
Telephone and Telegraph	40	42	45
Other public utilities	161	186	158
Public construction	360	387	291
Residential building	22	22	8
Nonresidential building (other than military or naval facilities)	142	142	110
Educational	77	77	60
Hospital and institutional	41	41	28
All other non-residential	24	24	22
Military and naval facilities	10	9	7
Highways	75	92	68
Sewer and water	45	46	41
Miscellaneous public service enterprises	6	6	6
Conservation and development	48	56	40
All other public	12	14	11
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$14,450,634	$27,310,952	$6,238,003
Middle Atlantic	80,823,437	61,903,158	76,958,642
South Atlantic	40,226,495	28,019,321	21,146,483
East Central	64,612,554	58,248,704	37,346,113
South Central	60,940,028	46,395,520	30,713,329
West Central	11,762,911	22,189,045	10,110,942
Mountain	6,783,809	7,122,523	4,077,857
Pacific	55,399,293	59,229,667	35,898,427
Total United States	$334,999,161	$310,418,890	$222,489,796
New York City	41,873,234	41,739,020	64,741,267
Outside of New York City	293,125,927	268,679,870	157,748,529
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of January:			
Manufacturing number	225	201	129
Wholesale number	110	90	76
Retail number	403	349	267
Construction number	65	80	53
Commercial service number	61	50	41
Total number	864	770	566
Manufacturing liabilities	$10,928,000	$7,465,000	$8,625,000
Wholesale liabilities	4,440,000	3,020,000	2,627,000
Retail liabilities	7,355,000	6,284,000	4,841,000
Construction liabilities	1,884,000	1,814,000	1,892,000
Commercial service liabilities	1,829,000	668,000	1,174,000
Total liabilities	$26,436,000	$19,251,000	$19,159,000
COMMERCIAL STEEL FORGING (DEPT. OF COMMERCE)—Month of December:			
Shipments (short tons)	78,266	72,859	131,353
Unfilled orders at end of month (short tons)	307,656	286,897	599,543
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of January	734,186	734,013	674,283
In consuming establishments as of Jan. 31	1,749,946	1,650,222	1,626,584
In public storage as of Jan. 31	9,974,867	10,682,934	8,240,107
Linters—Consumed month of January	132,013	131,199	122,783
In consuming establishments as of Jan. 31	290,276	240,806	363,937
In public storage as of Jan. 31	69,249	62,353	88,501
Cotton spindles active as of Jan. 31	20,217,000	20,241,000	20,941,000
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of November (000's omitted)	20,690,305	20,292,563	20,677,615
Revenue from ultimate customers—month of November	391,070,300	383,250,200	375,038,200
Number of ultimate customers at Nov. 30	42,693,131	42,561,789	40,557,945
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of January:			
Contracts closed (tonnage) estimated	116,987	124,251	130,418
Shipments (tonnage)—estimated	131,468	135,500	152,746
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of January (1935-39 average=100)	†117.0	†114.4	127.9
NON-FERROUS CASTINGS (DEPT. OF COMMERCE)—Shipments, month of December:			
Aluminum (thousands of pounds)	26,762	26,317	31,836
Copper (thousands of pounds)	63,873	61,818	88,182
Magnesium (thousands of pounds)	781	801	754
Zinc (thousands of pounds)	34,180	31,249	----
Lead die (thousands of pounds)	553	800	1,432
PORTLAND CEMENT (BUREAU OF MINES)—Month of December:			
Production (bbls.)	16,936,000	*18,040,000	17,425,000
Shipments from mills (bbls.)	11,606,000	*17,269,000	12,741,000
Stocks (at end of month) (bbls.)	14,671,000	*9,341,000	11,084,000
Capacity used	78%	86%	84%
ZINC OXIDE (BUREAU OF MINES) — Month of December:			
Production (short tons)	10,743	10,919	Not avail.
Shipments (short tons)	10,876	11,594	Not avail.
Stocks at end of month (short tons)	9,960	10,093	Not avail.

*Revised. †Preliminary figures. ‡Only comparable from June, 1949 to date.

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The SEC Today

part of the parent companies which had to be investigated, valued and settled.

During the past year or two we began to see substantial results, particularly in Bond & Share. Four of the five major subholding companies of Bond & Share have now completed their major programs of compliance: two are being liquidated; and two will remain in existence, after having rearranged their properties and capital structures, as integrated holding companies. It is not generally known that the Holding Company Act does not require the complete elimination of all public utility holding companies. The original bill introduced into the Senate did provide that but, at the insistence of the House, it was modified to permit companies serving a useful purpose and meeting the standards of the Act to continue.

Two of the Bond & Share subsystems will remain in existence as integrated companies—American Gas & Electric Company, whose central system extends through lower Michigan, Ohio, Indiana, and parts of West Virginia, Virginia, Kentucky and Tennessee; and Middle South Utilities Company, the integrated holding company which emerged from the liquidation of Electric Power & Light and operates in Arkansas, Louisiana, and Mississippi. On the other hand, National Power & Light is in process of dissolution and has left only two or three small properties; and American Power & Light, whose plan went into effect last Wednesday, will be left with only a small group of companies in the Northwest after it has distributed out its portfolio of such fine companies as Florida Power & Light, Montana Power and Texas Utilities.

This leaves, of the old Bond & Share system, only American & Foreign Power and Bond & Share itself—which owns, in addition to remnants of the four systems, its major interests in American & Foreign Power, EBASCO Services, and United Gas. Bond & Share has filed a plan to continue in existence as an investment company. This plan has given rise to considerable controversy, and extended proceedings are now in progress.

This sketch of the gradual rearrangement of one of the nation's largest and most complicated business entities should give you some notion of the terrific impact the Holding Company Act has had. It has thus been possible to realize the full values which were inherent in these companies. Security holders have been the chief beneficiaries. Assisted by favorable economic conditions, cheaper debt money, and expanding demand for power, the Act has enabled them to realize substantial improvements in their investments. We made an analysis recently for a subcommittee of the Congress of the change in market value of the securities of three holding companies from 1935, when the Act was passed, to the date of final break-up in 1949. While the Dow-Jones utility average went from about 25 to 49, or rose about 100%, the common stock of Commonwealth & Southern increased in value 226%, of Electric Power & Light 483.5%, and of Engineers Public Service 914.4%.

I don't know whether these are typical or not. We analyzed only these three. My own opinion is that these records are not unusual and are being duplicated in many other systems.

Indirect Benefits

There have been many indirect benefits. For example, the healthy capital position of the utility industry has made possible an enormous expansion of plant; rates to consumers have been declining; and the utility "trusts" which once were so roundly condemned, have passed from the national scene, thereby, to my mind, strengthening our free enterprise system and restoring public confidence.

Section 11, through its unprecedented powers, has made it possible for companies to modernize their security structures. It has made it possible to eliminate such archaic holdovers from past financial eras as perpetual bonds, perpetual warrants and non-callable preferreds. It has made possible the removing of securities which had voting control but no possible value, and which served only as instruments of speculation and a trap to the unwary.

Until the enactment of Section 11, such a clean-up could be accomplished only through liquidation or complete reorganization in an equity receivership, and even then emerging capital structures were often as cumbersome as what went in, or more so.

In many of these break-ups, portfolio securities are receiving their first public distribution. The Commission has had to decide what rights should attach to these securities. We have had the difficult decision of deciding which securities should be listed on an exchange.

Exchanges and Over-the-Counter Markets

Our role has been frequently misunderstood. We have taken the position that where a security holder gives up a listed security, fairness requires that he receive a listed security in return. There has been some difference in the Commission over whether listing should be immediate or might be delayed for short periods. That is only incidental and it has not questioned the basic principle. However, even that principle has been misunderstood. Some people believe that in our requirement that securities emerging out of utility reorganizations be listed, we have shown favoritism toward the exchanges. That is not true. Our job has been to see to it that the investor is fairly dealt with and that he gets the "equitable equivalent" of what he gives up.

Cases like these put the SEC on a hot seat.

The exchanges and over-the-counter markets have been natural competitors. The Commission has tried to avoid being placed in the position of having to prefer one market over the other.

It is our view that our highly developed commercial society needs several types of markets to function properly. Each type fills a particular function—the over-the-counter market, the regional exchanges, the New York exchanges — all developed to meet the particular needs. Each has a definite purpose in the scheme of things.

Take the Detroit Stock Exchange, as an example. Since its founding back in 1907 by seven brokers holding forth in a small room in the old Moffet Building, it has had a long and honorable record of service to local industry, to the people of the Detroit area, and to investors generally. During the twenties it experienced a most rapid growth. I had a little research done in preparation for this talk and was rather surprised to learn how rapid that growth really was. In 1925 a seat sold for as low as $700. In November, 1928, we have record of a sale at $60,-200. And, believe it or not, in 1929 nearly 12 million shares were traded on your floor.

What is the place today of the regional exchanges in our national picture? I am often asked that question by people who seem to feel that all trading should be centered in one place and that the regional exchanges serve no purpose and have no justification.

My answer to that inquiry is usually a very simple one. We are a large country with manifold interests; we have different types of securities; we have businesses in different stages of development; and we therefore require different kinds of markets.

I am a firm believer in local sponsorship of local business and industry. A business begins and develops in a certain region. It is known to the tradespeople there, to the local banks and financial institutions, to brokers and to other business people. When it reaches the stage for public financing, the securities are frequently sold locally to these people who watched it grow. It is only natural, then, for trading to be local.

Of course, any company may grow to where its securities become nationally known and nationally distributed, and when it does, central trading on a New York exchange becomes logical. But even then the local interest frequently justifies continuance of local trading in that region, and, if the people want it, why should not they have it?

The Frear Bill

There is now pending before the Congress a bill introduced by Senator Frear of Delaware which would extend the investor protective features of the securities laws to the larger unlisted companies—defined in the present bill as those with $3,000,000 or more of assets and 300 stockholders. If this bill becomes law, it may in time affect the volume of new listings on exchanges. We don't know whether it will or not. Only time will tell. But to keep this flow of securities between the several markets normal, the SEC has consented to amendments which will take away some of the power we now have to grant unlisted trading privileges; and we plan to make a study of the feasibility of establishing standards for listing and delisting, and report back to the Congress in two years.

In my opening statement at the hearings on the Frear Bill, I said that the Commission favored the bill, among other reasons, because it believed that the reporting requirements which the bill would set up "may well spur legitimate investment in equity securities." Last year the Board of Governors of the Federal Reserve System through the Research Center of the University of Michigan conducted a survey of consumer finances. The survey disclosed that the most important deterrent to investment in common stocks is a lack of familiarity.

The Commission believes that the Frear Bill would assist the securities industry to remove much of the secrecy which sometimes enshrouds the financial activities of unlisted companies. This should render their securities more desirable as investments.

We hear a lot about the equity capital situation these days. Everyone "decries" what has about become a stock phrase, "the shortage of equity capital." I do not know really whether there is a shortage of equity capital as such.

In this postwar period we have had a phenomenal expansion of our industrial plant. Capital expenditures are being made at an unprecedented peace-time rate. Some of the money to pay for this expansion is coming from the sale of new equity securities, but only a small part. Some of it comes from bank borrowings and debt, but not enough to cause any serious unbalance in our over-all capital picture, because companies with the experience of the depression still fresh in their minds have been putting in healthy slugs of equity capital—equity represented at the beginning by accumulated wartime reserves, and then by retained earnings.

Equity Capital Situation Not So Bad

Actually, I doubt if the over-all equity capital situation is as bad as some of our commentators and financial experts say it is. Going businesses, with good earnings, can usually get the capital they need, if they are willing to sell their securities in line with the going market for securities of companies of equal quality and earning power. Since the war, more common stock for new money purposes has been marketed than at any time since the late twenties, although admittedly it has not increased with the price level or commensurate with the general level of investment.

I think the problem this nation faces is more one which can better be described as a shortage of "venture" or risk capital—speculative money, if you please—willing to take a risk in return for the possibility of exceptional gain.

The established companies don't feel this. The large companies are in themselves great pools of venture capital. U. S. Steel, for example, can finance exploration and discovery of the great Cerro Bolivar ore range in the South American jungles. And the oil companies are financing vast ventures in the Near East. Picture if you will, the risk capital being expended annually by large corporations in the development of new processes, new products, and new methods of manufacture. These should be considered when you talk about "venture" capital.

Traditionally in this country a small business at the speculative stage of development, before it has seasoned, has seldom gotten its capital from the public. From our studies of the markets, we are inclined to conclude that no more than 2%, maybe 8,000 or 9,000, at the outside, of our 450,000 or so corporations have over 250 stockholders; and not all of these 8 or 9 thousand corporations, by any means, have engaged in public financing.

The splurge of small issues that hits the market in times of rising prices, as in early 1946, are usually sales by people who wish to sell part of their personal holdings for personal reasons. Only a fraction are for new capital purposes. Businesses like this ordinarily get their new funds from the founders, from family or friends, from commercial sources, from trade loans and bank borrowings, from earnings. The general public has never been an important source of these funds and, in my opinion, never will. Nor would I consider it a healthy thing if they were.

In those relatively few instances where a new business or a speculation requires more capital than can be obtained from private sources, public offerings are in order. When this occurs, we must be sure that full and fair disclosure is made of what is taking place. That is where the SEC comes in.

We have an interesting job at the Commission. My good friend, former Chairman Hanrahan sitting over there, can testify to that, and so can those of you who have had occasion to have matters before us. Let me assure you, there is never a dull moment. But equally important—we think we have a significant function in the economy of this great country.

The SEC deals with every aspect of corporate and financial affairs. Its purpose, so simply stated in the preamble to the Securities Act of 1933, is

"To provide full and fair disclosure of the character of securities sold in interstate commerce . . . and to prevent frauds in the sale thereof . . ."

How well we do that job will in some measure determine the character of our securities markets, the confidence which the investing public will place in those securities, and the corporate welfare of this country. May I, by your leave, repeat what I said the last time I was here to express my understanding of the SEC and its purpose:

"As I see it, it is the function of the SEC to guide the financial practices of America's publicly-owned corporations and those who deal in their securities. Its object is to maintain public confidence in these institutions. Its purpose is to facilitate the application of the nation's savings to the sustenance and growth of our economic life."

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• **All American Casualty Co., Chicago, Ill.**
Feb. 27 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—M. A. Kern, President of company, will sell the stock. **Proceeds** — For stated capital and paid-in surplus to carry on business.

• **American Food Products, Inc., Colorado Springs, Colo.**
Feb. 20 (letter of notification) 100 shares of 4½% preferred stock (par $50), 2,000 shares of class A common stock (par $15) and 2,000 shares of class B common stock (par $15), to be offered at par. No underwriter. Proceeds to construct buildings, buy machinery, and for working capital.

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."

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.

• **Ashland Oil & Refining Co., Ashland, Ky.**
Feb. 27 filed 50,000 shares of $1.20 cumulative (no par) convertible preferred stock (convertible into common prior to July 15, 1958). **Underwriter**—None. **Price**—$20 per share. **Proceeds**—For working capital.

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.

• **Boulevard Sanitarium Corp., Astoria, N. Y.**
Feb. 24 (letter of notification) $200,000 of 5% 12-year bonds at $500 per unit. No underwriter. Proceeds to pay liquidated obligations. **Office**—46-04 31st Avenue, Astoria, N. Y.

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.

• **Bullock Fund, Ltd., New York**
Feb. 27 filed 100,000 shares of capital stock. **Underwriter**—Calvin Bullock, New York. **Business** — An open-end investment company.

• **California Water & Telephone Co.**
Feb. 23 filed 35,000 shares of $1.25 cumulative preferred stock (par $25) and 50,000 shares of common stock (par $25). **Underwriter**—To be named by amendment, probably Blyth & Co., Inc., through negotiated sale. **Proceeds**—To repay bank loans and for new construction.

Canam Mining Corp., Ltd., Vancouver, B. C. (3/15)
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Israel and Co., New York, N. Y. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Offering expected about March 15.

• **Carolina Mountain Telephone Co., Candler, N. C.**
Feb. 20 (letter of notification) 50,000 shares of common stock (par $1) offered to stockholders Feb. 25 on a pro rata basis at $2 per share. Rights expire March 8, 1950. **Underwriter**—Interstate Securities Corp., Charlotte 2, N. C. **Proceeds**—For plant, equipment and general corporate purposes.

• **Carolina Power & Light Co., Raleigh, N. C.**
Feb. 23 filed 200,000 shares of common stock (no par). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and R. S. Dickson & Co., Inc., New York. **Price**—To be filed by amendment. **Proceeds**—For construction.

• **Central Ohio Light & Power Co., Findlay, Ohio**
Feb. 16 (letter of notification) 10,590 shares of common stock (par $10) to be offered to stockholders of record Feb. 17 at the rate of one new share for each 14.3 shares now owned, at $28.25 per share. Rights expire March 13. **Underwriter** — To be filed by amendment. Traditional underwriter is First Boston Corp. **Proceeds**—To reimburse the treasury for amounts spent for additions to property, plant and equipment.

• **Cincinnati Gas & Electric Co.**
Feb. 24 filed 556,666 shares of common stock (par $8.50), of which 498,666 will be offered to present stockholders at the rate of one new share for each five held and 58,000 shares will be sold to officers and employees. **Underwriter**—None. W. E. Hutton & Co. headed groups in previous years. **Price**—To be filed by amendment.

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.

• **Commercial Credit Co.**
Feb. 24 filed 427,948 shares of common stock (par $10). **Underwriters** — Kidder, Peabody & Co. and The First Boston Corp., New York. **Price**—To be filed by amendment. This stock will first be used to redeem outstanding 3.60% cumulative preferred stock and the remainder will be publicly offered. **Proceeds**—To complete retiring the 3.60% preferred at $105.50 a share.

• **Continental Radiant Glass Heating Corp., N. Y.**
Feb. 20 (letter of notification) 30,000 shares of common stock. **Underwriter**—Mercer Hicks Corp. **Office**—1 East 35th Street, New York 16, N. Y.

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.

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.

Detroit Edison Co. (3/7)
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.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

Douglas Oil Co. of California
Feb. 3 (letter of notification) 15,000 shares of common stock (par $1) to be sold at the market price of about $3.75 per share by Woodrow G. Krieger, President. **Underwriter**—Shearson, Hammill & Co., Los Angeles, Calif.

• **Drewrys Ltd., U. S. A., Inc., South Bend, Ind.**
Feb. 20 (letter of notification) 8,015 shares of common stock (par $1) to be sold by Carleton S. Smith, President, for $12 per share. **Underwriter**—R. C. O'Donnell & Co., Detroit. **Office**—1408 Elwood Ave.

Duval Sulphur & Potash Co., Houston, Texas
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.] Rights will expire March 9. **Underwriter**—None. **Proceeds**—To be used, along with a $2,500,000 bank loan, to provide mining and milling facilities to mines potash in Eddy County, N. M. Statement effective Feb. 14.

East Tennessee Natural Gas Co. (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 March 3.

• **Elkhorn Mining Co., Boulder, Mont.**
Feb. 20 (letter of notification) 40,000 shares of non-assessable common stock at 50 cents per share. No underwriter. Proceeds to deveolp and operate mining property. Office—Boulder Bank Bldg.

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.

• **Fitzsimmons Stores, Ltd.**
Feb. 20 filed 40,000 shares of 6% cumulative convertible preferred stock (par $25). **Underwriter**—Lester & Co., Los Angeles, will buy all 40,000 shares at $23 each, of which 4,000 will be held for investment and 36,000 sold at $25 per share. **Proceeds**—To reduce bank indebtedness incurred to buy a subsidiary, Roberts Public Markets, Inc. **Business**—Grocery stores.

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. (3/13-17)**
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." Expected week of March 13.

• **Glidden Co., Cleveland, Ohio**
Feb. 24 filed 178,825 shares of common stock (no par) to be offered common stockholders at the rate of one new share for each 10 held. **Underwriter**—Blyth & Co., Inc., New York. **Price**—To be filed in amendment. **Proceeds**—For additional working capital. **Business**—Paints and pigments.

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.

• **Greer Hydraulics, Inc.**
Feb. 27 (letter of notification) 8,000 shares of 5% convertible preferred stock, series of 1948, at par ($25 per share). **Underwriters**—Irving Herzenberg, A. Hawley Peterson and John D. Warren, New York City. **Proceeds**—For additional working capital and other corporate purposes. **Office**—454 18th Street, Brooklyn 15, N. Y.

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.

• **Hanford Foundry Co., San Bernardino, Calif.**
Feb. 15 (letter of notification) $125,000 of 6% first mortgage 10-year sinking fund convertible bonds and 6,250 shares of common stock (no par). Latter will be

reserved for conversion of these bonds. Prior to issuance of the bonds, company will split 1,600 shares of no par values common on the basis of nine shares for each one outstanding. No underwriter. Proceeds to pay bank indebtedness, and retire outstanding preferred stock. **Office**—101-19 S. Arrowhead Ave., San Bernardino, Calif.

Hawaiian Electric Co., Ltd., Honolulu (3/7)
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 March 7. Statement expected to become effective March 3.

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.

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.

● **Howe Sound Co.**
Feb. 28 filed 76,983 shares of 4½% cumulative preferred stock, par $50 (convertible into common stock on or before April 1, 1955), to be offered first to common stockholders on March 20, 1950 in the ratio of one preferred share for each six common shares held. Rights will expire April 4, 1950. **Underwriter**—Union Securities Corp., principal underwriter. **Proceeds**—To be used to complete the development of the Blackbird cobalt mine in Idaho.

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.

● **Industrial Fermentation Co., Denver, Colo.**
Feb. 17 (letter of notification) subscription agreements for 40,000 shares of no par value stock to be issued at 50 cents per share. **Underwriter** — Robert D. Bowers & Co., Denver. **Proceeds**—For incorporation expenses, marketing surveys, engineering and location of plant.

● **Investment Co. of America**
Feb. 23 filed 1,000,000 common shares. **Underwriter**—ICA Distributors, Inc. **Business**—Investment company.

Iowa Public Service Co. (4/11)
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 April 11.

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).

● **(O. D.) Keep Associates, Los Angeles, Calif.**
Feb. 20 (letter of notification) 36,618 shares of preferred stock (par $5) and 18,309 shares of common stock (par $5) to be offered at par. No underwriter. Proceeds for working capital. **Office**—4304 Melrose Ave.

● **Langendorf United Bakeries, Inc., San Francisco**
Feb. 21 (letter of notification) 5,950 shares of common stock to be sold at $16.75 per share by Stanley S. Langendorf. **Underwriters**—Walston, Hoffman & Goodwin, San Francisco, and Shields & Co., New York. **Office**—1160 McAllister St.

● **Lincoln Village Shopping Center, Inc., Chicago**
Feb. 16 (letter of notification) 75,000 shares of common stock at par ($1 per share). No underwriter. Proceeds are for general real estate development.

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.

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.

Lowell Adams Factors Corp. (3/7)
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. Expected next week.

Lowell Electric Light Corp., Lowell, Mass.
Dec. 30 filed 55,819 shares of capital stock (par $25). **Offering**—To be offered at $35 per share to common stockholders at the rate of one new share for each three shares held. **Underwriter**—None. **Proceeds**—To repay bank loans, for construction and to make further improvements.

● **Managed Funds, Inc., St. Louis, Mo.**
Feb. 23 500,000 shares of capital stock. **Underwriter**—Slayton & Co., Inc., St. Louis. **Business** — An open-end diversified type of investment company.

● **Metaline Mining & Leasing Co., Spokane, Wash.**
Feb. 15 (letter of notification) 176,167 shares of nonassessable common stock (par 10 cents) to be issued to buy a mining claim from the Sterling Zinc-Lead Co. No underwriter. **Office**—801 Realty Bldg.

Metropolitan Edison Co. (3/14)
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. **Bids**—Tentatively expected at noon (EST) on March 14.

● **Mid-Continent Airlines, Inc., Kansas City, Mo.**
Feb. 21 (letter of notification) 4,000 shares of common stock (par $1). **Price**—$8 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Waltower Bldg., 102 E. 9th St.

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. **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. **Bids**—Will be received up to 11 a.m. (EST) on March 7 at office of Southern Services, Inc., 20 Pine St., New York, N. Y. **Proceeds**—To finance construction program.

● **Monongahela Power Co. (3/28)**
Feb. 23 filed 60,000 shares of cumulative preferred stock, series C (par $100). **Underwriter**—Names to be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; 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). **Bids**—Expected about March 28. **Proceeds**—For construction expenditures.

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.

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.

● **Noon Bag Co., Portland, Ore.**
Feb. 13 (letter of notification) $50,000 of 6% 10-year debentures and 400 shares of $100 par value common stock. Price at par. **Underwriter**—None. **Proceeds**—For additional working capital. **Office**—34 N. W. 1st Ave.

● **Northern Indiana Public Service Co. (3/28)**
Feb. 23 filed $12,000,000 first mortgage bonds series E, due 1980. **Underwriter**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Central Republic Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); 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 pay for construction costs. **Offering** — Expected about March 28.

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. (3/7)
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 March 7.

● **Pacific Gas & Electric Co.**
Feb. 23 filed 1,656,156 shares of common stock (par $25) to be offered about March 20 to common stockholders at rate of one new share for each five shares held. Rights expected to expire April 5. **Underwriters**—To be named by amendment. Nationwide group may be headed by Blyth & Co., Inc. **Proceeds**—To finance in part construction program.

● **Pacific Telephone & Telegraph Co.**
Feb. 23 filed 814,694 shares of common stock (par $100) to be offered present common and preferred stockholders at the rate of one share for each six shares held. **Under-**

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NEW ISSUE CALENDAR

March 3, 1950
East Tennessee Natural Gas Co.____Notes & Com.

March 6, 1950
Missouri Pacific RR., noon (CST)__Equip. Tr. Ctfs.

March 7, 1950
Detroit Edison Co.______________________Bonds
Hawaiian Electric Co., Ltd._______Preferred & Com.
International Great Northern RR.
Noon (CST)________________Equip. Trust Ctfs.
Lowell Adams Factors Corp.______________Common
Mississippi Power Co., 11 a.m. (EST)_______Bonds
Otter Tail Power Co.____________________Common
St. Louis, Brownsville & Mexico Ry.
Noon (CST)________________Equip. Trust Ctfs.

March 8, 1950
Virginia Electric & Power Co.__________Preferred

March 9, 1950
Chicago, Burlington & Quincy RR._Equip. Tr. Ctfs.
Southern Pacific Co., noon (EST)______Debentures

March 13, 1950
General Public Service Corp.____________Common
Pennsylvania Power Co., 11 a.m. (EST)______Bonds

March 14, 1950
Metropolitan Edison Co.
Noon (EST)________________Bonds & Preferred
New Jersey Bell Telephone Co.________Debentures

March 15, 1950
Canam Mining Corp., Ltd.________________Common

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 11, 1950
Iowa Public Service Co._________________Preferred

April 21, 1950
Kansas City Power & Light Co.____________Common

May 2, 1950
Public Service Electric & Gas Co.___________Bonds

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writer—None. **Price**—At par. **Proceeds**—For construction and to repay bank loans made for construction purposes. The stockholders are to vote today (March 2) on increasing the authorized common stock from 5,000,000 to 6,500,000 shares. American Telephone & Telegraph Co., parent, owns 3,732,493 shares, or 91.75% of the 4,068,165 common shares outstanding, and 640,957 shares, or 78.17% of the 620,000 shares of 6% preferred stock.

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.

● **Pfister Associated Growers, Inc., Aurora, Ill.**
Feb. 16 (letter of notification) 1,000 shares of class B preferred stock (par $100) and 932 shares of common stock (par $25) to be offered at par. No underwriter. Proceeds for working capital and research in the development of hybrid corn. **Address**—Box 470, Galena Road, Aurora, Ill.

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.

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.

● **Remington Rand Inc.**
Feb. 20 (letter of notification) 26,600 shares of common stock (par 50¢), to be purchased in the open market and resold to employees at cost ($11.25 per share).

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.

● **Rotella Beverages, Inc. (N. J.)**
Feb. 17 (letter of notification) $100,000 10-year 5% convertible income debentures, at par, in New Jersey only. No underwriter. Proceeds for additional working capital. **Office**—45 Downing Street, Newark, N. J.

● **Sailors Surplus, Inc.**
Feb. 23 (letter of notification) 99 shares of common stock at $100 per share. No underwriter. Proceeds to increase and diversify inventory. **Office**—Orangeburg, New York.

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.

● **Schacht Steel, Ltd.**
Feb. 24 (letter of notification) 30,000 shares of common stock (no par). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—465 Hillside Avenue, Hillside, N. J.

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. **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.

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.

● **State Bond & Mortgage Co., New Ulm, Minn.**
Feb. 27 filed $500,000 of series 1305 investment certificates; $1,000,000 of series 1207-A accumulative savings certificates, and $10,000,000 of Series 1217-A accumulative savings certificates. No underwriter. An investment company.

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.

● **Suppiger (G. S.) Co., St. Louis, Mo.**
Feb. 20 (letter of notification) 2,000 shares of 5% cumulative preferred stock to be offered at par ($100 per share). No underwriter. Proceeds for working capital. **Office**—1530 Hadley St.

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.

● **Tensolite Insulated Wire Co., Inc.**
Feb. 27 (letter of notification) 250 shares of common stock (no par) to be sold at $100 per share through officers and directors. Proceeds to be used for working capital, etc. **Office**—7 Hudson Street, North Tarrytown, N. Y.

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. Arrangements are being made with Kidder, Peabody & Co. and Paine, Webber, Jackson & Curtis to underwrite 190,096 of the shares subject to SEC approval. **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.

● **U. S. Thermo Control Co.**
Feb. 21 (letter of notification) 20,000 shares of common stock (par $1) to be sold by William Hecht, Minneapolis. **Underwriter**—Harris, Upham & Co., Minneapolis. **Price**—$3 per share.

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. (3/8)
Jan. 31 filed 100,000 shares of preferred stock (par $100). **Underwriters**—Stone & Webster Securities Corp. may head group. **Price**—To be filed by amendment. **Proceeds**—To finance construction and to repay bank loans. Offering expected March 8.

● **Warren (J. C.) Corp., Bellmore, N. Y.**
Feb. 17 (letter of notification) $65,600 5-year 4% promissory notes (non-convertible) and 480 shares of capital stock (par $10), in units of $410 of notes and three shares of stock. **Price**—$500 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Offered**—As a speculation. **Office**—901 Merrick Road, Bellmore, L. I., New York.

● **Whirlpool Carriage, Inc., Brooklyn, N. Y.**
Feb. 21 (letter of notification) 200 shares of 6% cumulative preferred stock (par $100) and 20 shares of common stock (par $10) in units of 10 preferred and one common share at $1,010 per unit. No underwriter. Proceeds to be used for general purposes. **Office**—142 Joralemon Street, Brooklyn 2, N. Y.

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.

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.

● **Chicago, Burlington & Quincy RR. (3/9)**
Feb. 24 reported that bids are to be opened on March 9 for $10,200,000 equipment trust certificates to mature semi-annually over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Lee Higginson 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.

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.**
March 30 stockholders will vote on creation of an authorized issue of 500,000 shares of new cumulative preferred stock (par $100), of which it is planned to issue 250,000 shares (non-convertible) following redemption of a like amount of outstanding 3.6% cumulative convertible preferred stock. Each share of the latter is convertible 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 Power & Light Co.**
Feb. 24 directors approved a plan for the sale of 232,520 additional shares of common stock to stockholders of record April 5 on the basis of one share of new for each six shares held. Subscription prices may be established by the directors on April 3. Employees and officers also will be permitted to buy the new stock up to 150 shares

each. This is part of a tentative financing program estimated at from $17,000,000 to $19,000,000. Several months later, it is planned to offer $10,000,000 bonds and 50,000 shares of preferred stock (par $100). The common stock offering may comprise 250,000 shares. Probable bidders: (1) On bonds only—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., and Salomon Bros. & Hutzler (jointly); First Boston Corp.; Union Securities Corp.; (2) on common and preferred stocks—W. C. Langley & Co. and Union Securities Corp. (jointly); (3) on common stock only—Harriman, Ripley & Co., Inc.; Kidder, Peabody & Co.; (4) on bonds and preferred stock—Morgan Stanley & Co.; (5) on all three issues—White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. Construction costs in 1950, it is estimated, will total about $25,000,000.

Equitable Gas Co.
Jan. 19 Standard Gas & Electric Co. announced Philadelphia Co. proposes to sell its Equitable Gas Co. common stock to be outstanding following its proposed reorganization (see also Wisconsin Public Service Corp. below). Exemption from competitive bidding in the case of Equitable, is asked. 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 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. 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 Securities Corp. and Equitable Securities Corp. (jointly); Shields & Co.; Drexel & Co.; Morgan Stanley & Co.; Harriman Ripley & Co. **Proceeds**—To finance construction program.

● **Georgia Power Co.**
Feb. 21 company reported to be planning $6,000,000 additional financing before the end of 1950 (in addition to $15,000,000 of bonds soon expected to be offered); $18,000,000 more in 1951 and $16,000,000 more in 1952.

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.

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.

● **Illinois Power Co.**
Feb. 24 reported planning the issuance of $15,000,000 first mortgage bonds. Probable bidders include: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co., Inc. and Glore, Forgan & Co. (jointly); Union Securities Corp.; Kuhn, Loeb & Co., and Lazard Freres & Co. (jointly). Expected in April.

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.). Bids will be received until noon (CST).

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. Gas & Electric Corp.

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-Kansas-Texas RR.**
Feb. 24 reported company plans issuance of $1,680,000 equipment trust certificates some time this month. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

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.). Bids will be received until noon (CST).

● **National Sugar Manufacturing Co.**
Feb. 20 announced company plans to sell $300,000 of first mortgage serial bonds to Peters, Writer & Christensen, Inc., Denver, Colo., on or about April 1, 1950, and to issue $497,300 of new 4% prior preferred stock (par $100). Proceeds are to be used to redeem first mortgage bonds and second mortgage income bonds.

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 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. Offering of stock expected in May and of bonds in June.

● **Ohio Edison Co.**
Feb. 21 announced company proposes to issue and sell at competitive bidding $52,000,000 of first mortgage bonds due 1980 and to issue additional bonds or borrow $4,200,000 from banks on instalment notes. Probable bidders include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Glore, Forgan & Co. and Union Securities Corp. (jointly); First Boston Corp. Proceeds would be used to redeeming all outstanding first mortgage bonds and serial notes of Ohio Public Service Co.

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. 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.

Pacific Intermountain Express Co.
Jan. 23 announced company plans offering of 69,768 shares of additional common stock to its stockholders of record Feb. 20 on a one-for-three basis at $16 per share. It is expected that new shares will be issued before March 20, subject to ICC approval. Traditional underwriter: Mitchum, Tully & Co.

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.
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 about the middle of this year $7,500,000 debentures and $7,500,000 preferred stock. Probable bidders include: Halsey, Stuart & Co. Inc. (debentures only); W. C. Langley & Co. and Glore, Forgan & Co. (jointly) (preferred only); Blyth & Co., Inc.; and Smith, Barney & Co. (jointly); First Boston Corp.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Eastman, Dillon & Co.

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.). Bids will be received until noon (CST).

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.; Blyth & Co. Inc.; White, Weld & Co. **Bids**—Will be received at company's office, Room 2117, 165 Broadway, New York City, up to noon (EST) on March 9. **Price**—Bidders to name the price, with the minimum set at 100.

● **Tennessee Gas Transmission Corp.**
Feb. 22 reported that company is expected within a few months to undertake additional preferred stock financing in order to supply a portion of its new money needs. In addition, company and Mathieson Chemical Corp. is said to be planning the formation of a new chemical company subsidiary, which may involve the issuance of $17,000,000 of bonds or debentures and $8,000,000 common stock to be issued through stock purchase rights, with early SEC registration expected. Probable underwriters: Stone & Webster Securities Corp.; White, Weld & Co.

Utah Fuel Co. (4/10)
The referee will offer at public auction at 11 a.m. on April 10 all of the 100,000 outstanding shares of stock of this corporation at the Guaranty Trust Co. of New York, 140 Broadway, New York. **Business**—Mining of coal in Utah and Colorado and manufacturing of coke in Utah and sale of said products.

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.

Wisconsin Public Service Corp.
Jan. 19 announced Standard Gas & Electric Co. proposes to sell at competitive bidding all of the 1,625,000 shares of common stock of the Wisconsin subsidiary, and the Philadelphia Co., its principal subsidiary, seeks 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.

Continued from page 5

Observations . . .

the earnings rise but, in the atmosphere of rising speculative excitement they were capitalized with higher multipliers. For example, by the boiling 1929 year of "New Era" the temporarily high profit of $1 per share of American Foreign Power was "appraised" with a multiplier of no less than 200. The 1929 situation thus represented a typical bull market proclivity of a double misconception. First the upper-cycle nature of the expanded earnings was disregarded; and second, those insecure profits were capitalized with record-high multipliers. Instead of reduced multipliers being put on the inflated earnings to counteract their risk elements, which would have been logical; the risk in the earnings level was compounded by raising the multiplier. The same illogical process was repeated in the 1936-37 bull market. And the converse of a low multiplier being attached to depression earnings by a scared public has occurred midst bear markets.

Similarly with the closed-end investment companies, as this column has demonstrated in the past, the discounts from asset values have illogically narrowed in the riskier bull periods and widened in the safer bear markets. We shall see whether our hoped-for era of intelligent investment will result in the reversal to more logical behavior in the investment trust market.

The New Poise

Now, in contrast to past practice, the double-reflection of bull market psychology is absent. This has resulted in the surprise over the general market's sticking to the unprecedentedly low capitalization of the currently high earnings and dividends—particularly when related to the low yields concurrently obtainable from bonds (as epitomized in the popularized "2%-versus-7%" slogan).

"It must be conceded that the stock market has been demonstrating remarkable poise," is the description grudgingly offered in a current Market Letter.

The Roller-Coaster Abandoned

The changed attitude is exemplified by the current valuation of the shares of cyclical industries, as in steel. Under traditional "roller-coaster" market action, as statistically detailed in Mr. Louis Stone's article in this issue of the "Chronicle" (p. 3), the steel stockholder has experienced recurrently wild rises and drops as steep as 1200%. But now the market is embarking on a precedent in abstaining from successively chasing earnings up and down. As a result of this progress toward more stabilized valuation of cyclical stocks, steel shares have risen only 40% above their 1946 lows in the face of a doubling of earnings; and compared with 1945, the market prices are no higher than the highs of that year although the company earnings have trebled.

So it is that Youngstown Sheet and Tube is valued in today's market at only 4 times 1949 earnings (a price less than its net quick-liquidating value).

The further test of such phlegmatic investor intelligence will come in the next Depression period. If Youngstown earnings drop—temporarily—to $4 per share, will the market community retain enough sense to continue the present price level of $80 per share?

Bargain Counter or Just Reasonably Priced Merchandise?

As an argument by the bulls claiming present market levels represent the bargain counter, it is pointed out that many stocks today, despite higher earnings, are selling at lower levels than in 1946. ("Southern Pacific earning $10 sells at only 52 whereas in 1946 it sold at 70 with the lower earnings of $6.70.") But unreservedly bullish conclusions claiming this represents current erroneous undervaluation, overlook the following possibly valid explanation: **(1) in both periods the earnings have temporarily been on a higher level than can be expected over the long-term future; (2) in 1946 such temporarily big earnings were capitalized with a higher multiplier than now because of the generally greater speculative market interest ruling in the earlier bull-market period.** Consistent with our conclusion regarding Youngstown, the intelligence of today's appraisal will be confirmed if in the next railroad depression today's price of Southern Pacific is not knocked down to conform to the temporarily lowered earnings.

Clarity in T-V Reception

Another manifestation of current sophistication—at least among the professional element—is the rise in the short interest in the television shares. Evidently at least some of the market community is able to maintain enough poise to spurn the boom earnings-cum-"romance" of our newest industrial *wunderkind*. This of course is not to imply that the public has forsaken its foible of buying issues after (because?) they have quadrupled in price—particularly when that price is *numerically* low.

Another straw in the present zephyrous state of investor psychology is the sobered attitude toward the potential effects of pension fund investment. The market community seems to be coming around to the view expressed by the Bankers Trust Company in debunking the "stratospheric" expectations of some observers in overestimating both the size of the liquid funds and their effect on the investment markets.

Also healthy are signs of increasing abandonment of "inflation" as a bull argument. Apparently it is becoming realized that past experience in this country as well as in England, France, Italy, Belgium, and Switzerland demonstrate the general failure of stock prices to compensate for depreciation of the monetary unit and inflation of the money supply. (In the high-producing United States there is the additional empirical "anti-inflation" demonstration of the past non-translation of increased quantity of money in dollar-depreciation.)

Without doubt, present investor sobriety largely is attributable to a general psychological atmosphere of investment in lieu of speculation—perhaps only a passing phase in market history. But it is also possible that this conclusion can justifiably be leavened with the hope that additionally the investor is actually becoming a bit more intelligent and unemotional.

Our Reporter's Report

Several banking groups which appear now to have overbid a bit in competing for new issues recently decided this week to call it a day and let substantial unsold portions of such issues seek their own levels marketwise.

Presumably it had been the expectation of such groups, or at least the managers, that the market would come up to take the bonds off their hands. But that did not happen and so the syndicate agreements were terminated.

Quite evidently the persistent selling of Treasury issues by the Federal Reserve has been a factor in bringing about their decisions to throw in the sponge and charge the cost of the experience to the month just closed.

Treasury issues have been under steady pressure for several weeks, with the banks and insurance companies evidently taking up the securities represented by the net decrease in Reserve's holdings beyond actual maturities.

With governments showing a cumulative recession of about ¼ point on the average, high-grade corporates likewise have been dragging and while there has been an absence of real pressure there has been likewise a complete indisposition to bid for such paper.

World Bank Bonds

The World Bank's experience in its recent refinancing operation is cited in some quarters as an illustration of how competitive bidding can boomerang on occasion.

The Bank's officials naturally undertook the refunding with the aim, not only of saving interest cost but more important, "upgrading" the market for its securities.

Certainly it got a good price for the issue, using as it did the serial form. But the bankers who purchased the bonds have not been able to move any appreciable portion of the $100,000,000 total to the ultimate investor.

The method and intentions were admittedly 100% right, but the high bid took the issue into competition with Treasury's and currently the latter have eased from levels prevailing at the time.

Busy Week Ahead

Next week promises enough business to get the underwriting fraternity off "deadcenter" where it has been unhappily perched for a fortnight.

There is no stampede of new issues in sight but enough to stir up considerable activity is promised. Four rail equipment trust issues slated, along with three corporate bond issues.

Southern Pacific's $37,727,600 of new debentures on Thursday, tops the list, and since these carry a conversion feature, these will be offered first to stockholders in recognition of their preemptive right.

Tuesday will bring up $35,000,000 of new bonds of Detroit Edison Co., for competitive bids and indications are that the issue will attract plenty of interest. Mississippi Power Co. will sell $3,000,000 bonds the same day.

Rail Equipments

Largest of the four railroad equipment trusts due up next week, on Thursday, is Chicago Burlington & Quincy's $10,200,000 of certificates.

Missouri Pacific will touch off the week on Monday when it opens bids for $3,000,000 of its equipment certificates.

Two smaller undertakings, $975,000,000 for the St. Louis, Brownsville & Mexico and $900,000 for the International-Great Northern, both due on Tuesday round out this phase of the new underwritings.

Rosenthal Roth With Bache & Co., Chicago

CHICAGO, ILL. — Edward M. Rosenthal and Nicholas Roth have become associated with Bache & Co., 135 South La Salle Street. Both were formerly with Faroll & Co., of which Mr. Rosenthal had been a partner for more than 20 years.

George Sirota Sons To Handle Securites

George Sirota & Sons, 2 Broadway, New York City, will engage in a business in general securities in addition to their activity as commodity brokers. Partners are George, Norman, and Benjamin Sirota. Mr. Benjamin Sirota was formerly with D. R. Comenzo & Co. and A. L. Stamm & Co.; Mr. Norman Sirota with Hirsch & Co.; and Mr. George Sirota was proprietor of his own firm.

Two With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Albert H. DeCanniere and Robert E. Holliway are with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Loewi & Co. Add

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Elmer H. Engel has been added to the staff of Loewi & Co., 225 East Mason Street.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable April 1, 1950 to Stockholders of Record at the close of business March 15, 1950. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business March 15, 1950 until March 29, 1950.

ROBERT B. BROWN, Treasurer.

Allied Chemical & Dye Corporation
61 Broadway, New York

February 28, 1950

Allied Chemical & Dye Corporation has declared quarterly dividend No. 116 of Two Dollars ($2.00) per share on the Common Stock of the Company, payable March 20, 1950, to common stockholders of record at the close of business March 10, 1950.

W. C. KING, Secretary

AMERICAN LOCOMOTIVE COMPANY
30 Church Street New York 8, N. Y.

PREFERRED DIVIDEND No. 167
COMMON DIVIDEND No. 99

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared payable April 1, 1950 to holders of record at the close of business on March 10, 1950. Transfer books will not be closed.

CARL A. SUNDBERG
February 23, 1950 *Secretary*

Supple, Griswold Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Howard F. Sillick is now with Supple, Griswold & Co., 235 Montgomery Street.

Joins King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Guilbert du Mont has joined the staff of King Merrit & Co., Inc., Russ Building.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N. Y.

182ND PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1950, to stockholders of record at the close of business March 10, 1950. Checks will be mailed.

EDMUND A. HARVEY, *Treasurer*
February 28, 1950

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 176
Common Dividend No. 166

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1950, and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1950, to holders of record March 6, 1950. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
February 21, 1950 Secretary

ANACONDA COPPER MINING COMPANY
25 Broadway, New York 4, N. Y.

February 23, 1950.

Dividend No. 167

The Board of Directors of Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50¢) per share on its capital stock of the par value of $50 per share, payable March 30, 1950, to stockholders of record at the close of business on March 8, 1950.

C. EARLE MORAN
Secretary and Treasurer

Beneficial Industrial Loan Corporation
DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

CUMULATIVE PREFERRED STOCK
$3.25 Dividend Series of 1946
$.81¼ per share

$4 Dividend Series of 1948
$1 per share
(for quarterly period ending March 31, 1950)

COMMON STOCK
$.37½ per share

The dividends are payable March 31, 1950 to stockholders of record at close of business March 15, 1950.

PHILIP KAPINAS
Treasurer

March 1, 1950

F. S. Yantis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Glenn W. Geary is with F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange.

C. G. McDonald Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Emmett C. Kull has been added to the staff of C. G. McDonald & Co., Penobscot Building.

DIVIDEND NOTICES

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable April 1, 1950, to stockholders of record at the close of business on March 10, 1950. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*

February 23, 1950.

The Colorado Fuel & Iron Corporation

DIVIDEND ON COMMON STOCK

At a meeting of the Board of Directors of The Colorado Fuel & Iron Corporation held on February 21, 1950, the regular dividend in the amount of 25c per share was declared on its Common stock, payable March 31, 1950, to stockholders of record at close of business on March 6, 1950.

D. C. McGREW, Secretary.

B. T. Babbitt INC.

85th CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 30c per share on the Common Stock of the Company, payable on April 1, 1950 to stockholders of record at the close of business on March 10, 1950.

LEO W. GEISMAR, *Treasurer.*

February 28, 1950

The Borden Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 19, 1950, at 11:00 o'clock A.M. (Eastern Standard Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Tuesday, March 21, 1950, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company

THEODORE D. WAIBEL, *Secretary*

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, less 2.75 per cent Wisconsin privilege dividend tax, on the capital stock (without par value) of the Corporation, payable March 15, 1950, to stockholders of record March 3, 1950.

L. G. REGNER, Secretary.

February 21, 1950

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *February 20, 1950*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable April 25, 1950, to stockholders of record at the close of business on April 10, 1950; also 75¢ a share on the $5.00 par value Common Stock as the first interim dividend for 1950, payable March 14, 1950, to stockholders of record at the close of business on February 27, 1950.

L. DU P. COPELAND, *Secretary*

CSC COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 61

A dividend of twenty-five cents (25¢) per share has today been declared on the outstanding common stock of this Corporation, payable on March 31, 1950, to stockholders of record at the close of business on March 8, 1950.

A. R. BERGEN, *Secretary.*

February 28, 1950.

THE West Penn Electric Company (INCORPORATED)

COMMON DIVIDEND

The Board of Directors of The West Penn Electric Company has declared a quarterly dividend on the Common Stock of the Company in the amount of forty-five cents (45¢) per share, payable on March 31, 1950, to stockholders of record at the close of business on March 10, 1950.

H. D. McDOWELL, *Secretary*

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A first interim dividend on the Ordinary Stock for the year ending 30th September 1950 of one shilling for each £1 of Ordinary Stock, free of United Kingdom Income Tax will be payable on 31st March, 1950.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 206 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E.C.3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 31st March, 1950.

Coupon No. 93 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2., for examination five clear business days (excluding Saturday) before payment is made.

DATED 15th February, 1950

BY ORDER

A. D. McCORMICK, Secretary.

Rusham House, Egham, Surrey.

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.

DIVIDEND NOTICES

GUARANTY TRUST COMPANY OF NEW YORK

New York, March 1, 1950.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending March 31, 1950, payable on April 15, 1950, to stockholders of record at the close of business March 15, 1950.

MATTHEW T. MURRAY, Secretary.

HOMESTAKE MINING COMPANY

DIVIDEND No. 875

The Board of Directors has declared dividend No. 875 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable March 17, 1950 to stockholders of record March 7, 1950. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

February 14, 1950

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

590 Madison Ave., New York 22

The 140th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable March 10, 1950, to stockholders of record at the close of business on February 17, 1950. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer

January 17, 1950

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 143

A dividend of SEVENTY-FIVE CENTS a share has been declared on the capital stock of this Company, payable April 1, 1950, to stockholders of record at the close of business on March 15, 1950. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary*

IRVING TRUST COMPANY

One Wall Street, New York

February 23, 1950

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable April 1, 1950, to stockholders of record at the close of business March 6, 1950.

STEPHEN G. KENT, *Secretary*

International Minerals Chemicals

Mining and Manufacturing

Phosphate • Potash • Fertilizer • Chemicals

★

Dividends were declared by the Board of Directors on February 23, 1950, as follows:

4% Cumulative Preferred Stock 32nd Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock Regular Quarterly Dividend of Fifty Cents (50c) per share.

Both dividends are payable March 30, 1950, to stockholders of record at the close of business March 17, 1950

Checks will be mailed.

Robert P. Resch

Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 86

On February 21, 1950, a dividend of seventy-five cents (75¢) per share was declared on the Capital Stock of Newmont Mining Corporation, payable March 15, 1950 to stockholders of record at the close of business March 1, 1950.

GUS MRKVICKA, *Treasurer.*

New York, N. Y., February 21, 1950.

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

February 28, 1950

The Board of Directors of Liberty Products Corporation has declared a dividend of Ten Cents (10¢) per share on its common stock, payable March 18, 1950 to stockholders of record at the close of business on March 6, 1950.

William G. Holman

Secretary

MERCK & CO., INC.

RAHWAY, N. J.

Dividends of 37½¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock and $1.00 a share on the $4.00 cumulative convertible second preferred stock have been declared, payable on April 1, 1950, to stockholders of record at the close of business March 13, 1950.

GEORGE W. MERCK, *President*

February 28, 1950

MIDDLE SOUTH UTILITIES, Inc.

•

DIVIDEND

The Board of Directors has this day declared a dividend of 27½¢ per share on the Common Stock, payable April 1, 1950, to stockholders of record at the close of business March 10, 1950.

H. F. SANDERS, *Treasurer*

New York 6, N. Y.

February 24, 1950

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending April 30, 1950, has been declared payable April 15, 1950 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on March 31, 1950.

A dividend of 50¢ per share has been declared payable April 15, 1950, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on March 31, 1950.

February 27, 1950

H. A. WAY, *Secretary*

ROYAL

DIVIDEND NOTICES

PITTSBURGH CONSOLIDATION COAL COMPANY

CONSOL

The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 50 cents per share on the Common Stock of the Company, payable on March 15, 1950, to shareholders of record at the close of business on March 10, 1950. Checks will be mailed.

CHARLES E. BEACHLEY, *Secretary-Treasurer*

February 28, 1950.

UNION CARBIDE *AND CARBON CORPORATION*

UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared payable April 1, 1950 to stockholders of record at the close of business March 3, 1950.

KENNETH H. HANNAN, *Secretary*

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable April 1, 1950, to stockholders of record at the close of business on March 11, 1950.

J. H. MIRACLE, *Secretary*

February 28, 1950

UNITED FRUIT COMPANY

DIVIDEND NO. 203

A dividend of fifty cents per share and an extra dividend of one dollar per share on the capital stock of this Company have been declared payable April 14, 1950 to stockholders of record March 9, 1950.

EMERY N. LEONARD, *Treasurer*

TWENTIETH CENTURY-FOX FILM CORPORATION

20th CENTURY FOX

February 21, 1950

A quarterly cash dividend of $1.12½ per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Prior Preferred Stock of this Corporation has been declared payable March 15, 1950 to the stockholders of record at the close of business on March 6, 1950.

A quarterly cash dividend of $.37½ per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Convertible Preferred Stock of this Corporation has been declared payable March 31, 1950 to the stockholders of record at the close of business on March 6, 1950.

A quarterly cash dividend of $.50 per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Common Stock of this Corporation has been declared payable March 31, 1950 to stockholders of record at the close of business on March 6, 1950.

DONALD A. HENDERSON, *Treasurer.*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — After reaching a peak two or three weeks ago, the move for fast cuts in the excise taxes is now ebbing. Unless some unexpectedly strong power comes for quick action, it appears at present as though the buyers' strike on the high-taxed articles might as well fold, unless it is set to continue until June.

As of this week end the House Ways and Means Committee is scheduled to complete its open hearings on tax legislation. The committee then goes into a closed-door session to write a bill. Most committee members think it will take a month to come out with a bill.

Even if the committee reports out a bill in a couple of weeks, however, it cannot go through the House before another week, or at the very earliest by the third week in March. This is about the time the Senate Finance Committee hopes to clean up its public hearings on the Social Security Extension Bill. If the House gets its bill on tax cuts over to the Senate Committee just after that committee winds up public hearings on the Social Security Bill, it is possible that the Finance Committee might lay social security aside and start to work on the tax bill.

If the Senate Committee took this expeditious step, then although unlikely, it might conceivably come out with its version of a tax bill by the early part of April. Give the Senate a week's debate when it gets taxes scheduled, and at the very earliest, counting all breaks in favor of speed, both Houses might separately pass the tax bill by the end of April. Adjustment in conference could not, even if all zeal for speed were applied, come before another two or three weeks.

This would mean agreement on a final version acceptable to both Houses by the latter part of May. Then will come the veto message, if the President does not back down on his threat to veto because Congress will not offset excise tax cuts with compensating revenue.

So the very earliest there could be final action on tax cuts would be about June 1, and only if all the breaks are in favor of prompt action. It is not reasonable, however, to expect the breaks to come for speed. The Senate will get behind schedule and all fouled up in the forthcoming filibuster over FEPC. If the House doesn't get its bill to the Senate before, say, the third week of March, it is entirely possible the Senate Committee would wind up social security extension and not even begin to consider taxes until late April.

* * *

Chairman Clarence Cannon (D., Mo.) has taken quietly a self-sacrificing step for the sole purpose of avoiding any mishap to the single appropriation bill.

This year the House (and Senate also) is handling all appropriations in a single measure, due perhaps in late March. The idea is to withhold appropriating any money until a decision has been made on the amount to be recommended for all government activities. Subcommittees are holding hearings and considering simultaneously the dozen separate appropriation bills which will not be given final approval until they are considered by the committee *en bloc.*

Obviously when the several separate subcommittee recommendations for appropriations come before the full committee, same apparatus has to be set up to correlate the pieces into a single bill. Somebody has got to say how much, if any, overall reduction shall be applied where. A full committee obviously cannot take the time to consider all appropriations.

So Mr. Cannon originally projected the logical idea of selecting a committee of the top-ranking Republicans and Democrats on the Appropriations Committee, plus himself as chairman, to swing the final axe on expenditures to hold them within the bounds of the total amount.

With two minority and two majority members, the Chairman, Mr. Cannon, obviously would be a very important gentleman. His single vote might have decided whether the Northwest was going to get a big power project or the Southeast some improved harbors, to use examples.

There was some private grumbling about this at the opening of the session. Speaker Rayburn, who may have spied the developing of a powerful Chairman of Appropriations to rival his influence, did a little dignified grumbling out loud.

Mr. Cannon quietly has passed the word that under no circumstances will he be chairman of this key appropriations coordinating subcommittee, and that the subcommittee will consist of eight persons, five Democrats and three Republicans, so its chairman will not, by his single vote, have almost alone the power of the purse of the House.

The Missouri Representative's sacrifice of this key spot has removed a threat to the single appropriation bill, which is now proceeding so harmoniously that not a single Federal agency appears to have got a leak as yet, as to how much money it will get, so it could build up a fire in advance against the Appropriations Committee.

* * *

Conservative - minded persons here regard the outcome of the British election as the best possible thing short of a sizable Conservative party majority in Commons. Under the British system a slender majority can be so hamstrung and harassed by a large minority as to come to look like a futile and vacillating government without plans, purpose, directions or accomplishment.

During the last two years of Mr. Hoover's Presidency, the U. S. scene afforded a rough equivalent of what this situation is like. The Democrats controlled the House during that two years, and the nimble, politically brilliant Jack Garner did a superb, craftsmanlike job of stopping Mr. Hoover's legislative program whilst offering bright alternatives. It was Operator Garner who was responsible for frustrating Mr. Hoover and spreading the impression abroad that the former President was a man of inaction, even if the late Charles Michaelson, Democratic publicist, got the credit for bringing down the game.

* * *

There was no more significance to the recent scratching contest over what group in the Senate would hang out the shingle as the professional spokesman in the upper chamber for small business than to a fight among a couple of vaudeville artists as to which should get top billing and biggest letters on the theater marques. The actors may hate each other privately but the show will go on just as the script is written.

For some time both Houses have had a "special committee" on small business. These special committees are without legislative power, and naturally so. The interests of small business in tax, appropriations, regulatory, and other legislation can hardly be strained out of the interest of all business.

But the "special committee" on small business provides a forum where so-called small businessmen can sound off in public. It is a vehicle to show that certain Congressmen love small businessmen and deserve their votes, and it is a committee where ponderous investigations and studies are carried on. Its output of constructive legislation is usually small. It has to be small because the Federal Government is not yet ready to reduce income taxes or loosen the SEC strait-jacket.

However, at the begining of the 81st Congress the customary resolution to continue the Special Senate Committee on Small Business got referred to the Banking Committee. When it arrived, Chairman Burnet R. Maybank (D., S. Car.) sat on same. He set up his own banking subcommittee on small business with himself as chairman, because he wanted to sell the political small business merchandise himself. He was able to get away with it because (1) the Democratic-sponsored Legislative Reorganization Act of 1946 declared against special committees in principle, and (2) there was a little doubt as to whether the Democrats wanted Senator James E. Murray (D., Mont.) to be chairman as was his due, since Mr. Murray is a little too far to the left to suit most of the Democrats.

However, with President Truman in 1950 adopting small business as his own ward, and Majority Leader Scott Lucas (D., Ill.) sponsoring small business financing aids, it began to appear as though it would be necessary to re-create the special committee to sound convincing. So with Lucas backing the idea, the special committee was set up once more, but not until Senator Maybank had told the Senate that he was most angry.

* * *

There is now definitely established (always subject to later change) a new line-up on housing. For the last several years the Senate Banking Committee, loaded with both Democratic and Republican "liberals," has been the aggressor for more and cheaper housing for the voter and more and expensive housing for the Treasury to pay for. It has been the House Banking Committee, under both Democratic and Republican control, which has always held back, which has asked the most skeptical questions, which often has stopped subsidized housing temporarily.

Now the House Banking Committee has reported out without important changes, and in the pure form virtually that it was drafted by the Administration, the cooperative housing bill. The Senate Committee has cut the thing somewhat and come out with a curiously modified, if still expensive, proposition. The Senate Committee did this because the Republican "liberals," who before have steadfastly supported public housing, ran out on the propostion.

One of the little incidents of the affair is that it was Senator Allen J. Frear, Jr. (D.) of Delaware, who held the balance of power in the committee. The bill had to be modified to suit his wishes to get the majority of one necessary to get it reported out.

* * *

There appears to be little doubt but that the Treasury is moving to space its financing on a quarterly basis, except, of course, for the regular weekly bill issues. The quarterly basis was used for many years prior to the war. The new quarterly basis, however, will be such that issues will mature 15 days after the tax date, instead of on the tax date, as used to be the case.

Rate-wise, the Treasury is as reported, placing itself in a position where it can remain on the 1-year $1\frac{1}{8}\%$ rate or move into the $1\frac{1}{4}\%$ rate, as business conditions indicate.

(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

"Frankly, I don't have any coupons left to clip—but I like to go in and click the scissors for the effect!"

J. A. Rayvis Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

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