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EDITORIAL

As We See It

The Coal Strike, the Taft-Hartley Act, et al—Second Thoughts

With soft coal again flowing into the veins of business and into the homes of domestic consumers, many—all too many, we are afraid—will content themselves with a long sigh of relief. For those who prefer to take a closer look, satisfaction will be tempered with concern at the price that is being paid for this "concession" from the lordly miners.

The entire controversy from its inception has been bedeviled with conditions which could arise only out of labor-pampering legislation, out of labor-pampering decisions of the courts, and out of the fact that the President has from the first chosen to make a political football of the Taft-Hartley Act. Out of all this the shrewd, if otherwise not always commendable, Mr. Lewis has been able to mark up one more victory for the miners and another defeat for the public interest. This, obviously, is not the end of it all, but only one more milestone in a journey which can scarcely give even the thoughtful miner a great deal of optimism about the ultimate future. As to the rank and file of the people who in a thousand ways, direct and indirect, are heavily dependent upon a regular flow of soft coal at reasonable prices, and who can scarcely be unaware of the inevitable effect of this so-called coal settlement upon the behavior of unions everywhere —well, these millions (if they really think carefully about it) can hardly feel other than dissatisfied and dubious about the ultimate consequences of it all.

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An Investment Appraisal For the Spring of 1950

By PHILIP J. FITZGERALD*
Partner, Dean Witter & Co., San Francisco

West Coast investment banker declares common stocks are cheap on bases of: (1) any past investment measurements; (2) their reinvestment of earnings during past decade; (3) present price-earnings ratios; (4) dividend yields; (5) continuing high profits; (6) easy credit; (7) political safeguards against business recession; (8) buying by institutions which are now "short" of common stocks; and (9) switching of Savings Bond maturities into the stock market.

I

Investment Background

Postwar Business Levels—Before considering the future prospects of the stock market it is wise to consider the investment background as we go into the spring of 1950. Business is currently very good and has been at record-breaking levels for the last four years. Industrial production is running about 75% above the average level of the prewar period and the personal income has tripled—having risen from $71 billion in 1939 to the tremendous sum of $212 billlion in 1949.

Postwar Market Levels—During this period business has prospered mightily, with earnings and dividends surpassing all previous levels. At the 200 level, the Dow-Jones Industrial Averages are cheap by any past investment measurements. The 30 leading stocks in this average have reinvested more than $60 of their earnings during the past decade, so that their reinvested earnings exceed the average price advances which they have had from the prewar level. Their 1949 earnings are estimated at around $23, which indicates a price-times-earnings ratio of about 9 times. This compares to the prewar period when the average selling price was about $140, or over 16 times the average earnings of the 5-year period 1935-39. In the five prewar years,

*An address by Mr. Fitzgerald before the National Federation of Financial Analysts Societies New York City, March 2, 1950.

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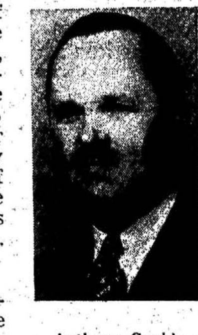
The Outlook for Stock Prices

By ANTHONY GAUBIS*
Investment Counselor

Mr. Gaubis foresees probability of 30-40 points decline in Dow Jones Average in coming half-year, with other issues declining even further. Cites subsiding of previous external bullish influences, as shortages, consumer credit "mortgaging," and export surpluses. Discounts bullish factors of high-yields and inflation in face of bearish psychological and international forces.

In all honesty, I simply cannot avoid the conclusion that investors should now be more cautious than they had need to be at any time during the past three years. To be specific, I believe that there is a much greater chance of a decline of at least 30 to 40 points from the 204-208 level of the Dow-Jones Industrial Average within the next three to six months, than there is of an advance of comparable proportions. I can see the possibility of a decline of about 25% to 35% in the average stock, and for this reason, have been advising my clients to reduce their holdings of equities to substantially below those maintained while the Dow-Jones Industrials were in the 160-200 range.



Anthony Gaubis

No Chronic Pessimist

Before I go into some of my reasons for this conclusion, I should like to explain that I am not a chronic pessimist. As a matter of fact, most of my errors have been on the bullish side. I was definitely bearish in the Spring of 1946, in face of prevailing opinion which was summarized by a prominent analyst, who remarked that "Anyone who thinks there is a chance of a 40- to 50-point decline in the Dow-Jones Industrials (from the 210 level) has no business being an investment counselor." I turned bullish after the decline late in that year, as my work had indicated that the October, 1946, low of about 161 in the Dow-Jones

*A talk by Mr. Gaubis before the National Federation of Financial Analysts Societies, New York City, March 2, 1950.

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FULL TEXTS of the entire Proceedings of the Third Annual Convention of the National Federation of Financial Analysts Societies, will be available under one cover in the April issue of the Analysts' Journal, at $1.25, on application at 25 Broad St., New York, N. Y.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

This Week's Forum Participants and Their Selections

First Bank Stock Corporation—Carson F. Jamieson, Partner, Jamieson & Co., Minneapolis, Minn.

General American Investors—J. C. Luitweiler, Partner, Bendix, Luitweiler & Co., N. Y. City.

Westinghouse Electric Company—David W. McKnight, Partner, G. H. Walker & Co., N. Y. City.

Republic Natural Gas—Clyde L. Paul, Partner, Paul & Lynch, Philadelphia, Pa.

Central Soya Company—Walter A. Schmidt, Partner, Schmidt, Poole & Co., Philadelphia, Pa.

J. C. LUITWEILER

Partner, Bendix, Luitweiler & Co., New York City

Members, New York Stock Exchange and Other Exchanges

(General American Investors)

As an "all purpose" investment, the security I like best is, General American Investors, listed on the New York Stock Exchange and selling currently at about $19 per share.

J. C. Luitweiler

If a customer asked: "What can you recommend as a safe investment with a 10% annual return," I think most of our fraternity would answer: "Sir, you are looking for the pot of gold at the end of the rainbow." But I should be inclined to say "General American Investors."

Or if another client says: "I have a couple of thousand dollars of hard earned savings. I can't afford to lose this money and still I must have better than a savings bank or government bond income to help me out with the high cost of living. What stocks do you recommend my buying?" He poses a difficult problem for the broker to pick out the one or two stocks that he can conscientiously recommend the customer buying without continuous oversight—a costly procedure for a small account. My recommendation would again be: "General American Investors."

Such a high return on a conservative investment calls for explanation. General American Investors is a general management investment trust. Its 1949 annual report lists assets of approximately 24 million dollars, inventorying holdings at cost, which had a market value of about $15½ million more. Apart from 17½% in government bonds and cash, its portfolio consisted of some 50 different securities, including railroad bonds, preferred stocks, public utility, oil and natural gas common stocks and a miscellany of other common stocks.

Its income from interest and dividends on its portfolio was $1,758,152, while profits realized from the sale of securities were $1,975,034. After deducting expenses of management of $301,703, the balance sufficed to pay 1949 total dividends of $1.92 per share, which represents the 10% before mentioned on a current price of 19¼.

It might be said that this is not properly to be called a 10% investment, since over half of the dividend came from turn-over profits and so was fortuitous. But here is the longer term record: At the end of 1944, the stock had a net asset value of $15.60. After paying $9.79 total dividends in the succeeding five years (or an average of $1.96 per annum) it ended the year 1949 with a net asset value higher than five years ago, namely, $19.85.

Still more significant, it ended 1949 with $15½ million unrealized profits in its security holdings which is some assurance of the company's ability to continue the liberal dividend payments of the past five years. As a regulated investing company they have been following a policy of distributing to stockholders **all** their income from interest, dividends and turnover profit. It is of course possible that a sudden market decline could reduce this backlog of accumulated profit substantially or that the management might elect not to sell out securities in which they had large profits. In either case the size of the annual dividend would shrink from the last five year average.

The only "out" about such investment from the brokers' viewpoint is that it is apt to be too permanent to suit the brokers' interest. It is like the bachelor who introduces his best girl friend to his best boy friend, only to see him marry her and never see him again!

CARSON F. JAMIESON

Partner, Jamieson & Co., Minneapolis, Minn.

(First Bank Stock Corporation)

"The security I like best"—that is like asking a man to select the most useful type of automobile. It all depends on what you want it for. A truck would not be much use on the Indianapolis Speedway, nor would a high-powered "hot rod" serve well for general transportation. The type of security which I am going to suggest is what might be called the family sedan of investments. It is not for those daredevils who want to burn up the financial track, nor is it for those wealthy individuals who need tax-exempt municipals. My suggestion is for people of more modest means who desire a relatively secure income together with gradual appreciation possibilities.

Carson F. Jamieson

Of these two requisites the more important consideration is continuity of income. While everyone likes capital appreciation, my hypothetical investor knows that *spectacular* capital appreciation possibilities do not often go with steady dividends and that the best he can hope for is a company which will show a continuing growth. Quite an order you say? I have a stock which I think fully meets these requirements. It is First Bank Stock Corporation capital stock. Let me tell you about it.

First Bank Stock Corporation is a holding company which owns practically all of the capital stock of 75 banks, all located within the states of Minnesota, North and South Dakota and Montana. The corporation's banking subsidiaries may be grouped into three nearly equal parts: The First National Bank of Minneapolis; The First National Bank of St. Paul; and the 73 other banks. Their combined capital accounts are approximately $73 million and combined deposits $1,137 million.

First Bank Stock Corporation was formed in 1929, an inauspicious time. Yet during the intervening 20 years it has never failed to show earnings and pay dividends. These dividends have been increased steadily since the early '30s, and for the year 1949 amounted to $1 per share. The average for the last 10 years was 72½ cents per share. Moreover, dividend declarations have been conservative, amounting to roughly one-half of the earnings. Consolidated net operating earnings for the year 1949 were $2.46 per share. For the last 10 years the average has been $1.74 per share. So much for the dividend payments.

Although First Bank Stocks is not listed, it enjoys a good market. The spread between the bid and asked is never more than one-half point and usually less. Moderate amounts can always be readily bought and sold. During the last 10 years the stock has ranged in price from 10¾, the low reached in 1940-41, to 24⅜, the high of the 1945 peak. It is currently selling around 20.

We come now to the second requirement of the conservative investor—capital appreciation. As just mentioned, the stock now sells at about twice its price of 10 years ago. During these years there has been a corresponding increase in net asset value. At the end of 1940 the book value was $16.07 per share, and by the end of 1949 it had risen to $27.08 per share. This latter figure, by the way, does not include un-

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Guideposts for Railroad Investors

By MARSHALL DUNN*
With Wood, Struthers & Co.
Members, New York Stock Exchange

Mr. Dunn traces growth of railroad industry in recent years, along with their new underlying trends. Compares progress of railroads in eastern and western sections and favors, on basis of investment guideposts, securities of western lines. Outlines statistical aids in judging railroad credit and comparing values of railroad securities. Points out difficulties which rails face because of government subsidized competition, and lists, in order, railroad companies whose securities are recommended for investment at this time.

In making our approach to this problem of investments in railroads many of us are prone to forget that the railroad industry has been a growth industry almost since the first lines were built, and that it still is. Its revenues have fluctuated with the major rhythms of business as a whole in this country, and have reached new peaks near the top of each major business cycle. In the decades before World War I, the increase year by year was fairly regular and the declines were relatively small except in the more serious depressions. Since World War I the fluctuations have been more extreme, but the over-all growth has continued. Thus, Class I Roads in 1944 enjoyed revenues of 150% and in 1948 of 154% of those they had in the boom year 1929. As for volume of business in terms of Revenue Freight Density, the industry hauled tonnage of 174% in 1944 and 152% in 1948 of its 1929 figure. Both revenues and Revenue Freight Density as of 1929, in turn, topped the preceding boom period ending in 1919. The industry, therefore, has been making new highs in each of the major cyclical tops since the iron horse first started to replace Old Dobbin.

Marshall Dunn

But this is a growth industry which has tended to be especially susceptible to the adversities of hard times, whereas many chemical, utility and insurance companies have achieved a growth record that often included better-than-average business results in periods of major depression. As a consequence, railroad securities have suffered relatively more in bear markets, while, on the other hand, they have often been outstanding leaders on the up-side in good times. You have only to remember how confident of the restoration of railroad credit much of the investment community became by 1946 as compared with the deep gloom that blanketed us all in the off-year 1938 to realize what I have in mind. This intimate relationship with the ups and downs of the business cycle, but with a pattern of over-all growth, is a guidepost most pertinent for the investor in rail securities.

New Underlying Trends

Shortly after I joined the staff of Wood, Struthers & Co. in 1948, I arranged to talk personally with a number of the top men in railroad management, with the idea of finding out how they were meeting the problems that were then uppermost in our minds and how they viewed the outlook for the future. In the course of the summer of that year I talked to representatives of over 30 major companies.

One outstanding impression I gained from these interviews was the difference in outlook and confidence as expressed by officers of western and southern lines compared with those serving primarily the industrial East. Men operating in western and southern territories had been deeply impressed as to the importance of the growth of their business, due primarily to the unusual increase in population and industrial development in the areas they served. They showed almost a unanimous front of confidence that if a depression should arrive, they would be able to handle, without much difficulty, the traditional problems that beset railroads in hard times. As one president summarized it: "The West has robbed the East of something important."

In the East, however, I sensed a far less confident attitude on the part of most of the men to whom I talked. They were much more on the defensive. As realists, they knew that they did not have the advantage of the territorial growth which had benefited their brethren to the west and south. With this as a starter, I reviewed once again two studies I had made on the action of the market itself to define more clearly the guideposts it had been erecting for the discerning investor.

A Signpost from the Markets

The bond market had been telling its own story. While the entire upward trend of the high-grade bond market had ended early in April, 1946, shortly before the top in stocks, and had been followed by an important decline well into the end of 1947 and the beginning of 1948, the market in the better and medium grades of railroad first mortgage bonds had been highly selective. There had been a relatively greater decline in the bonds of various eastern as compared to

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*An address by Mr. Dunn at Railroad Forum sponsored by the Investment Bankers Association, Philadelphia, Pa., March 8, 1950.

Imponderables in the Look Ahead

By PHILIPP H. LOHMAN*
Chairman, Department of Commerce & Economics, University of Vermont

Dr. Lohman points out various imponderables in the current and prospective domestic and international situations and discusses complex monetary credit and fiscal picture. Advocates creating a national monetary authority having Cabinet rank, instead of an Advisory Council as proposed by Sen. Douglas. Says maintaining full employment by government fiscal action is "tricky thing" to accomplish.

I am afraid I shall have to disappoint you if you expect me to tell you what is going to happen in 1950. I am not a prophet. Not even the son of one. Moreover, I dare say, you have to listen too often in your professional capacity to what other people tell you they think is going to happen. Rather than to tell you what my crystal ball says, rather than to trundle out all my biases and prejudices, I thought we could spend the time much more profitably by raising questions as to the underlying conditions, reasons and motives for possible policy formulation with especial emphasis on the field of monetary, credit and fiscal policy. Even were we to agree on what the problems are, we could still be miles apart in our prediction as to what will happen in 1950, simply because there are usually always several policy alternatives possible and obviously the course of future economic events will be conditioned if not determined by our policy decisions.

P. H. Lohman

But to satisfy those of you who have been led or rather misled to expect pearls of wisdom, let me, prior to our discussion of the underlying conditions for future policy formulation, throw out a few synthetic pearls. We are today up against a relentless enemy. As one of the New York "Times" correspondents put it the other day: We are perhaps faced today with a threat to our security, to our way of life as we were threatened on the eve of Pearl Harbor. I am very much afraid that before long the American public will receive a shock. I am equally afraid that we shall have to face the grim prospect that business as usual will be out. There are many contact points between those who have opinions diametrically opposed to the beliefs held by us and those who share them with us. On too many of these contact points have we lost the initiative. Such a situation makes forecasting extremely difficult. In the economic sphere, such a situation brings for example the problem of designing policies to bridge ordinary civilian needs and the much larger military needs required in the interest of national security. Whether that is in the field of coal mining, railroad transportation, airplane production or other fields makes little difference. Again, a so-called full employment economy is a skittish creature. It teeters always between inflation and deflation. A little more can throw you into an inflationary spiral. A little less can throw you into a deflationary spiral. The newspapers are full of stories about the A- and the H-bomb. The economist has his multiplier (the effect of original new investment upon income) and accelerator principles (the effect of newly expanded income upon investment) which are, in a full employment society, equally fearful to contemplate.

Government's Control Powers

In finishing this frame of references, one might sketchily draw in a few more items. Not only must we consider possible developments leading us into what we might call a developing defense economy, perhaps at least in its initial stages complicated by commitments to maintain full employment; we must also be sufficiently realistic to say: Yes, the government today is a far different government as regards its powers than the government of, say, 25 years ago. If again an upward pressure on our price level should make itself felt, we certainly have sufficient control mechanism at our disposal to stop it. Whether or not we shall have the intestinal fortitude, from a narrower political point of view, to use the controls may, however, be quite another question. I have no reason to believe that Republicans will behave in this respect much differently from Democrats. In fairness to the much maligned politician, let me say that there are always many individuals who band themselves together in pressure groups in the belief that a little inflation is not a bad thing—incidentally a little inflation is, as someone said sometime ago, like a little pregnancy—and there are always those who believe that somehow they and their group can beat the game.

Will Government Spending Be Effective?

So mechanical control gadgets are one thing. The willingness to use them may be quite another thing. On the other hand, we have powers today to get the economy going should it temporarily operate under depressed conditions. But here again I must plead in all sincerity the ignorance not only of myself, but I think of my profession. Suppose that private gross investment should decline by five billion dollars, and suppose further that the government should decide to offset this decline in private investment by governmental investment, that is deficit spending, there is still this question: What will be the effect upon the economy? Is the stimulus received from government (deficit) spending the same as that received by the economy when private investment spending takes place? Is it less? I particularly refer to effects of so-called public investment as expressed in the multiplier and accelerator effects. Surely what effects will be noted will depend upon the type of projects and especially upon the mental attitudes of private consuming and investing groups. I am also quite sure that in estimating such effects we cannot leave the international picture out of consideration.

The Monetary, Credit and Fiscal Picture

Let us now turn to the narrower aspect of the monetary, credit and fiscal picture. We see a budget which is much higher than, for example, the $20-25 billion postwar budget that Beardsley Ruml used to predict around 1944 or 1945. It also happens to have larger figures on one side than on the other—the larger figures being on what many consider to be the wrong side of the ledger. We see a rather rigid interest rate, rigid because of decisions taken by governmental agencies. We can also perceive the need for new financial institutions, both as regards domestic as well as foreign needs. We have yet to design the financial bridge which, in conformity with our foreign policy, will connect American productive genius and capacity with the needs of the underdeveloped countries, particularly those characterized by a tremendous popu-

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*An address by Dr. Lohman at the First District Examiners Conference, Federal Deposit Insurance Corporation, Boston, Mass., Feb. 17, 1950.

Inept America and The Russian Menace

By THEODORE PRINCE, LL.M.*
Investment Counsellor

Answering question "Is Russia isolating the United States by winning victories without risk of battle?" writer reviews world developments since war's end, and concludes Russia is actively engaged in forcing her ideologies by skillfull penetration and her ideologies like lethal germs are attacking political organisms, weakened by poverty, violence and misgovernment. Contends there is shifting of balance of power to Russia, which is far on way to bringing about U. S. isolation. Concludes we can prevent war by envisaging it through a firm, courageous and vigorous policy.

America is today confronted with grave crises. Can we fail to meet the gargantuan issues involved? Are the freedom-loving countries incapable of coping with the ruthless, unscrupulous and cunning tyrant of medieval inheritance? Have the democracies of the world defeated Hitler only to fall to the deceit, cunning and treachery of the oriental despot, Joseph Vissarionovich Stalin? What do we, the culture of a long trek of civilization, lack that makes history repeat itself? Must we always just miss falling a prey to the Hun, Mongol and Tartar? After two wars within three and a half decades we are back where we started—to "make the world safe for democracy." Have the democracies been too heavily afflicted with our esoteric social philosophy that everybody whom we befriend is a "good fellow," a "regular guy" and "he won't hurt us." We cannot scan that entire period but certain events leading up from the birth of the last war might be reviewed.

Theodore Prince

The Russian "Maw" and the Great Democracies

Shall the political descendant of Ivan the Terrible of the 16th Century conquer and become possessed of the flower of present-day civilization and destroy it?

On Nov. 11, 1937, Anthony Eden, Foreign Minister of England, concerned with the fear that Hitler (who had already crossed the Rhine without British protest) had achieved superiority in the air, saw Neville Chamberlain (then Prime Minister) and tried to influence him to share his fears and misgivings. Mr. Chamberlain finally refused to listen further to Mr. Eden and advised him to "go home and take an aspirin!"

On Sept. 30, 1938, he, Mr. Chamberlain, met Hitler at his flat in Munich and proffered a short note of agreement which Hitler signed without demur, and which Mr. Chamberlain brought home to England with acclaim from cheering crowds to whom he waved the papers declaring, "I believe it is peace in our time."

It took the "surprise" attack at Pearl Harbor on Dec. 7, 1941 (where we were afloat like a duck laying eggs in the water) to bring us into the war.

Contrary to Mr. Churchill's advice, we invaded Europe through France instead of the Balkans in which latter case we would have been occupying the centre and "heartland" of Europe alone, instead of dividing it with Stalin.

A dispatch dated Jan. 5, 1942 to Mr. Churchill from Anthony Eden (who was sent to see Stalin) set out in some detail what Stalin considered "should be the territorial frontiers" in Europe, namely, Free Austria, Rhineland, an independent State of Bavaria, and occupied countries including Czechoslavakia and Greece restored to prewar frontiers. Today, those expressed ideas of Stalin's demands read as though Mr. Eden had been taking aspirins, day and night, since Mr. Chamberlain told him to take "an aspirin."

Stalin further "desired" restoration of Russia's position in 1941, etc. Only Stalin's expressed desire of absorption of the Baltic States raised a dissident note in Mr. Churchill's reception of the report. Did that disappear at Yalta where Stalin took an empire?

Russia's insatiable urge to dominate the world would have shocked even our optimistic departed late President Roosevelt who wanted to make a "good democrat" out of Stalin at Yalta in February, 1945 by giving him Manchuria, with all the Japanese arms and military supplies, and obtained Chiang Kai-shek's concurrence in writing, and thus incidentally and ultimately gave him all of China.

For further ineptitudes why did we lately refuse aid for the Korean Republic and give it to Chiang Kai-shek, whom our Government disowned years ago? As a result,

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*Theodore Prince is an economist, investment counsellor and lawyer specializing in corporate practices and taxes and a financial circle figure for 30 years, and was for 20 years head of the Stock Exchange firm which bore his name.—Ed.

The State of Trade and Industry

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

With the sharp curtailment in steel production caused by the growing scarcity of soft coal, industrial output for the nation declined moderately the past week. It was, likewise, moderately below the level for the comparable period in 1949.

The steel rate last week dropped to an estimated 73.7% of capacity, or 15.1 points from the week preceding. Actual operations, according to "Steel," magazine, were several points under the average. At the same time, it added, metalworking activities were being increasingly hampered by coal, power and gas shortages and with steel shipments slowing down, manufacturing operations were headed for a sharp decline with heavy resulting unemployment.

March production of steel is expected to drop to the lowest point since the nation-wide steel strike last fall, says "Steel." Even with the quick resumption of coal mining in large volume it will take the steel mills 10 days to two weeks to get back to high production levels after coal begins to move from the mines. Disruption of steel production at this time points to higher summer operations than had been anticipated until recently, this trade authority points out.

The strike of the soft coal miners ended on Sunday, last, following the signing of a new contract by the operators and John L. Lewis, President of the United Mine Workers. The agreement provides for a wage boost of 70 cents a day to $14.75; a 10-cent-a-ton increase in the royalties operators pay to the United Mine Workers welfare fund, bringing the total royalty to 30 cents a ton; elimination of the "willing and able" clause under which Mr. Lewis could call sudden strikes, and limitation of Memorial Periods for mine disasters to five days a year. The new contract runs until July 1, 1952, but wages and other issues can be reopened on 30 days' notice after April 1, 1951. Industry estimates are that the new pact will cost the average operator about $1.35 a day for each miner, or 25 cents a ton of coal.

It was estimated that more than 175,000 of the 370,000 striking miners had returned to work on Monday of this week with most of the remaining miners expected on the job by Tuesday.

Predictions of some firms were that they would be back to pre-strike levels in a few days, while others contended that up to three weeks would be necessary to replenish their coal stocks.

A concrete example of the detrimental effects of such strikes as the soft coal dispute on the nation's economy may be gleaned from the statement of President A. E. Stoddard of the Union Pacific Railroad who stated the cost of the coal strike to this carrier amounted to about $3,000,000. This figure covered additional expense, loss of revenue and curtailment of service. Beyond that, the contract settlement, according to Mr. Stoddard, will raise costs of the road and its subsidiary, the Union Pacific Coal Co., $1,000,000 a year.

In the hard coal industry contract negotiations on Tuesday were shifted to Washington, discussions in New York having been stalemated since early December.

In return payment for assistance in the form of food and money on a local union basis by the United Auto Workers Union to the striking soft coal miners, John L. Lewis offered a $1,000,000 loan to assist the UAW in its seven-week strike for pensions and other benefits against the Chrysler Corp. The union is asking for a 10 cents hourly package including $100 a month pensions and a health program. Chrysler objects to hourly contributions, but in its stead wants to pay pensions out of firm funds as they fall due.

* * *

Unemployment rose to 4,684,000 in February, the Department of Commerce reported. This was an increase of 204,000 over January, and the largest number of jobless since August, 1941. The total does not include those idled by strikes. Secretary Sawyer said the rise was considerably less than a year ago when there was a 500,000 increase in unemployment between January and February, due largely to "non-seasonal cutbacks" in production.

* * *

There were 9,070 new businesses incorporated throughout the country during the month of January, according to Dun & Bradstreet, Inc. This number compared with 7,857 in December, 1949, a gain of 1,213, or 15.4%, and continued the rising movement in evidence during that month. January's 9,070 stock company formations were the highest for any previous month since April, 1948, with 9,223. They represented an increase of 1,164, or 14.7%, above the 7,906 charterings recorded in January, 1949, and marked the fourth successive month in which new incorporations exceeded those in the corresponding month of a year previous.

* * *

STEEL OUTPUT SCHEDULED AT FRACTIONALLY LOWER RATE FOLLOWING END OF COAL STRIKE

There will be no increase in steel prices because of the boost in coal wages states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. The new coal agreement means that coal this year will actually cost the steel industry less per ton of finished steel than it did in 1949.

Last year the steel industry had about $50 million added to its coal cost by John L. Lewis' devious strategems—the three-day week and the need to build huge reserves of commercial coal. This added about $1 on an annual basis to the cost of each ton of finished steel produced. The new coal contract will add somewhat less than $1 a ton to finished steel costs, this trade authority points out.

This week the nation's industries are breathing a sigh of relief and preparing record breaking production schedules. Although

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Observations . . .

By A. WILFRED MAY

New Aspects of the Hedge Function of the Equity Share

Seemingly the most important conclusion arising from last week's annual convention of The National Federation of Financial Analysts Societies was objective reiteration of the growing stature of the common stock. For the serious observer this question was even more vital and interesting than were the competing forecasts of the market's ups-and-downs.

A. Wilfred May

The equity share's popularity rise is both short-term and secular; absolute, as well as relative to other investing media. Recognition of the need for the equity instrument to enable fiduciaries to protect purchasing power is instanced currently in New York, one of the few States retaining the orthodox restrictions on trustees from straying from bonds ($800 million of which went into default from 1928 through 1940). Last week, with the approval of the State Banking Department and the State Bankers Association, legislation was introduced in Albany which would abandon statistical formulas and instead permit trustees to use full discretion in investing up to 35% of the value of a trust. This follows the New York Legislature's action this week in further liberalizing savings banks' bond investment.

Trustees Relaxing Their Inhibitions

Trustees of institutional funds, notably of universities and philanthropic societies, are more and more losing their inhibitions against equity investment. This tendency, motivated by both the steady-to-rising stock market behavior of the past four years as well as the politico-economic sabotaging of the rentier, is being strongly accelerated by the increasing advice being offered to trustees by the sancrosanct economists to liberalize traditional restrictions against common stocks as part of their duty to protect the purchasing power of beneficiaries.

At the Analysts Society's meeting, Mr. Hazen H. Ayer of Boston reported that the apparently chronic nature of inflationary deficit-financing is prompting trustees in traditionally conservative and "prudent" New England to raise by about 10% the former proportions of portfolios placed in equities.

Mr. Ayer spoke of one long-existing family trust, which largely through splitting its investable funds between common stocks and municipal bonds, during the past 12 years was able considerably to out-perform the Dow-Jones average in enhancing the principle value of the portfolio. Perhaps a good method is to divide trust assets *entirely* between common stocks and tax-exempt bonds. In trying to combat the three-way pincer-movement on the capitalist arising from (1) declining interest rates, (2) higher taxes, and (3) higher living costs—the tax-exempts would afford good protection against the (2) higher taxes; while the common stocks act as an effective hedge against the rising living costs, and as a partial offset to the inroad of declining interest rates.

Against a Full-Jump

The question is frequently asked: "If equities are a good hedge against anti-capital political and economic threats, why not place more of one's assets—if not 100%—in them?" The answer must be negative on both theoretical and practical grounds.

As an investment instrument there are certain inescapably higher degrees of risk attached to the corporate common stock. There are the greater volatility of earnings in leverage situations and the shareholder's removal from the assets, but also there is the almost untrammelled discretion which our present corporate system gives to the management for determining dividend and other policies which may involve conflict in interest between it and the owners.

Die Lorelei Versus Common Stocks

There is possibly a measure of justification for the painting of "Die Lorelei," legendary siren of the Rhine sounding warning notes against 12%, in a color placard displayed in a window of the Society for Home Building and Savings in New York City. The placard further proclaims: *"It is well to remember that stocks have neither fixed dividends nor fixed market prices. Sometimes they go up and sometimes they go down. How much they are worth at any given time depends on many complex factors."*

The Long Versus Short View

Also it must be realized by all that the rise in common stocks is strictly long-term and secular, and not constant. Likewise that hedged-against elements, as monetary depreciation, are usually interrupted by sharp reversals. Our postwar inflations are usually followed by periods of major deflation; even though no major price adjustment has yet appeared on the post-1945 scene. And apart from the after-effects of wars, we must remember that in many industrial and raw material lines the American consumer is blessed with chronic over-productivity. Those suddenly becoming "equity-minded" midst bull markets should recall interim short-term breaks. The U. S. Wholesale Commodity Price Index fell 44% in the 1920-'21 postwar deflation, and 13% in the mild "recession" 12-month of 1937-'38. This latter commodity drop was accompanied by a halving of the market value of common stocks.

Demand-and-Supply Misconceptions

Then there is the historical record of absence of correlation between the quantity of the money supply and common stocks and in all countries the insufficiency of equity share performance to compensate for currency depreciation. Thus, between 1938 and

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Coal Industry's Economic Dilemma

By PAUL E. ANDERSON

Consulting Economist, Ambritech and Associated Cos.; Author "The New Deal in Coal"

Coal industry economist declares United Mine Workers Union shows the bankruptcy of industrial unionism when it fails to pursue reasonable economic ends and becomes the tool of the political aspirations of all-powerful leaders. Calls for following important economic changes: (1) a flexible wage structure in lieu of the present traditional rigid one; (2) decentralization of union control from Washington, and development of leaders from and in coal field; and (3) abolition of pension scheme.

Long-Term Downtrend

The soft coal industry has been exhibiting a downtrend since the 1920's. This is the fundamental consideration.

Paul E. Anderson

Except for the peak in the late war years, neither the government nor the union, nor the operators, nor any combination of them, have been able to alter this fact one jot or tittle. Perhaps the government has been importuned to intervene in the coal industry more than any other. A study of the history of interventionism shows that in no situation has it benefited the industry, fundamentally. It has usually balanced forces, or played politics. When it set 300,000 prices, and held hearings on their equitableness, the prices were already outmoded before the hearings were over.

Coal is no longer the king of fuels. Oil and natural gas have usurped his scepter. Since the war years' peak, coal use has declined 27%. If we take the years 1948 and 1949, for instance, we can see the drastic curtailment of production that took place. In 1948, coal production was nearly 600 millions; in 1949, a year almost as good from the standpoint of income and production, coal production was an estimated 430 millions—a year to year decline of something like 170 millions of tons. These are rough figures to make calculating easier. This loss in tonnage represents a loss in employment for 100,000 men—or put another way, a decline in working time of nearly one-fourth for all the miners in the industry. It represents an income loss of 350 millions of dollars of miners' earnings.

Drastic Fluctuations

This drastic year-to-year fluctuation can be traced back to the increases in coal prices due to the higher wage scale and the reduced working time of mines, the latter increasing overhead considerably. Today a ton of soft coal at current prices on the eastern seaboard costs up to $2 more than the equivalent in fuel oil. Natural gas, of which there is a superabundance, costs less, and it is estimated that when the new pipeline is completed to New York, the equivalent in natural gas will be nearly $4 less than the current price per ton of soft coal! As a result of the current wage increases, the price of a ton of coal will be increased again.

Thus the immediate decline in coal, or the downward trend is being accentuated by the rising costs of coal in the market (or prices, to be more accurate). In addition, the coal industry is losing the railroad business, and this means a double loss; often a coal-carrying railroad purchased distress coal at the mines and held it in the yards, then later transported it to a non-coal-carrier for the revenue plus costs. At one time the railroads used 25% of the soft coal tonnage, and among other reasons this made Chicago, a great coal consuming market.

Thus, at this time, when the trend is not only down, but also when the markets are taking the impact of competing fuels and the price competition is adverse to coal (and under present union rigid wage policies will continue to be so), the union proposes to increase pensions and day rates by an amount which will add a minimum of 58 cents a ton to the cost at the mine. This is a minimum because with the reduced work week, overhead will increase, and the costs will be higher than this estimated minimum. To add confusion to the picture, Green asks for a two-day week for miners. King Canute Green! For him costs do not even exist and the consumers are nobodies.

Dole from Consumers

Though this does not appear in the list of formal demands, Lewis is really also asking that the consumers of the nation support his idle miners, while keeping him rolling in millions of forced pension dollars. In a word, by adding to the costs per ton, by holding to a rigid wage scale, Lewis is saying to the operators, get relief from the government at the expense of the taxpayers! If you can't do it on any other basis, bring in the wartime necessity of having excess capacity. Pass the buck.

It is fair to point out here, too, that the miners on strike in Pennsylvania receive around $100 per month and that many good people are supporting the miners everywhere out of their charitable pockets, and that counties are paying for their present maintenance, while the coal industry itself lays out an average of $20 million a month to give credit to the miners.

What is the economic policy that will bring order into the picture, yet maintain the miners and keep potential capacity ready for sudden expansion in case of an imminent war? Surely, everyone agrees—except Lewis—that it is not the implied use of force in industrial unionism under a centralized dictatorship? Economic might is simply a fancy name for unlawful violence and illegal acts. This has been stated in the famous treason trial of Bill Blizzard, who led a miners' insurrection in West Virginia. Once before when an injunction was issued against Lewis, and he ordered the miners to stay out in violation of that injunction—secretly—he was threatened with jail. That was enough to make him call off the strike at once!

Disaster for All

Surely, too, everyone agrees—save Lewis—that the present rigid wage structure imposed on the industry by the union cannot bring order into the industry. History shows that both these attemps ended in disaster for the miners, for the union, for the industry. The history of the UMWA under Lewis, which coincides with the beginning of the downward trend, from 1919 to 1934-1935 proves the point only too well. Lewis, untried, untutored, inaugurated his forced control over the union by a series of catastrophies: 1919, 1922, 1924, 1927. What was the policy of the union all during this time, during a time of liquidation, of turning downward of the industry? It was expressed by Lewis in his infamous and fatuous dictum: "No backward step" in wage gains.

This meant that after the war, by force and chicane, when he had established the $7.50 day rate, he held to it and tried to force the entire industry to hold to it, in face of the declining consumption of coal and the widespread unemployment of miners. In 1922-1923, the union lost 100,000 members. From 1923 to 1928, he lost not only all the southern fields, but most of the northern fields as well, and in those areas where he still had recognition, he had to reduce his wage demands because they were unrealistic. The operators in 1924, repeatedly called his wage demands "unrealistic." By 1934, out of nearly 100,000 coal miners in the entire state of West Virginia, he had but 16 members — who carried cards secretly.

His violence led to its own response. The march on Logan and Mingo Counties in West Virginia in 1921 produced Federal intervention with troops, and there was no southern field in which a Lewis union man dared to show his face. The attempts to burn tipples led to stockades and armed guards, and mine terrorization. Yet in all this picture the southern fields, non-union, with wage rates far more flexible than northern union fields, got the business, and captured the best coal markets from their northern rivals. In a word, the policy of the union's rigid wage, and "no backward step" in wages while the trend was down and the mar-

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From Washington Ahead of the News

By CARLISLE BARGERON

It may be that a commission or a Congressional committee created to study the coal industry will come up with another potato plan by which the operators and the miners are paid to produce coal and then it is painted red and put back in the ground and, in the meantime, we will import coal from Russia and other European countries, building the St. Lawrence waterway so it can be brought in cheaper.

Carlisle Bargeron

Because, we are told, it is a terribly sick industry and perhaps this was the reason Mr. Truman dealt with it so gingerly.

If a commission or Congressional study, or a study by any other group, could learn the truth about this industry it would have accomplished something nobody else has been able to do. I have tried, off and on, for 20 years without much success. And certainly the truth was not to be had in the long shutdown that has just been ended. On occasion I was in association with the operators and the union officials both in Washington and at White Sulphur, W. Va. The trouble, I think, is that we try to deal with the industry as a whole, instead of a hundred and one merchants as it is composed. There was, in fact, some real "push button" coverage of this just ended "crisis" by our highly modernized press.

In the closing or crisis weeks there would be a story from Washington on what was happening between Lewis and the operators and another from Pittsburgh on what the miners planned to do. The Washington story could be properly informative, but to read a story on the ticker from Pittsburgh 10 minutes after Lewis had "ordered" his men back to work, that they were not going back to work intrigued me no end. As it turned out the Pittsburgh story was invariably right. Apparently all the press service reporters in Pittsburgh had to do was to call one man on the phone to be able to report that 400,000 miners in many States, ranging south as far as Alabama, were prepared to show an unprecedented example of loyalty to John L. These miners are men of many nationalities, Negroes, as well as many Eastern European strains. They were really suffering, too; in some communities of West Virginia which I know about, school officials sent youngsters home because they were undernourished and the parents pleaded that they be kept in school to get one warm meal a day; whole communities were depressed. Yet because of their loyalty to John L., and their being wedded to the principle of "no contract, no work," the men, 400,000 of them of varying morals and ideas of living, stood as one, to such an extent that one source in Pittsburgh could tell the reporters in 10 minutes that this is what they would do.

This is the picture the press gave us and the one Mr. Truman and his Administration would like for us to accept. It proves their contention that the Taft-Hartley Act won't make men work.

But it is an awful fraud. The reason the men didn't go back to work was because goon squads operated in their union meetings and around the mines. And the United States Government permitted a decree of one of its courts to be flouted in this way. In the hearing here before Federal Judge Keech on the question of whether the union was in contempt because the men had not returned to work, the coal operators had turned over to the Department of Justice 85 instances of union restraint against the men. Yet the department did not present these to the court. The operators should not have had to do this work anyway, it was the job of the department. But if the department had one single agent in the field to see what was going on, it said nothing about it.

So, now that the Taft-Hartley Act has "fallen down," Mr. Truman proposes a broad study of a "sick" industry. Maybe the public will lose sight of what has gone before in the revelations to come.

Early last summer, about the time Lewis began to pull his three-day week stratagems, some of my coal operator friends were tickled to death because there was so much coal above the ground they were afraid the price would break. But in a few weeks they were singing another tune and I came to learn that while the three-day week might be helpful to the smaller fellows, the big operators didn't like it a bit. They wanted not only to operate five days a week but night shifts as well.

The thing that impressed me about the operators here in the negotiations—their mines are highly mechanized—is that they don't consider their particular businesses sick in the slightest and they aren't worried about being priced out of the market. These more efficient operators make as much as $1.25 net profit a ton. If their markets are threatened they can absorb the 25 or 35 cents cost increase a ton caused by the concessions to Lewis. On the other hand, the profit to the marginal producer has been as low as 25 cents a ton. The average for the industry has been about 65 cents. It goes without saying that coal has lost a lot of its market but this isn't giving the efficient operators any worry and they will have ample employment for their workers the year-round if the workers will just work.

As to miners being thrown out of jobs because of the falling by the wayside of the smaller fry operators, it seems to me that the propaganda during the war was that miners were getting fewer and fewer every year and that few of the youngsters who went off to war would return to the mines. And certainly it was only recently that John L. showed any solicitude for mine unemployment. It used to be his oft-stated attitude that he had rather have a few miners getting good wages than a lot getting less wages. I doubt there is anything ailing about the industry that needs government intervention. But it should be able to enforce a court decree.

Should a Trustee Try to Protect Purchasing Power?

By HAZEN H. AYER*

President, Standish, Ayer & McKay, Inc., Boston, Mass.

Mr. Ayer advises "prudent" trustee, mindful of his primary duty to conserve the funds, to try to preserve purchasing power within statutory and trust indenture limits. States investments should be judiciously allocated between quality bonds and carefully selected common stocks. Citing Great Britain's recent experience, he warns equities are not necessarily real inflation hedge under all conditions.

Unexpected change in the investment environment and limited visibility are not new. Rather, they are handicaps which have been faced by successive generations of investors. It may be, however, that historians of the present period will agree that seldom, if ever, have political and social changes of such sweeping importance been concentrated in so short a space of time. In our own country, the past two decades have brought an economic and social transformation of great significance to all citizens, and it is unnecessary to add that the end of such changes cannot now be seen.

A Special Challenge

These conditions present a special challenge to investment managers whether they act as trustees, officers of financial institutions or just as private investors. One of the great problems is the one which is illustrated by the subject of the present discussion. There has indeed been a deterioration of investor purchasing power in recent years, a deterioration which has fallen with particular force on the beneficiaries of most trust funds. We are all familiar with this three-way squeeze resulting from lower interest rates, higher taxes and higher living costs. These developments can be illustrated by rough figures showing the effective current buying power generated by a $100,000 trust fund invested exclusively in high-grade corporate bonds. In the following table, 1929, 1939 and 1949 are taken as separate sample years and it is assumed that the beneficiary is a Massachusetts resident, single, without dependents and with no other source of income.

	1929	1939	1949
Principal	$100,000	$100,000	$100,000
Over-all yield	4.92%	3.28%	2.77%
Income	$4,920	$3,280	$2,770
Income after taxes	4,613	3,012	2,253
Income in 1929 dollars	4,613	3,720	1,630

Assumptions:

Portfolio invested wholly in corporate bonds—50% in Moody's Aaa 25% in Aa and 25% in A.

U. S. Department of Labor Consumers' Price Index is used to reduce disposable income to 1929 dollars.

This unfortunate drop in purchasing power has of course been due to several developments. The direct and indirect cost of financing World War II is by itself a paramount factor. But there have been other fundamental factors at work, such as the increasingly powerful and expensive roles played by Federal and other governmental bodies, and the inflationary implications of a national budget which has been run at a substantial deficit in 16 of the past 19 fiscal years. Among these forces there should be included the current social-political tendency to reallocate national income in a way which favors the wage earner over a person of wealth.

No Reversal Expected

However these causes may be listed or weighed in our analysis, it seems extremely doubtful that we can expect to see an important reversal of these trends over the years immediately ahead.

If these assumptions about the current situation are correct, we then come to the question: What can the investor, or more particularly the trustee, do about it? First, it will probably be agreed that bonds have not been and are unlikely to be a hedge against a depreciated dollar. Their usefulness, as great as it is, lies in other directions. In theory, and to some extent in practice, the more useful hedges available to the individual investor or speculator have been commodities, various types of real estate and common stocks. For the purpose of this discussion it may be assumed, I believe, that in choosing among these alternatives the average trustee will turn to stocks rather than to the direct ownership of physical assets. No one can say that stocks in the aggregate have proved to have been a perfect hedge in protecting purchasing power against recent developments, but to date carefully selected stocks have provided some protection in terms of both principal value and income. With stock prices close to the high of the past 19 years, and with stock yields still double those available from top-grade bonds, I think it is safe to take this generalization as a demonstrable truth rather than try to present at this point the supporting evidence.

Granted, then, that stocks have been and seem likely to be the most practical investment medium which trustees can use in protecting purchasing power, we still have two remaining questions: (1) To what extent can stocks be used? and (2) To what extent should they be used for the average conservative trust fund?

The Use of Stocks

In answering the first question every trustee must consider various restrictions, the most important being the laws and practices in the state having jurisdiction, and the limitations, if any, imposed by the trust indenture under which he operates. So much has been written and said about the "Prudent-Man Rule" which has operated in Massachusetts that it seems unnecessary to describe the regulations as they apply in that state. It may suffice to say that in Massachusetts it is common practice to invest as much as 40% to 50% of the average trust fund in common stocks, and I know of trustees, both private and corporate, who do not hesitate to go to 60% in stocks when it seems desirable to do so. The arguments for such policies have been rather fully set forth by such contemporary spokesmen as Mr. Mayo A. Shattuck and Mr. Richard P. Chapman, with whose opinions you may be familiar.

Operating under such rules it has been possible, although not usual, to do a remarkably complete job in hedging against depreciation of the dollar. I am familiar with one group of trusts where the principal value today is over 400% of the amount paid in by the grantor in 1934. These funds were set up at that time as part of an individual family investment and estate planning program. The trustees were given extraordinarily broad powers in the original indenture, and the exculpatory clauses designed to give protection to the trustees were unusually strong. The operation of the trusts has involved occasional borrowing and partial accumulation of income, all as provided in the indenture. The results, which are based partly on good fortune as well as investment skill, should not, I am sure, be taken as a criterion.

The 1950 "Prudent" Trustee

If I may draw from my own experience I should like to give a better illustration of what I think the prudent trustee, 1950 model, can do and possibly should expect to do, assuming that his state laws and his trust indenture give him reasonable freedom of action.

The example which I am taking as an illustration is a substantial family trust fund which has been in operation for nearly 40 years. My own association with the fund, first as an investment advisor and more recently as co-trustee, extends over a period of 16 years. In practically all respects it is a conventional trust which has been operated in a conservative manner, at least as judged by Massachusetts standards. All income has been paid out and there have been no additions to principal, so that the figures on market value are directly comparable from year to year. Appraisals have been made semi-annually in April and October, the most recent one being that made on Oct. 1, 1949. The result at that time provided an opportunity to make some interesting comparisons on the longer-term performance of the fund.

We found, for example, that the general market as measured by either the Dow-Jones or the

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*A talk by Mr. Ayer before the National Federation of Financial Analysts Societies, New York City, March 2, 1950.

Stock Market Still Safe

By J. A. LIVINGSTON*

Syndicated Financial Writer

Financial writer states that the market's bull movement has further to go until low-priced stocks which have been lagging, join the upswing.

Until low-priced stocks join the stock market upswing, it's a pretty good bet that the market has further to go.

J. A. Livingston

And in the bull market since last June, low-priced shares have been laggard.

Whereas 12 of the 30 blue-chip stocks in the Dow-Jones average are higher than they were forty months ago, only nine out of 215 low-priced stocks are higher.

The inference is that buying is concentrated in the higher-grade issues like U. S. Steel, Allied Chemical, duPont. The splurge of public buying that marked 1929—the taxi driver, the elevator operator, the small grocer—has not yet invaded the 1949-1950 bull market. In other words, speculation hasn't got out of hand.

That doesn't mean the public isn't buying, but it's a different public from that of the upswing of the late '20s. It's not a get-rich-quick public; buying on a shoestring. The boom in sales of mutual funds like Massachusetts Investors, Wellington Fund and so on indicates that. Market newcomers are content today to buy shares for income in the hope of moderate long-term profits.

At my request, Wellington Fund made a survey of its dealers to determine what people were using for money to buy investment shares. The returns to the questionnaires showed less than 10% of the sales came from the conversion of government savings bonds; 20% came from the sale of other securities, and more than 70% represented accumulated savings—excess cash—which people wanted to put to use.

My feeling is that high-grade common stocks are bound to become increasingly attractive in the next year or two. First, because people — investors — have idle funds; second, because corporate pension funds will purchase high-grade bonds and force their yields up; third, because as corporate bond yields rise, even institutional investors will decide to put some common stocks into their portfolios.

The crucial fact today is that high-grade corporate bonds sell to yield less than 3%, whereas good common stocks can be bought to return 6%. And the fact that low-priced stocks have not moved up at all—with the exception of television shares—suggests that the market is far from the topping-off phase.

*Summary of talk by Mr. Livingston before National Federation of Financial Analysts Societies, New York City, March 2, 1950.

Dunbar to Manage New Staats Phoenix Office

PHOENIX, ARIZ.—William R. Staats Co., members of the Los Angeles Stock Exchange, have opened an office in the Security Building under the management of Kirk C. Dunbar. Mr. Dunbar, who was previously with the firm in Los Angeles, was prior thereto with Reagan & Co. and was an officer of the Bankamerica Co.

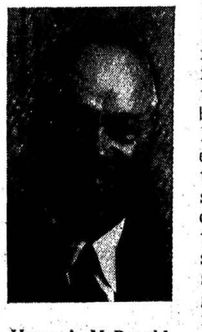
Problems of the Prospectus

By HARRY A. McDONALD*

Chairman, Securities and Exchange Commission

After outlining services of SEC in investment and financial analysis, Chairman McDonald reveals complex problems relating to the prospectus covering publicly offered securities. Reveals purpose of "red herring" prospectus, and, after reviewing proposed changes in its form, content and size as well as its method of distribution, concludes "what is crucial in problem is that ordinary investor shall get something he can use and in time to be used."

In a sense, this convention is a milestone of progress. Corporate executives, bankers, economists, analysts, representatives of government have met to pool their information and interchange their ideas on broad problems of our economy. Both the range of subjects discussed and the topics themselves demonstrate that a good deal of informed thinking is taking place in the formation of modern investment policy. It is to the credit of the National Federation of Financial Analysts' Societies that it has planned and provided this occasion, and I am proud of the opportunity to meet and talk with you.



Harry A. McDonald

The keynote of the afternoon conferences of this convention was the word "outlook." Experts talked about the outlook for banking, for the auto industry, for chemicals, farm buying, petroleum and the stock market. It was to my mind a happily chosen word. Outlook is based on insight, and insight in turn is based on information. The patient accumulation of facts and the free interchange of ideas built our science and technology. Patient accumulation of facts and the free interchange of ideas are just as necessary if we are to develop workable ways of dealing with our problems as businessmen, administrators and citizens. The further back we push the domain of ignorance, the nearer we approach the power to control—within a democratic framework—the technological and social forces which we must master in order to keep them from overpowering us.

The financial analyst may not pretend to an importance beyond his own field. But I think he has such importance. He is, at the same time, one of the causes and one of the products of our growing awareness of the need for information in dealing with modern business and investment problems. He is ever hungry for more particular and more extensive data; he is a perpetual reminder both to those who invest and those who create investments that there is a high premium on outlook and information, and that an informed view of the present is the best look at the future.

It is, I think, particularly fitting that a representative of the SEC should be addressing you tonight. The SEC is today the world's richest storehouse of financial information and the financial analyst is one of the direct beneficiaries of that information. Your objectives and ours are, in many ways, parallel. Out of the era of hunch, tip, and hysteria grew a set of Federal laws administered by the SEC, each of which was a major attack on the domain of ignorance.

In these laws Congress turned the light of information on the process of investment in new issues, on securities trading, on the affairs of our giant public utility holding company systems, on our investment companies. The aim of the Congress in passing these laws and our aim in enforcing them is to protect the investor; and these laws are based on the same philosophy that underlies the profession of financial analysis—that to be reliably informed is the first step in being protected.

The usefulness of a storehouse depends as much on what you can get out of it as on what goes in. Of course, material filed with us is available for public inspection and, as many of you know, we fill annually, at cost, requests for many thousands of pages of photo copy material. But because of our limited resources we can collect, organize and publish in statistical form only a minute fraction of the information filed with us. I will describe a few of our publications and, as I do, I think that you will see that they are important tools of overall financial and economic analysis.

We publish quarterly data on the working capital of United States corporations, showing principal items of current assets and current liabilities of domestic companies and demonstrating at a glance the net current position of American corporate enterprises. Together with the Federal Trade Commission we publish the so-called Quarterly Industrial Financial Reports which show, for many classifications of manufacturing companies, both aggregate and size-group estimates of balance sheets and income items. This is the only source I know of for a comprehensive look at significant financial estimates for these industrial groups.

In cooperation with the Department of Commerce we prepare and publish quarterly data on actual and proposed plant and equipment expenditures showing what business has spent and what it proposes to spend in coming periods on plant and equipment.

Of equal importance in measuring economic activity is our series on the volume and composition of individuals' saving—which presents net changes in various components of individuals' savings, such as securities, cash, insurance, and durable consumer items.

Our findings and opinions in specific cases have been valuable tools of financial analysis. When I first came to the Commission I shared with many businessmen the belief that these findings and opinions were too long and complicated. If our Commissioners had more time to devote to actual drafting much could be done to shorten and simplify them. But there is good reason for their length in many cases. For our findings and opinions serve multiple purposes. In passing on plans of utility holding company reorganizations we not only want to tell the people affected by the plan our reasons for holding the plan fair or unfair but we want the courts, which must also pass on these plans, to have before them explicit data and reasons for the Commission's action. Further, these findings present facts about underlying system companies which have proved invaluable in accelerating the seasoning of newly distributed securities.

If the SEC were compared with a hospital and the financial analyst to a private phyhician, the services I have commented on up to now are, so to speak, primarily our services to the profession. How about the patient himself—the investor?

The Purpose of the Prospectus

Under our laws the single and most important vehicle intended to be of direct use to the investor is the prospectus covering securities registered for public offering under the Securities Act. Whether the prospectus is doing its job and what can be done to improve it are questions with which the SEC has wrestled for over ten years.

The problem of the prospectus is not a simple one. Separate difficulties are presented in considering what it is and how it is used. And any satisfactory answer to those difficulties must take into account not only the basic function of the prospectus, which is to inform the buyer, but the underwriting process itself—that process of which the prospectus has become, under the law, an integral part.

If a security is required to be registered under the Securities Act, it is unlawful to offer or solicit through the mails or facilities of interstate commerce before the registration statement becomes effective. When the statement does become effective, the first written solicitation is required to be the full prospectus—which is, in most instances, the registration statement less the exhibits. With negligible exception, the term "prospectus" is so defined in the law that any communication in writing or by radio broadcast which attempts to dispose of a security is a prospectus unless it is accompanied or has been preceded by a full statutory prospectus which complies with the requirements of the Act. Thus, selling literature other than the prospectus may be used only as long as it accompanies or is preceded by the prospectus.

However, notwithstanding the fact that the prospectus is intended to be the first significant written communication which of-

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*An address by Chairman McDonald before the Third Annual Convention of the National Federation of Financial Analysts Societies, New York City, March 2, 1950.

Dealer-Broker Investment Recommendations and Literature

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

Basic Strength Data—Principles analyzed in manual **"Common Sense Security Analysis"**—Booklet plus Basic Strength Reports for six weeks on trial basis, $5.00 (or booklet with recent report, $2.00)—Dept. F-1, Investors Research Co., Mihran Building, Santa Barbara, Calif.

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

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

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Aerovox Corporation — Memorandum—Atlas Investing Corp., 25 Broad Street, New York 4, N. Y.

American Hoist & Derrick Co.—Analysis—Harold E. Wood & Co., First National Bank Building, St. Paul, Minn.

Cariboo Gold Quartz Mining Co., Ltd.—Memorandum—George Cross, 540 Howe Street, Vancouver, B. C., Canada.

Consolidated Edison Co.—Circular—Brush, Slocumb & Co., 1 Montgomery Street, San Francisco 4, Calif.

Continental Casualty Co.—Circular—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Also available is a circular on **Seaboard Air Line Railroad.**

Walt Disney Productions—Analysis—Batkin & Co., 30 Broad Street, New York 4, N. Y.

First National Bank of Boston—Circular—First Boston Corp., 100 Broadway, New York 5, N. Y.

Florida East Coast—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Ford Motor Co., Ltd.—Circular—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Gisholt Machine Co.—Analysis—H. M. Byllesby & Co., Inc., Stock Exchange Building, Philadelphia 2, Pa.

Also available is an analysis of **Hajoca Corporation.**

Government Employees Insurance Co.—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

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

Johns-Manville Corp.—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

La Salle National Bank of Chicago—Circular—The Illinois Co., 231 South La Salle Street, Chicago 4, Ill.

Manufacturers Trust Co.—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

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

Southern Company—Memorandum—E. W. Clark & Co., Locust at 16th Street, Philadelphia 2, Pa.

Square D Corp. — Circular — Auchincloss, Parker & Redpath, 729 Fifteenth Street, Washington 5, D. C.

U. S. Steel — Comprehensive analysis of the common stock—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Emil T. Aubin has been added to the staff of Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

Mason Bros. Add

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Leonard I. Taub has been added to the staff of Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

The Present Stock Market Picture

By GARFIELD A. DREW*

Investment Counsellor, Boston, Mass.

Author, "New Methods for Profit in the Stock Market"

Judging by pattern of public behavior as expressed in trends of odd-lot trading, Mr. Drew believes that the final peak of the current upswing lies well ahead. Predicts final tops of present bull market will be accompanied, as at all major tops of the past 30 years, by lay public's greater willingness to absorb stocks.

My introduction to the financial field consisted of standing on a platform, wearing a belt that was divided into little pockets. Those pockets held slippery little tabs reading from 1/8 to 7/8, and I remember that if I leaned over a bit in the excitement of a three-million share day, the scrambled fractions on the floor were worse than the confusion on a late tape! In short, I was posting stock prices for the customers of a brokerage house.

Garfield A. Drew

From the first day, how those prices on the tape changed as they did, intrigued me — and it still does. Who was doing all this buying and selling — and why? Naturally, I began to keep charts of the price movements, and soon discovered that anyone who did so in that particular office, at least, was held in very low esteem.

I am glad to say, however, that the study of price action *per se* has since attained a reasonable degree of respectability. If we technicians have not actually crossed over from the wrong side of the tracks, we are at least within shouting distance of our neighbors across the way.

In part, the blame lies with ourselves. It is not made sufficiently clear that behind all the jargon about triangles and oscillators and gaps, lies a perfectly simple and logical purpose. That purpose is to analyze the changes that are taking place in the activities of the thousands of individuals whose collective action makes all the price movements within the market.

Market the Expression of Human Behavior

We are, I believe, altogether too prone to think of "The Market" as some sort of mysterious—and perhaps antagonistic—entity in itself. But actually, it is only the result of the buying and selling of many human beings like ourselves — motivated by varying purposes, varying emotions and varying opinions. That is the basic fact of which we should never lose sight.

An industry expert may tell me that he considers a certain stock to be undervalued at its current price. Well, what does "current price" in that case mean? It means that some unknown person is willing to sell me his holding at what my expert friend considers a bargain level. I respect the expert's opinion, but someone obviously disagrees with him. Therefore, I also want to know what all the other buyers and sellers have been — and are — doing. The only thing that will afford any idea on that score is a record of the trading in that particular stock. This record of human activity may indicate little or much, but it is still a vital factor in arriving at a decision.

If we could break that information down still further and know, for example, whether people in that particular business were buying considerably more stock than they were selling, the record of transactions would be even more valuable.

No such information is available on a current basis, at least. However, taking the market as a whole, there are two breakdowns of the total trading by different groups of individuals that are highly significant. One is the detailed record of the purchases, sales and short sales made by New York Stock Exchange members. The other is a similar tabulation of all add-lot transactions, which is the more important. In their entirety, we only have a 10-year record of these figures, although some of the data goes back further and there is an invaluable compilation of odd-lot trading on a monthly basis, beginning in 1920, that was made by the Brookings Institution.

Odd-Lot Trading Portrays Public's Psychology

Obviously, odd-lot transactions as a whole do not represent the activities of any one clearly defined group of people. On the other hand, I believe that in a broad way, they are a fair sample of the public's buying and selling in the stock market. As such, they constitute a record of human behavior that is remarkably consistent in its responses. That is only natural, however, because human nature in the mass is always consistent. As the late Thomas Woodlock of the "Wall Street Journal" once remarked: "The principles of successful speculation are based on the supposition that people will continue in the future to make the mistakes that they have made in the past."

The significant fact is that we find a consistent pattern of these mistakes running through the trends of odd-lot trading. This is not to say that because odd-lot sales may exceed purchases, the public is bearish and that because the public is usually wrong, stock prices will therefore rise. The matter is nowhere near that simple. In fact, judged only by whether odd-lot purchases or sales predominate, the public is invariably right near important low points in the market because odd-lot buying is then always heavy. But—and here is the mistake at such junctures — it is never as heavy at the bottom as it was on the way down. The thinking is never pushed to its logical conclusion and when it backtracks a little, so to speak, we have an important clue that the bottom is finally at hand.

It is possible to see quite clearly from the records of odd-lot trading just how public psychology works and where the mistakes are always made. The Brookings Institution data mentioned earlier show that the patterns of behavior were just as consistent back in the '20s as they have been during the past decade.

When a bull market first gets underway, it is greeted by increasing odd-lot selling. The reason is that prices now look high in relation to what they have been. At this stage, the public will buy on reactions, but not while prices are advancing. After prices have been going up for a long time, however, skepticism diminishes and we find at least less selling and probably some buying. There has now been enough time to become accustomed to the higher price levels and the lows of a year or two before are forgotten. This again is a consistent mistake—to begin turning more bullish at a time when it would be better to become more cautious.

When the bull market is finally over and the first severe break in prices occurs, we find a tremendous increase in odd-lot buying. Just as prices at first looked high on the way up, they now look low in relation to the previous tops. This standard of comparison persists for a long time, but just as a long upward trend finally kindles confidence, so does a long downward trend ultimately shake it. Buying still exceeds selling, but not to the same extent as earlier and this is what marks the final phase of a bear market.

Psychological Loss of Faith

Thus, the natural human tendency is to sell an advance and buy a decline, but to lose faith in this initial impulse at the wrong time. It may be said that a change of sentiment on the part of the public after any market trend has become well established is almost always just the opposite of what it should be.

I am aware that when I say the "public," I am using a very loose term indeed, and one which is extremely difficult to define, indeed. What it really includes, perhaps, are all those who obey their natural impulses in market dealings and who blindly accept the popular and seemingly logical ideas of the moment. The unquestioned prospect of a business boom, for example, made it appear logical on the surface to buy stocks in early 1946, but it was distinctly the wrong market procedure.

If you will accept my premise that odd-lot trading is a fair sample of the public's activities, the fact emerges that the public is seldom, if ever, a dominant factor in shaping the price trend. To take a very recent example, odd-lot trading tended more and more to the bearish side all during the last half of 1949, but stock prices were steadily rising. Obviously, then, some other segment among all those dealing in the stock market was exerting an opposite and more powerful influence than the desultory odd-lot sellers who felt that prices were looking too high!

Following the Obvious

Viewed in this way, an apparently anomalous characteristic of price movements becomes much clearer. I refer to the propensity of stock prices to change in the direction which is generally least expected and which seems the least logical. It is unnecessary to recite to this gathering the many instances of this sort well within our memory. To take the most recent one, however, think back to the end of last summer. Two apparently bearish developments were in the offing—first, a steel strike and second, devaluation of the British pound. There was no secret about either. Both probable events were widely advertised in newspapers and magazines with the added assumption — stated or implied—that they would be bad for business and the stock market. You could just see the response in odd-lot trading! The ratios of selling to buying reached an extraordinarily high level around that time—and with the usual results when such a trend is manifested on the basis of obvious developments. Without fanfare or any published reasoning on the part of the buyers, however, the public's offerings were quietly absorbed and prices pushed on to new highs.

That was a particularly clearcut example and I would not have you think that the analysis of public sentiment through odd-lot trading is either always easy or always the perfect answer. It is not — but it does involve some fundamental truths that are inherent in the nature of the game and that have been remarkably consistent for many years.

The Present Picture

I am sure that at this point, your main interest is in knowing how the pattern of public behavior as expressed in the trends of odd-lot trading, fits into the present picture. My position here may be stated very simply. On the basis of all precedent, the current bull market will not end until the public has displayed more willingness to absorb stocks than has been the case to date.

Public psychology travels in its own cycles in relation to market movements. During the first half of 1949, we had the situation that has characterized the last phase of every major bear market since 1921, that is, public pessimism shown in odd-lot trading by a decreasing willingness to buy stocks while the price level was declining. Conversely, we may expect the final phase of the current bull market to be accompanied by the opposite phenomenon, as—again—has been the case at all major tops of the past 30 years. Sooner or later, there should be a tendency expressed in odd-lot trading for the public to become less bearish than it has been while prices are still in an advancing trend.

Through the end of last year, there was only the growing skepticism normally shown when a major advance first gets under way. From June through December, odd-lot selling increased proportionately more and more. So far in 1950, there has been a very slight reversal of this trend, but it has not run long enough to have any significance.

Even assuming that it should later prove to have been the beginning of the end, the whole pattern of expectancy still requires a continued uptrend in stock prices for several months at a minimum. Exactly when and where the top may be, I leave to those who may have a crystal ball, but I do feel confident that the final peak still lies well ahead of us.

*An address by Mr. Drew before The National Federation of Financial Analysts Societies, New York City, March 2, 1950.

Benjamin Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Vivien C. Rankin has been added to the staff of Benjamin Lewis & Co., 135 South La Salle Street.

With Sills, Fairman

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Edward K. Shanahan is now associated with Sills, Fairman & Harris, Inc., of Chicago.

Tariff Reductions, No Remedy for Dollar Gap

By RICHARD H. ANTHONY*

Secretary, The American Tariff League

Asserting the tariff is not a tool with which international trade can be tinkered into balance, Mr. Anthony contends there are important Ameriacn industries still dependent for survival on tariff protection. Cites case of Waltham Watch Company, and denounces proposal of ECA to lower tariffs so that Europe's exports to U. S. can be increased $2 billion. Denies present U. S. tariff has any importance in current overall international trade picture.

The appearance of a Tariff League representative at a meeting of exporters might seem to be as perilous as the fly's acceptance of the spider's invitation to visit her parlor, but I assure you I anticipate no bodily harm. Indeed, I feel a community of interest, for the League subscribes to the truth in that old cliche, "Trade is a two-way street." All we ask is that you recognize that two-way traffic requires a certain amount of regulation; that full freedom of traffic to wander where it will, although desirable perhaps as an ideal, is as unrealistic in practice as is free trade.

Richard H. Anthony

Is the exporter actually facing any problems fundamentally different from the salesman in the domestic market? Your domestic sales potential is not the sum total of demand for your and your competitors' products, but rather the demand of that segment of our population which is able to pay for them in dollars. By the same token, foreign demand for U. S. goods, unaccompanied by ability to pay in dollars, should not be taken as a true measure of sales potential abroad, unless you are in favor of continuing the present system of selling to foreign customers and sending the bill to the U. S. taxpayer. The fly in that ointment is that you are also a taxpayer and so are paying your customers' bills, at least in part.

When the exporter is thwarted from selling abroad all he thinks he should, he may become aggrieved and in his grief he is likely to forget that he has no inherent right to demand free access to any but the domestic market. Foreign sales are frosting on the cake. It's nice to have the frosting, but it is more important to have the cake.

However, there are some people, including government officials, who will tell you that you can have the cake and the frosting and eat it all, too, by getting the United States to increase imports from foreign countries and so provide more dollars abroad with which to pay for your foreign sales.

Now, we in the League have no quarrel with that advice up to the point where they tell you that you should injure or even liquidate some domestic producers in order to buy more competitive products from abroad.

Our tariffs used to be set and revised in accordance with the needs of our domestic economy. Now they are talked of as expendable or, to be more exact, the American industries that depend on tariffs are now being treated as expendable, in the effort to foster imports and so balance our foreign trade at current abnormal export levels. Some of these industries are being marked for sacrifice and when they go, men lose jobs, investors lose money, suppliers lose customers and the country loses some of the elements in a diversified economy.

Case of Waltham Watch Company

Can we stand the loss of the Waltham Watch Company? We have only two old-line watch manufacturers left. Who benefits from liquidating Waltham? Switzerland perhaps? That admirable, democratic country is worth having as a friend, but is she making reciprocal sacrifices on the altar of friendship?

Here is what Prof. Friedrich A. Lutz of Princeton said about the Swiss at the last annual meeting of the Academy of Political Science: "Switzerland has no shortage of dollars, and yet she adheres to a system of bilateral trade agreements, chiefly because she aims at preserving a certain structure of her exports by making the partner countries to these agreements import watches and other Swiss export goods and allow their citizens to travel in Switzerland. She has even gone so far as to make balances of Swiss francs accumulated by Argentina and the Bizone of Germany inconvertible into dollars, so as to force these countries to use the balances for purchases or travel in Switzerland."

Perhaps Switzerland must resort to these measures to protect her economy and her democratic processes. Whatever the answer, these Swiss measures are restrictive and discriminatory, whereas our low-average tariffs are the mildest kind of trade regulation.

Let's get down to fundamentals. We need certain raw materials and we like certain finished products that come from abroad. In order to induce the foreigner to send them to us we must send him what we have that he needs or wants. You can disguise and complicate the problem *ad infinitum* by the introduction of currency, exchange, etc., but the basic fact is that our foreign trade starts with a deficiency on our part which must be paid for by transfer of a portion of our production. The latter day idea that the amount of goods we can or want to ship abroad should be the measure of what we take in, even though some domestic producers go bankrupt in the process of balancing income and outgo, puts the cart half a mile ahead of the horse.

ECA Proposals

The latest agency to urge that we should artificially foster our imports at the expense of certain of our domestic producers is the Economic Cooperation Administration.

The ECA had two jobs to do: (1) geographical containment of Communism, and (2) fostering economic recovery of foreign nations. In Europe both goals have been accomplished. Communism has made no further encroachment to the west; and the European ECA countries, except Germany, have either surpassed or achieved approximately their pre-war production and export positions quantitatively.

Now ECA says, in effect: We are getting ready to pull out of Europe and when we go we want the incoming and outgoing elements in the U.S.-European trade to balance, and furthermore to balance at the current U. S. export level. Translated into figures, ECA's suggestion means that Europe must expand its exports to the United States by $3.5 billion, an increase of 300% or more. Clearly, Europe is in no position to meet this extraordinary demand, no matter what inducements the United States may offer. Yet, ECA publishes a list of U. S. commodities on which there are individual tariffs of 25% or greater and says, in effect: Slash those and help close the gap.

We say it misleads the American public and lays the groundwork for international ill-will to offer any such illusory hope that further slashing of our tariffs, which, at an average of 13%, are the lowest in our history, or even eliminating them entirely, will have any appreciable effect on closing the trade gap. Cutting tariffs in such an indiscriminate fashion can ruin individual companies or even whole industries in the United States, but it will not close the foreign trade gap at the current export level.

The tariff has no measurable importance in the overall trade picture anyway. Our imports rise and fall with our national income, despite the level of tariff at any particular time. Over the long years our imports have shown a general upward trend that echoes our increase in population.

It so happens that the amount necessary to balance the current ERP dollar deficit is roughly the same as the value of the products of the entire pulp and paper industry in the United States for 1947, i.e., $3.7 billion. I assume you would not be willing to sacrifice your industry, employing 200,000 wage earners, in order to bring in imported commodities sufficient in value to equal that figure.

If you have any doubts about the misleading nature of the ECA recommendations, let me suggest that you read what the experts say and apply every statistical test of which you know. I have done both and the answer keeps staring me in the face—slashing tariffs is of no avail in tackling the trade gap problem.

Here is what Professor Seymour E. Harris of Harvard told that same Academy of Political Science meeting: "Despite the large reduction in tariffs here and increased restriction abroad, which should have facilitated European exports and depressed their imports, despite the widespread use of controls abroad to raise exports and reduce imports, despite the much larger rise in money wages here—despite all of these, the United States has been flooded with gold and the world is short of dollars."

Now, just a few figures to document the League's conclusions. The data are for 1948, but preliminary 1949 reports indicate no substantial change in the size of our foreign trade gap. According to ECA's own figures, we imported from ERP countries in 1948, $2.4 billion of goods and services, of which $1.2 billion consisted of merchandise. We exported to those countries $5.9 billion of goods and services, resulting in an export-over-import imbalance of $3.5 billion. That $3.5 billion is the gap. When people talk of cutting U. S. tariffs in order to bridge that gap they are suggesting that we expand $1.2 billion of merchandise imports from Europe to $4.7 billions, a 300% increase. If they expect services, such as tourist expenditures abroad, to increase also, they may shave that merchandise figure, but still it is go-

Continued on page 37

*An address by Mr. Anthony at a meeting of the Export Committee, American Paper and Pulp Association, New York City, Feb. 22, 1950.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Gradually some of the annual reports of the leading insurance companies are becoming available. While the information presented to the stockholders is not so detailed as that filed with the various state insurance commissioners, a good idea of the overall operating results achieved during 1949 can be obtained in most cases from these reports.

One of the medium sized companies which has shown a favorable record of operations for the year just ended is the Boston Insurance Company.

The consolidated operating statements for the past two years, which are presented below, include figures of the Old Colony Insurance Company, 99.21% owned. An adjustment has been made in net operating income to reflect Federal income taxes incurred instead of treating this liability as a surplus adjustment as has been done by the company in its statements. On the other hand, the gain or loss on sales of assets have been eliminated from the operating statement and treated as a surplus adjustment.

CONSOLIDATED OPERATING STATEMENT

	1949	1948
Underwriting—		
Net Premiums Written	$25,037,560	$25,010,602
Less—Inc. in Unearned Premium Reserve	1,885,225	5,181,170
Net Premiums Earned	$23,152,335	$19,829,432
Losses and Loss Adj. Expenses Incurred	10,811,482	10,240,803
Expenses Incurred	9,951,820	9,438,085
Taxes Incurred (Other than Fed. Inc.)	730,543	683,544
Total Losses and Expenses	$21,493,845	$20,362,432
Underwriting Profit or **Loss**	$1,658,489	**$533,000**
Investment—		
Interest, Dividends, Rents Earned	$1,848,299	$1,446,324
Deduct—Investment Expense	198,363	179,783
Net Investment Income	$1,649,935	$1,266,541
Operating Income Before Fed. Taxes	$3,308,424	$733,541
Federal Income Tax Incurred	683,241	43,000
Net Operating Income	$2,625,183	$690,541
Minority Int.—Old Colony Insur. Co.	8,440	3,365
Net Operating Income	$2,616,743	$687,176

The above statements reflect some of the general forces at work within the fire insurance industry last year. Premium writings for the period leveled off after several years of rapidly rising volume. This resulted in an increase in earned premiums. As losses and expenses were only moderately higher than the year before, there was a statutory underwriting profit compared with the loss of the previous year.

Investment income was higher because of the larger volume of funds employed. Also, increased dividends on equities helped to increase earnings. Federal tax liability was considerably larger primarily as a result of the gains in statutory profits. Nevertheless, net operating income after the minority interest showed a significant increase, rising from $687,176 in 1948 to $2,616,743 last year.

Per share results on a comparative basis are always of interest to shareholders and analysts. Accordingly, the above figures have been translated into per share results. The following computations are based upon 450,000 shares of Boston Insurance presently outstanding, including the 12½% stock dividend paid in December. Because of the small minority interest, it has not been taken into consideration.

	Under-writing Earnings	Equity Change in Unearned Premium Reserve	Net Under-writing Earnings	Net Invest-ment Income	Total Earnings	Federal Income Taxes	Net Earn-ings
1949	$3.68	$1.67	$5.35	$3.66	$9.01	$1.51	$7.50
1948	—1.18	4.60	3.42	2.81	6.23	0.09	6.14

Possibly one of the most significant developments of the past year and one not revealed in the figures of the company but stated in the annual report, was the expanded base of operations. In the past Boston Insurance has concentrated on fire insurance lines. During the year just ended the company actively began writing a general line of casualty and surety business. In addition the Canadian phase of the company's operations were expanded by adding other lines to the business already being written there. An office was opened at Toronto for the purpose of developing this business. Another development during the year was the association by Boston Insurance with an organization to write reinsurance contracts.

These policy changes should, over a period of years, help the company in expanding the volume of business available to it and consequently profits.

Current Good Investments

By ROGER W. BABSON

Presenting an investment program under present conditions, Mr. Babson advises 25% placement of funds in good productive land; 25% in cash deposits, life insurance and government bonds; and remaining 50% in stocks yielding average of 6% income. Recommends investments in companies you know.

Since my recent article recommending good fire insurance stocks as an investment [see "Chronicle" of Feb. 9, page 7]. I have had many letters asking, "What else would you buy?"

Roger W. Babson

Of course the safest of all investments is well-located, well-drained and productive land. Every family should have a little of this within a reasonable distance of some community. A farmer will have most of his assets in such land, buildings and equipment. The retired investor can afford to have about 25% in good productive land.

Investors should have another 25% distributed in cash, bank deposits, life insurance and government bonds. Notwithstanding all of President Truman's prosperity promises, this country is sure to see some real trouble sometime. When this depression comes, stocks and even real estate may sell at one-half present prices. The best way you can help alleviate the situation, is to begin now to store up cash for use then. For every additional person who does this, the next panic will be so much less severe.

This leaves 50% to invest for **income.** Unless you have the help of a long-established investment advisory organization, you had better not attempt now to buy for profit. It is okay to do this when prices are abnormally low and everyone is bearish, but not now. However, you now can get a safe income of 6% on good securities; so why speculate?

If interested, I suggest you buy 10 different "home" stocks for income. I will now tell you how to select them. Of course this will take a little time on your part; but you spent so many years of hard work to make and save this money, you should be willing to spend one week to be sure it is safely invested! For this 50% I am not recommending any bonds. Good bonds are now too high. I will assume you already have some good fire insurance stock. If not see my column in the "Chronicle" of February 9.

To start with call upon the superintendent of your **Telephone Company** and ask him what listed company controls his telephone company. If he doesn't know, ask him to write to his home office and find out. Then call upon the superintendent of your **Electric Power Company** and the superintendent of your **Gas Company** and ask them the same question. This will give you three stocks which should be good; especially if their representatives in your locality are men of high character.

You probably prefer to use some special kind of gasoline. As the stock of this **Oil Company** will be listed in New York, buy a few shares of this. Most all the listed oil stocks are good for income. You also should have some good merchandising stocks. Ask your wife which is the best **Grocery Chain,** the best **"5 & 10" Variety Chain** and the best **Drug Chain** in your city. These stocks will surely be **listed.** Your wife can watch them for you; but see for yourself that the managers and employees are good people. This gives you four more stable industries or a total of seven stocks.

You certainly should have some bank stock. Call upon the president of your local bank. Don't stand at the counter window, but go in and sit down with him some time when he is not busy. Tell him you would like to buy a little stock in his bank. Trust him as to the price as it will not be a listed stock. If none is available, ask him the name of some large bank in some interior city which will not be bombed during World War III. Buy that **Bank Stock** which he recommends. This gives you eight stocks.

Here are three more suggestions: Visit your superintendent of streets and get the name of the manufacturers of the best **Dirt Moving Machinery.** These companies should have a good future. Visit your fire chief and get the name of the largest manufacturer of **Fire Alarm Systems** and buy some of that company's stock. If you are a farmer you should know what company makes the best farm machinery, trucks, etc. If not a farmer, you can ask some friends who are farmers. Then buy the stock of that **Harvester Company.** This gives you 10 stocks and one alternate. After you have bought all ten stocks, you can write me if you wish, but **not before!**

Senator Maybank Bill Would Change SEC Registration Provisions to Aid Small Business

A notable feature of the bill (S. 2943) introduced in the Senate on Jan. 30 by Sen. Burnet R. Maybank (Dem.—S. C.) to aid small businesses is a provision which calls for changes in the present Securities and Exchange Acts so that small businesses may not be unduly retarded in their development or growth. In the section of the Bill calling for the appointment by the President of a Small Business Coordinator, it is provided, among other things, that "the Coordinator is directed to consult with Federal, State and local agencies and with independent small business enterprises and associations thereof with a view to recommending to the Congress appropriate legislation designed to further the interests of independent small business enterprises, including the adjustment of the Securities Exchange Act and regulations to the problems of independent small business enterprises which are unduly retarded in their development or growth by present policies, without a sacrifice of interests of investors."

Burnet R. Maybank

Outlook for Automotive Truck Industry

By J. E. WHITE*

Assistant to Executive Vice-President, Mack Trucks, Inc.

Advising investors not to sell the truck industry short, executive maintains second quarter of this year will mark bottom of a two-year downtrend. Stresses favorable long-term potential, supported by: (1) industry's need for rapid transportation; (2) industrial decentralization; (3) end of the base point pricing system; (4) door-to-door delivery; (5) growth of intercity highways; (6) expanding bus travel; and (7) increased use of "off-highway" vehicles for mass movement of earth and materials.

In comparison with the passenger cars, it is very easy to overlook the contribution of the commercial vehicle to our economy. As a matter of fact, the average individual only thinks of the truck as something that gets in his way when he is on the highway, or something that has hogged the only available parking spot. I wonder how often people stop to analyze how dependent our existence is upon the truck. If it weren't for the truck, materials for home construction couldn't be moved, food and fuels would not be available. If it weren't for the truck, we would not even get our morning or evening newspaper.

While overshadowed by its big brother, nevertheless the commercial vehicle represents approximately 25% of the dollar volume of total automotive industry. There were 7,000,000 trucks in use in the middle of 1949, and with the vehicles produced in the last half, the year-end total in use is approximately 7,500,000.

Because of the wide range of trucks produced, all vehicles are classified into seven groups by gross vehicle weight, which provides precise information concerning the activities of each segment of the industry. But, for the sake of brevity herein, rather than discuss each group separately, I shall deal in terms of the **outmoded** classifications, namely, light, medium, and heavy trucks.

You understand, of course, that the industry uses the seven Gross Vehicle Weight groups.

In 1949, the 1,125,000 vehicles built are broken down roughly as follows:

Light Trucks	70%
Medium Trucks	23
Heavy Trucks	7

The light and medium field were dominated by Chevrolet, Ford, Dodge, International Harvester and G.M.C., and these same five companies accounted for 85% of all production. In the heavy field, there is Mack, G.M.C., White, International Harvester and Autocar. While the heavy field accounts for only 7% of the total number of units, it represents a much larger percent in terms of dollar volume. The figures are not available for comparative purposes. While the total vehicles produced in 1949 was off 17% from 1948, closer analysis reveals:

Light Trucks Up	5%
Medium Trucks Off	46
Heavy Trucks Off	43

Steady Downhill Trend

The peak sales of the commercial vehicle industry occurred in the second quarter of 1948, and since that time we have been on a steady downhill trend, and it is anticipated that this will continue during the first quarter of 1950. Naturally, the first quarter of 1950 has been materially affected by strikes, which everybody fervently hopes will be settled very promptly. Nevertheless, the actual figures for the first two months of 1950 are very discouraging, as we had originally anticipated that the leveling off in our industry would occur at this time.

Therefore, it is necessary to revise original forecasts, and with the usual form of optimism, now say that the second quarter of 1950 should show the bottom of the valley on our charts. Insofar as the balance of 1950 is concerned, there will probably be some minor peaks and valleys, but should, in the overall, confirm the leveling off status of the industry as a whole.

In spite of the obscurity of the factors which basically affect our industry, 1951 with likewise optimism, we trust will show us on the road to our normal growth pattern.

To arrive at this trend for the industry, it is necessary to examine the segments of the industry, the largest of which as stated before is the light and medium field. During World War II, the production of Light vehicles was prohibited, Medium vehicles were limited to military and essential civilian production and so, after the war was over, there was a pent-up demand for this group of vehicles, especially the light trucks.

Detailed examination of the underlying statistics shows that light trucks reached a post-war high in the third quarter of 1949. While the fourth-quarter production showed a decline, this is probably attributable to the steel strike, and current indications show a steady demand for this size truck. This demand consists largely of replacements of which I will speak later.

In direct contrast to the light vehicles, the medium group, after holding steady through the first quarter of 1948, started a severe decline. This medium group slump, which continued during 1949, accounted for the poorer showing of the industry as a whole last year. The trend of this group, including the first two months of 1950, gives all indications of leveling out.

If this leveling out process occurs, together with the predicted steady demand for light vehicles,

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*A talk by Mr. White before the National Federation of Analysts Societies, March 2, 1950.

The Point IV Program —Facts and Fallacies

By HON. CHRISTIAN A. HERTER*
Member of Congress from Massachusetts

Though calling for support of Point IV program, Representative Herter warns there should be no illusions that it is going to be a give-away policy or that it can in short time remedy dollar gap or substantially raise living standards throughout world. Holds success of plan is dependent on friendly attitude as well as cooperation of recipient countries through favorable domestic legislation for protection of private capital and for increasing productivity. Sees in plan a means of winning ideological war.

The now famous Point IV of President Truman's Inaugural Message of Jan. 4, 1949, has been given such a variety of interpretations that I am glad to have this opportunity of adding still one more. My only justification for feeling that I can make any contribution on the subject is that I have spent a considerable amount of time during the past year examining testimony on the subject, sitting in a number of conferences with interested persons where it was being discussed, and following with considerable care the legislation which has been proposed to implement it.

Christian A. Herter

Developing underdeveloped areas of the world is certainly not a new concept. A combination of adventurous spirits, plus capital, has been in the process of developing underdeveloped areas for many centuries. The contribution of the United States in this field has been very considerable during the past 50 years, and at the present time some $17 billion of private American capital is invested in various sections of the world which are as diverse in their underdevelopment as Saudi Arabia and Canada. In my judgment there are but very few corners of the world that are not susceptible to further development, and for that reason the use of the term "underdeveloped" must be thought of in a comparative sense only.

From the many discussions that have taken place during the last year, it has become obvious, I think, that the President's purpose in advancing what he called "a bold new program" was an effort to hasten and stimulate certain processes which would undoubtedly have taken place in time anyway, provided the destructive social and economic forces prevalent over a large area of the world did not engulf the balance of the world. From a purely political point of view, the formulation of this program appeared to be an effort to give to those peoples, whose standard of living is very much lower than ours, some hope that in the comparatively near future we could offer them more toward raising their standard of living than could be offered by the Communists.

Program Deserves Support

In the world-wide ideological struggle which is taking place, I feel that such a concept and such a program deserves our full support. But the practical implementation of the program must be realistic, must be carried out in a thoroughly cooperative climate, and must hold out no hope that living standards can be raised or wealth produced except with hard work and over a considerable period of time. In fact, the program, insofar as it can be called a program, must be thought of in decades, not in months or years.

Soon after President Truman made his somewhat vague pronouncement, the Secretary of State, the Under-Secretary of State, several Assistant Secretaries of State, and other high officials of the government were called on to clarify the President's words and to outline in detail their own concept of the shape which a program of implementation should take. One theme has been reiterated consistently throughout their testimony; namely, that the major role in the development of underdeveloped areas must come from private capital and the technological skills that go with private capital. There has been no suggestion of any new financing agency or use of public capital other than that already available to the Export-Import Bank or to the International Bank for Reconstruction and Development.

Three separate pieces of legislation have been advocated by the Administration, one of which has passed the committee stage in both the Senate and the House, but has not yet been acted upon by either. The second has been reported in drastically amended form by the Foreign Affairs Committee of the House. And the third is still pending before the House Committee on Ways and Means.

Export-Import Bank Guarantees

The proposed piece of legislation which has been favorably reported by the Banking and Currency Committees of both branches of the Congress is legislation which would amend the charter of the Export-Import Bank so as to allow that bank to guarantee the convertibility into dollars of local currency profits on new United States investments in foreign countries, and likewise to guarantee the principal of such investments against expropriation by the nation in which they were made. There has been considerable controversy over the desirability of this legislation. It has been made clear in private conferences by responsible officials of the Bank and of the Government that the optional power given to the Bank to make guarantees of the type authorized would be very sparingly used, and that, in fact, it would never be used except for investments made in countries which had already ratified sound investment treaties with the United States. To date there are very few of the latter. In fact, insofar as I know, such investment treaties have been negotiated only with Uruguay, Eire, and Italy—and the latter alone has been ratified.

It has been announced, however, that negotiations with many other countries for similar treaties are now being conducted, those which have been singled out for special mention being Brazil, Colombia, France, and India. These treaties all have for their purpose the guaranteeing on a reciprocal basis of fair and reasonable treatment of capital investments on the part of both nations, as well as fair and reasonable treatment in the management of properties which might be developed within those countries by the capital of the other country. Even these assurances which have been given still leave serious doubts in the minds of American investors who have already staked their capital in these foreign countries as to whether or not new investments, if guaranteed, would not be given a preferred position over the old investments, and thus establish an unfortunate precedent.

In my own opinion, this particular piece of legislation should be amended by having written into the law itself the assurances privately given by responsible officials that these guarantees would not be placed on investments except in countries which have signed satisfactory bilateral agreements, and also by inserting a provision that the Bank, in later converting foreign currencies which it may have received for dollars, should receive no priorities over existing investments. Even if these amendments should be adopted, I have some doubts as to how greatly such guarantees would be resorted to or how effective they might be in stimulating foreign investment. Certainly the guarantee provisions written into the last two authorization acts for the European Recovery Program have led to the writing of less than $5 million in guarantees out of authorizations of $450 million for this purpose.

Question of Technical Assistance

The second piece of legislation deals with the furnishing of technical assistance. In my opinion, it is almost impossible to spell out in legislative form just how technical assistance can or should be given. In recent months, three entirely different types of technical missions have been trying to render technical assistance in three different countries.

The first was of an entirely private nature. The Government of Iran contracted with a group of distinguished engineering concerns operating under the name of Overseas Consultants, Inc. to make an over-all study at the expense of that government of the various steps which should be taken in Iran to increase its productivity and raise its standard of living. Overseas Consultants has completed a very comprehensive report outlining a seven-year program which includes not alone recommendations for economic development but for sanitation, irrigation, agricultural development, transportation, etc., etc.

The second type of mission is one recently sent by the World Bank to Colombia. This mission, paid for half by the Colombian Government and half by the Bank, consisted of experts selected by the Bank who were joined by representatives of the International Health Organization and the Food and Agriculture Organization of the United Nations, and a representative of the United States Treasury. The report of this mission is still being drafted, but from the fourth report of the World Bank recently made public, it is obvious that its scope will be quite wide.

The third type of technical assistance mission is of the type best exemplified by the so-called Abbink Mission to Brazil. In this case, at the request of the Brazilian Government, a joint mission consisting of an equal number of Brazilian and United States citizens, of which Mr. John Abbink was the American Chairman, made an over-all study of the most urgent financial and economic needs of Brazil and came up with a number of joint recommendations. In many cases, those

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*An address by Congressman Herter before the Economic Club of New York, New York City, March 7, 1950.

Free Enterprise and Point IV

By HON. SPRUILLE BRADEN*
Former Assistant Secretary of State

Diplomat insists aims of President Truman's Point IV program are really the job of American business; which can surpass even its past superlative record. Asserts Government-guarantee proposals are unworkable and unsound; and there must be no hampering governmental obstructions to international extentions of private capital.

I agree with Secretary Snyder's statement that under Point IV "foreign investment for desirable purposes should be undertaken through private channels in so far as possible." In other words, my answer to the question — What Should American Business Do About Point IV — is that American business should do precisely what it has been doing for more than half a century.

Spruille Braden

American business has employed our private capital, scientific advances and industrial progress to improve underdeveloped areas all over the world. It has hugely benefited peoples everywhere by helping them to produce more and substantially to raise their living standards. Billions of dollars have thus flowed to other nations.

Indispensable to War Effort

For example: We could not have won the war without the copper developed and produced in Chile due to the foresight, talent and capital of the Anaconda and Kennecott companies. The American and Foreign Power Company in 11 republics of this hemisphere has invested—less liberal write-offs—about three-quarters of a billion dollars in the most modern power plants. To convert useless jungle swamps into productive lands, the United Fruit Company in a single small country moved more dirt than in the entire digging of the Panama Canal. The great city of Rio de Janeiro highways and countless other projects were practically built with cement from Lone Star's five Latin American plants.

If given fair treatment, American business can and will surpass even this superlative record. Governments are incapable of doing so because officialdom—still less the UN—except in a few fields, such as health and education, possesses the scientific and industrial knowledge, experience and techniques to implement Point IV. **This is a job for private enterprise.**

The President has declared that "the major effort in Point IV . . . must be made by the people of the under-developed areas *themselves*," and Secretary Acheson says United States assistance can only be effective when it is the one "missing component" in a situation otherwise favorable to economic and political progress.

Deterioration in Government Morality

Such favorable situations have been measurably destroyed during the last two decades by the deterioration in governmental morality, such as direct and indirect expropriations, broken agreements and by official abuse of and intervention in business almost everywhere. In order to reestablish climates which will attract private initiative, techniques and capital, those nations which want to participate in Point IV should learn and adjust themselves to the economic facts of life.

For its part the U. S. Government, by just and forthright diplomatic action, must at all times support and protect legitimate American business abroad. The negotiation of bilateral treaties will not suffice, unless there also be good faith and dedication to the dynamic principles of private opportunity and enterprise.

Government Guarantee Unsound

The proposal for the U. S. Government's Export Import Bank to guarantee American businesses in foreign lands against losses resulting from either currency nonconvertibility or expropriations will not work and is unsound. It is unsound because such guarantees should be given by the country receiving the investment and not by the one making it; they would not apply in many cases; they would unfairly discriminate against earlier enterprises; weaken the disposition abroad to create favorable climates; increase state interventions; and add another subsidy to those which already plague us. These guarantees could be squandered or filched by fly-by-night or crooked adventurers and involve our government in bad deals all over the earth. They will not really help the people we want to assist but only those persons who get some cheap insurance, while the U. S. taxpayers foot the bill.

Ladies and Gentlemen: I submit, that for Point IV to succeed it must be consummated under the system of free, private, competitive enterprise, unhampered by governmental obstructions. The tremendous benefits which thereby will accrue to everyone may convince other peoples that under democratic capitalism they too can enjoy unparalleled freedom and prosperity.

*Statement by the Hon. Spruille Braden before the Mexican Pilgrims Dinner, New York City, March 7, 1950; and broadcast over "America's Town Meeting of the Air" program.

Halsey, Stuart Offers Chic. & N. W. Equipts.

A group headed by Halsey, Stuart & Co. Inc., on March 1 was awarded $7,065,000 Chicago & North Western Ry. 2¼% equipment trust certificates dated April 1, 1950, and maturing annually from April 1, 1951 to 1965, inclusive. Issued under the Philadelphia Plan, the certificates were reoffered by the group at prices to yield from 1.35% to 2.50%, according to maturtiy, subject to approval of the Interstate Commerce Commission.

Other members of the offering group were: R. W. Pressprich & Co.; A. G. Becker & Co. Inc.; Gregory & Son, Inc.; Hornblower & Weeks; Lee Higginson Corp.; Otis & Co.; L. F. Rothschild & Co.; First of Michigan Corp.; Freeman & Co.; Wm. E. Pollock & Co. Inc.; Julien Collins & Co.; McMaster, Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co.

With C. W. Leonard

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—John W. Holt is now with C. W. Leonard & Co., Masonic Building.

Impact of International Situation on U. S. Economy

By MARCUS NADLER*

Professor of Banking and Finance, New York University

Dr. Nadler reviews international developments and concludes, if U. S. economy is kept strong, sound and growing, problem confronting Western Europe will be alleviated, but sees probability of non-payment of interest and principal of British loan in 1952.

The international situation today is marked by the following:

(1) The cold war between the Western democracies and the Soviet dictatorship.

Dr. Marcus Nadler

(2) Efforts on the part of the United States through the Marshall Plan to restore the economies of the Western European countries.

(3) The so far unsuccessful efforts by those concerned to coordinate the economies of the Western European countries.

(4) The continued dollar gap and the efforts to reduce it.

Let us analyze these four points and try to ascertain how they influence economic conditions here.

The Cold War

When one realizes the principles on which the Soviet foreign policy is based and recognizes the true aims of communism, one is forced to reach the conclusion that a real settlement of the cold war is impossible, and that the present international situation must be considered as normal for many years to come. The reasons for this statement are these:

(1) The Soviet foreign policy is a combination of the old Russian imperialism combined with international communism.

(2) It is the aim of the Soviets through the spread of communism to bring as many different countries as possible under the sway of the Moscow leaders.

(3) The Russian system is monolithic and permits no independent thinking by its followers anywhere.

(4) Opposition to the decisions of the Kremlin at home and abroad is a cardinal sin and is severely punished.

How do the Russian leaders hope to achieve their aims?

(1) By organizing and supporting communist parties all over the world. A communist party in any country is not an independent political party. It acts as a fifth column for the Soviet Union.

(2) By utilizing and exploiting any economic injustices for the purpose of overthrowing the existing regimes, as in China.

(3) By establishing a communistic regime through political pressure or the threat of force. This was the case in Rumania, Poland, Hungary and Czechoslovakia.

The above described aims of the Soviet leaders are permanent. The methods and tactics used may undergo changes but the ultimate aim is the same.

It should be noted in this connection that war is not considered as a method of achieving the Soviet aim for two simple reasons:

(1) Communism has become a religion to its followers and the communists believe in the writings of Lenin and Stalin. In none of the writings of Stalin and Lenin do you find reference to war as an instrument of achieving the Soviet aims. The Russians believe that the capitalistic system is suffering from great contradictions, that sooner or later a serious depression will hit the United States and that they will then be able to take over Western Europe without having to engage in war.

(2) Considerable dissatisfaction prevails in the Soviet Union. Many millions of Soviet citizens are in concentration camps. There is also a great deal of unrest in the satellite countries.

Effects on the United States

How does the cold war affect the United States?

(1) We are forced to spend a great deal of money for military purposes. This is the largest item in our budget.

(2) We expend large amounts in Western Europe and elsewhere. We must not assume that the aid which the United States is giving foreign countries will terminate in 1952. The Marshall Plan may come to an end, but another plan will be evolved.

(3) There is a drastic reduction in trade between the United States and the Soviet orbit, and between Western Europe and Eastern Europe. This has accentuated the dollar shortage.

(4) We are forced to stockpile raw materials. This costs money. Stockpiling is based in part on the desire to create dollar exchange for some of our allies.

The cold war prevents the settlement of some of the pressing economic and political problems which confront the world. Above all, it has created fear and turmoil all over the world. It is the principal cause of the present status of Germany and thus leaves an open wound in the heart of Europe. It makes impossible a treaty of peace with Japan and Austria.

The cold war is no accident. It is carefully planned by the Russian leaders. They are endeavoring wherever possible to create revolutionary conditions which will help them and their fifth column to take over. No real solution is in sight. Even if the cold war subsides and the Russian tactics change, the United States will still be forced to spend large amounts for military purposes, to aid its allies, to assist the economically retarded countries in developing their resources and to increase the standard of living of their people. This is the best weapon against Communism.

Since this situation is bound to last a long period of time, it is essential that we as taxpayers get the greatest possible results both at home and abroad with a minimum expenditure of funds. Otherwise the tax burden may become so great as to stifle initiative and to harm our economy. Such a development is desired by the Russian leaders.

The Marshall Plan

The second great international problem for the United States centers around the success of the Marshall Plan. I believe it is advisable for all of us to understand as clearly as possible what it hopes to achieve, and how its success will affect and influence the United States.

The aims of the Marshall Plan, briefly stated, are:

(1) To increase production. We must remember that when the Marshall Plan was instituted, Europe was still suffering from the ravages of war. Production was low. The standard of living was much lower than before the war.

(2) To help the various European countries to balance their budgets and to place their currencies on a sounder basis.

(3) To integrate the economies of Europe. This would not only remove trade and exchange barriers, but would create wider markets and the possibility for greater specialization in production and better utilization of existing raw materials and labor. This is probably the principal aim of the Marshall Plan.

The authors of the Marshall Plan hope that, if these three aims are achieved, it will lead to:

(1) The ultimate convertibility of the Western European currencies.

(2) Making it possible for Western Europe to be economically and militarily strong enough to stand on its own feet if backed by the might of the United States.

(3) Elimination of all danger of a third world war.

Let us see what progress has been made so far. As regard production, the aims have been achieved. The 1949 output in the Western European countries which were recipients of Marshall Plan aid was higher than in 1938. Agriculture has to a large extent been rehabilitated. The supply of goods available for consumption has increased considerably. With the exception of England, rationing in most countries has been largely removed. The standard of living of most countries, while still somewhat lower than in 1938, has increased considerably and the crest of the communistic wave is receding. Truly, this has been a remarkable achievement. One may state that the progress made during the last three years has been greater than during the first seven years after World War I. The European countries realize that this great progress was made primarily because of the assistance obtained from the United States.

Monetary Steps Taken

Considerable progress also has been made in balancing the budgets and in placing the currencies of the various European countries on a sounder basis. In some countries budget deficits have been removed entirely. In others, they have been drastically reduced. The inflationary forces generated by government deficits have been brought under control in practically all instances. Some deflationary measures have been taken. The spirals between wages and prices have been brought to a halt except the one generated by the devaluation of so many currencies in September 1949. The wholesale devaluation of currencies in most European countries has led to the establishment of more realistic exchange rates than existed at any time since the end of hostilities.

As a result of the devaluation of the currencies, most European countries have again become competitive in the world's markets. Today the British, Swedes, French and Italians are in a much better position to compete with us in the U.S.A. and elsewhere than was the case prior to the devaluation. Confidence in local currencies has in part returned. Slowly but gradually the gold and foreign exchange holdings of the Central Banks of the respective countries are increasing. The importance of the black market in currencies is steadily decreasing.

The European people realize that a further devaluation of their currencies in the near future is not likely to take place. Above all, the balance of payments of some countries has improved in the last year or so. We see, therefore, that as regards balancing of the budgets and placing the currencies on a sounder basis, considerable progress has been made.

Efforts to Integrate Western Europe

While efforts have been made to integrate the European economies the results have been disappointing. To be sure, a customs union was established between Belgium, Luxembourg and the Netherlands under the name of

Continued on page 38

*An informal talk by Dr. Nadler to the Officers of the Hanover Bank & Trust Co. February, 1950.

Electric Radiant Heating System on Market

General Radiant Heating Co., Inc., according to John J. Reilly, of Mercer Hicks, has acquired patent rights in U. S. and Canada of British-developed panel system of heating.

The General Radiant Heating Company, Inc., a wholly-owned Mercer Hicks enterprise, has been established at 101 Park Avenue, New York City, to market in this country and Canada a heating system that operates on the same electric current that provides the light for homes and business establishments. John J. Reilly, long associated with Mercer Hicks, is President of the new company.

Developed originally in England, patents based on the British rights have been secured in this country and in Canada, Mr. Reilly said, and the system is being marketed through distributors appointed in both countries by the General Radiant Heater Company.

"Under this system," Mr. Reilly said, "radiant heat is delivered by electrical panels similar to wallboard which can be imbedded in the walls or ceilings, thus becoming an invisible heat source that is an integral part of the structure, or they can be conveniently mounted to the wall by brackets that give them ornamental as well as utility value."

These panels are hooked up with the house wiring, Mr. Reilly explained, and heat radiated from them is generated by resistance to the current that passes through wire networks embedded in the panels, which are fireproof. Room temperature is controlled by thermostat, and the heat can be switched on or off in the same manner as the lights.

Designed especially for space-heating, these panels can be installed in any kind of building construction, Mr. Reilly said. For industrial and agricultural use they can be supplied in a great variety of shapes and sizes, and a wide range of temperatures. Advantages claimed are savings in maintenance and space, plus reduced fire risks. Manufactured in Bridgeport, Conn., panels will be sold in three temperature ranges —highrae, medrae, and dullrae. The first two are now in production.

World Bank's Contribution To Economic Progress

By EUGENE R. BLACK*

President, International Bank for Reconstruction and Development

World Bank executive, stressing objective of institution is not relief, but aid in economic development through use of sound lending policies, reviews policies and operations during last three years. Cites examples and case studies, in which technical advice is combined with financial assistance for promoting economic progress and stability of underdeveloped countries. Holds bank can make increasing contribution to international progress and welfare.

The International Bank for Reconstruction and Development is rather a mouthfilling name. People usually cut it down to initials, or call it simply the "World Bank." But once in a while I like to hear it rolled out to full length, because the name alone tells a good deal about what we are and what we are trying to do.

Eugene R. Black

In the first place the Bank is an **international** institution, owned by 48 nations. Our board of directors is composed of representatives of those nations, and our operating staff includes citizens of some 26 different countries. It is primarily because of its international character, I think, that the Bank has been able to maintain a high degree of objectivity in relation to the problems and needs of its various member countries, and often to exert a constructive influence on their economic programs and policies.

In the second place, this international institution is a **bank**, and not an agency for relief or emergency aid. We borrow funds in the private capital market for relending abroad, and we expect our loans to be repaid. More important, we lend only for projects which we are satisfied will genuinely increase the productivity and economic strength of the borrowing countries. And, like any good bank, we are concerned to see that the funds we make available are properly expended for the purposes agreed upon. Where we differ from a private bank is that, because the various member countries share the risk of our loans and in effect guarantee our obligations, we can make loans that private institutions are unable or unwilling to make under present world conditions. Thus we can surmount some of the special difficulties that plague the international economy and, to a certain extent, help to mitigate them.

Sound Lending Fundamental

It is an indispensable condition of the Bank's success and continued operations that it lend soundly, and pay its obligations. Our purpose, however, is not to make profits but, while remaining solvent and meeting our obligations, to contribute effectively to the twin goals of **reconstruction and development.**

The close linking of these last two words in our title is not accidental or arbitrary. Various governmental and private programs have been undertaken to attack one or the other of these problems—the restoration of economic stability in countries devastated or severely shaken by the war, and the achievement of higher levels of production and living standards in the less-developed areas of the world. In the minds of many people there seems to be an element of competition between the two. For example, there have been suggestions from some Latin American and Asian spokesmen that too much emphasis has been placed upon the reconstruction of Europe, through ERP and other channels, and that assistance should be given instead to the less-advanced countries. And some of the most vigorous advocates of the Marshall Plan in its early phases were afraid that the simultaneous extension of economic aid to other areas might divert attention from what they consider the one overriding necessity.

More and more it is clear, however, that these two purposes are two sides of the same coin, and the one cannot be achieved without the other. The European countries have long played a pivotal role in the functioning of the world economy, and unless their foreign trade can be revived and expanded the economic position of almost every other country will remain insecure. But by the same token one of the necessary conditions for achieving a balance in the trade of Europe—and, in fact, of the world—is that productivity and purchasing power in the underdeveloped areas be greatly increased. For in the more efficient development of the resources of these areas, and in the expansion of their ability both to produce more at home and to import more from abroad, lie the most promising possibilities for expanding and stabilizing the world's commerce.

Three Years of Operation

During the three and a half years that the Bank has been in active operation, we have learned a good deal about the nature and problems of economic development. Perhaps the most important single thing we have learned is that it is an extremely complex process, in which investment, technical knowledge and skills, political and social conditions, the psychological attitudes, health and vigor of the people, and a multitude of other factors are inseparably combined. There is no single formula which, if applied generally to underdeveloped countries, would bring about their economic progress.

Let me refer briefly to the Bank's activities in three or four specific countries, as examples of the kind of problems with which we are faced and the different approaches we have employed.

You may be familiar with one of the first developments loans we made about a year ago, to a Canadian corporation, the Brazilian Traction, Light & Power Co., Ltd. The loan is to finance most of the foreign exchange cost of expanding hydroelectric power and telephone facilities of the company's subsidiaries in the Sao Paolo and Rio de Janeiro areas of Brazil.

This Brazilian Traction loan is a good example, I think, of the kind of loan it is easiest for us to make. The company is well established and well managed, and its expansion plans were carefully worked out and fully justified—technically, financially and from the standpoint of their contribution to the development of the Brazilian economy. It had resources available to finance the necessary local costs of the project. And the Brazilian Government was willing to guarantee the loan, a requirement of our Articles of Agreement for any loans to a non-government borrower.

However, in many of the countries and fields of activity which most need development, these favorable conditions are not present. Underdevelopment normally means, almost by definition, that well-established private enterprises are lacking, that local capital is scanty and poorly organized, that technical data and plans are deficient, and that the governmental administration is inadequate. It is precisely because these conditions prevail that outside help is necessary to stimulate and assist in the development process. Yet the existence of these conditions often makes it very difficult to assure that the projects put forward are economically sound, that adequate technical studies and plans are made, and that they are put into execution competently and efficiently.

However, these difficulties can be surmounted. Let me illustrate by citing the case of a Central American country, El Salvador. It is very small in area but densely populated. The economy is largely agricultural and depends mainly on coffee exports to finance necessary imports. Only a few small consumer goods industries exist. If Salvador is to meet the needs and advance the living standards of its rapidly growing population in any satisfactory manner, there must be a considerable expansion and diversification of its production.

It seemed clear when we surveyed the situation that the first need for Salvadorean development was to increase its electric power facilities for the shortage of power had for some time been limiting the country's industrial development. So when El Salvador made formal application for a loan to help finance a hydroelectric project on the Rio Lempa, the Bank viewed it very sympathetically. We employed a special engineering consultant to make a careful study of the proposal to confirm its economic and technical soundness, and upon his favorable recommendation we agreed to negotiate a loan with the Salvadorean Government. It is an interesting sidelight, I think, that the government was very careful to exclude the project from the area of political controversy and to establish a firm basis of public support for the loan. It set up an **ad hoc** committee of three government representatives and six independent businessmen, bankers and lawyers, who thoroughly reviewed all aspects of the project and the loan agreement, raised some questions which were resolved to their satisfaction, and then gave the plan their unanimous support.

One important problem which arose in connection with the Rio Lempa loan negotiations, and which arises frequently in our relations with underdeveloped countries, was that of finding adequate local funds to finance the internal costs of the project. Although savings appear to be sufficient to provide the sum required, the machinery for mobilizing these savings for long-term investment is quite inadequate. Accordingly, the government asked the Bank for assistance in the techniques of floating an internal loan for the Rio Lempa project. The Bank agreed to do this and our Marketing Director will soon go to

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*An address by Mr. Black before the Investment Dealers Association of Canada, Eastern District, Montreal, Canada, Feb. 23, 1950.

Wall Street on Television

"Wall Street," a program designed to familiarize the average citizen with the workings of Wall Street and the financial world, recently was presented on WPIX, the New York "News" television station. The series will be seen regularly on Thursdays (7:30-8 p.m.) beginning March 16. Gilbert Busch of Albert Frank-Guenther Law, Inc., advertising agency, is the program moderator. Guests who appeared on the first program were (left to right) John Sullivan of Merrill Lynch, Pierce, Fenner & Beane; Gilbert Busch; J. Beswick Murray, Executive Vice-President of the Amalgamated Bank of New York; and Irving Samuels, Vice-President of the East Coast Tile Board Co.

Four-Way Portfolio for the Investment of a $25,000 Fund

Well-rounded combination of securities includes cash equivalents, high grade fixed income preferred stocks, good quality common shares and leverage situations.

In current issue of "Market Pointers," the Research Department of Francis I. duPont & Co., members of the New York Stock Exchange, presents the following portfolio for the investment of a $25,000 fund:

Par Amt. or No. of Sh.		Approx. Price	Total Value	*Divs.	Total Income	Yield
	I—Cash Equivalent					
$5,000	U. S. Savings Series "G"	100	$5,000	$2.50	$125.00	2.50%
	II—High-Grade Preferred Stocks					
25	American Brake Shoe $4 (Conv. into common at $44.44 to Oct., 1957)	102	2,550	4.00	100.00	3.92
25	McCrory Stores $3.50 (Each share conv. into 2½ common)	102	2,550	3.50	87.50	3.43
75	Southern Cal. Edison 4.48% (Each sh. conv. into 0.85312 com.)	30	2,250	1.12	84.00	3.73
	Total preferred		$7,350		$271.50	3.69%
	III—Good Quality Common Stocks					
	Building—					
20	Ruberoid	56	1,120	b3.25	65.00	5.8
	Chemical—					
25	E. I. duPont deNemours	63	1,575	j3.525	88.13	5.6
	Electrical Equipment—					
30	General Electric	46	1,380	2.60	78.00	5.7
	Railroad—					
15	Union Pacific	87	1,305	5.00	75.00	5.7
	Utility—					
40	Consumers Power	36	1,440	2.00	80.00	5.6
	Total common		$6,820		$386.13	5.7 %
	IV—Leverage Shares					
	Automobile—					
100	Mack Trucks	12	1,200	---	----	--
	Investment Trust—					
50	Selected Ind. $1.50 conv.	25	1,250	2.00	100.00	8.0
	Meat Packing—					
100	Armour & Co.	9	900	---	----	--
	Railroad—					
75	Gulf, Mobile & Ohio	15	1,125	.50	37.50	3.3
	Railroad Equipment—					
50	Amer. Car & Foundry	28	1,400	3.00	150.00	10.7
	Total leverage shs.		$5,875		$287.50	4.9 %
	Total fund		$25,045		$1,070.13	4.3 %

*Annual dividend rate on preferred stock; last 12 months' dividends paid or declared on common stocks. b Plus 10% in stock. j Adjusted for stock split.

COMING EVENTS

In Investment Field

March 29, 1950 (New York City)
Bond Club of New York annual dinner at the Waldorf-Astoria.

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.

June 16-18, 1950 (Minneapolis, Minn.)
Twin City Security Traders Association summer party at Grandview Lodge, Gull Lake, near Brainerd, Minn.

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.

Economic Collapse Inevitable: Avery

Industrialist tells U. S. Gypsum Co. shareholders he is "more convinced than ever that it is not far away."

At a shareholders' meeting on March 1, at Chicago, Sewell L. Avery, Chairman of the United States Gypsum Co., who is also Chairman of Montgomery Ward & Co., remarked that he was convinced that an economic collapse is not far away.

"We have been looking for the ax to fall for a long time," Mr. Avery said. "I am more convinced than ever that the time when that's going to happen is not far away. We have had a collapse after every other war and I think it is inevitable that the same thing will take place again."

"The thing that hit us in 1929 cannot be assumed not to happen again," Mr. Avery continued. "Personally, I have been waiting for years for the ax to fall, and I am becoming more convinced momentarily that it is not far away."

Mr. Avery spoke in support of his policy pursued in connection with U. S. Gypsum Co. and Montgomery Ward & Co. in storing up liquid reserves to meet the contingency of a depression, "the thing that is going to come."

The Federal Budget Dilemma

By ROSWELL MAGILL*
Former Under-Secretary of the Treasury

Mr. Magill declares none of Mr. Truman's new proposals would stimulate business or prosperity. Specifically proposes: (1) Cutting Federal expenditures to $35 billion; (2) balancing budget without tax increase; (3) elimination of double taxation on corporate dividends; (4) liberalization of depreciation allowances; and (5) revision of excise taxes.

Presidential failure to control and to reduce Federal expenditures has brought Congress in an election year into a dilemma that Congress certainly hates to face. On the one hand, the President has tendered Congress a seriously unbalanced budget for 1951, and has proposed that new taxes be imposed to reduce the anticipated $5 billion deficit. The case for a balanced Federal budget in times of prosperity is very strong; and if new taxes are the one way to achieve a balance, then we must submit to new taxes.

Roswell Magill

On the other hand, the rates of the individual income tax are already not far below the all-time high of World War II. Moreover, in order to realize even the revenues projected in the budget, business must proceed during 1950-51 at a very high level of activity. Hence, a thoughtful Congressman or citizen concludes that governmental policy generally, and tax policy in particular, should be so formulated as to permit business to function actively and successfully. If it does not so function, the budgetary estimate of revenues will not be realized. Every one recognizes that heavy tax rates are a great deterrent to risk-taking, to individual initiative, to business activity. Hence, from this point of view, taxes should not be raised. If anything, they should be reduced.

Here, then, is the great fiscal dilemma. Shall tax rates be increased in order to balance the budget; or shall tax rates be reduced, in order to promote the business activity that is essential to a balanced budget?

There are several subsidiary dilemmas as well. Shall Federal sales and excise taxes levied at drastic, indeed exorbitant, rates be reduced or eliminated? Our interest in promoting business activity, as well as our sense of fairness, will lead us to say yes.

Over-Reliance on Individual and Corporate Taxes

What is the other side of the picture? The Federal budget already relies far too heavily on individual and corporate income taxes. A reasonable diversification in major sources of Federal revenue is desirable. Sales and excise taxes are a reliable source of revenue. When they are levied on the consumer, they have another great advantage: the consumer is acutely conscious of his burden of taxation as he pays them. Your wife and my wife are certainly vocal on the subject of the Federal tax on ladies' handbags, on cosmetics, on furs.

Our interest in a properly balanced Federal tax system leads us in one direction. Our dislike for heavy, selective sales and excise taxes leads us the opposite way. Which way shall we go? There is understandable confusion in answering that question in Congress and indeed there may be confusion in this room. The unfortunate result may well be that Congress and we ourselves will run around in circles, and ultimately do nothing.

*An address by Mr. Magill before the Chamber of Commerce of the State of New York, New York City, March 2, 1950.

Constructive Purposes

Can we formulate any solid, dependable purposes and priorities to apply to the confused fiscal situation we confront? I believe that we can; and that it is especially important to distinguish our major fiscal aims from less important technical changes.

(1) Most of us are clear that the Federal budget must be balanced in times like these, if it is ever to be balanced. The country is now producing a tremendous gross national product. In 1949, the gross national product has been estimated at $242.8 billions, more than twice what it was in 1941, and the second highest figure in recent history. Consequently, cold war or not, the Federal Government should certainly be able to live within its income. Failure to balance our budget in a year of flourishing business may be taken by our friends across the water to be a significant indication that we have not the will nor the skill to manage our own financial affairs successfully; that our future is not secure; that it is not safe for other countries to link their destinies to ours.

Bear in mind in that connection that in our recent financial history, deficit financing has been chronic. In the past 20 years, from 1931 through the current year, there have been deficits in 18 years and surpluses in only two years, 1947 and 1948. The debt has gone up from $16.8 billion to $258.4 billion. To be sure, plenty of reasonable excuses for the deficits have been offered in the past, but the old excuses do not apply any more. We have prosperity, not stagnation. Our peace is uneasy, but we are not fighting a war. We can pay reasonable government expenditures as we go, and that is much the wisest course.

(2) Must we then endorse the President's program of higher taxes? There is just one alternative, and that is to trim the expenditure program to the total of the revenues we have in sight.

We are likely to have about $37 billion of revenue in fiscal 1951. It will be the product of very high tax rates, the highest we have known in any year save the peak of World War II, applied to an exceptionally great national income. It would certainly be possible for a President and a Congress to decide, like a good householder, that that revenue figure of $37 billion represents the outside limit of expenditures; that out of it we can pay down the debt a bit, and still support Federal expenditures far more extensive and indeed lavish than we knew in the twenties and the thirties.

Note that the essence of such an approach to the Federal budget—a householder's or businessman's approach—is to start with the available revenue and limit expenditures to that amount—to consider and debate not what expenditures would be good, but what we can afford to pay for.

Is the approach really practical? I am sure that it is, in spite of whatever grief it may present to a Congressman in an election year. Bear in mind that the total expenditures so limited are ten times what the total was in the twenties, and five times what it was in the thirties. Certainly the dollar has not shrunk in value to that degree; nor do interest on the huge Federal debt, nor veterans' pensions, nor European relief account for anything like the difference.

Senator Byrd has recently prepared a carefully documented Federal budget calling for total expenditures of $36 billion. He proposes no reductions in the essentials of the uniformed military forces, no reduction in the veterans' programs for hospitals, pensions, etc., no reduction in essential public works. Primarily he saves by eliminating waste and by cutting down on open-end expenditure programs The Hoover report shows how billions can be saved merely by good Federal housekeeping. Other competent analyses arrive at similar results. Postwar programs, presented only a few years ago, envisaged total Federal expenditures of a mere $18 billion!

All that is required is a determination in Congress, the product of the determination of citizens, to cut the budget down to the real necessities, a figure that we can afford. If we want to maintain a prosperous America, an America we will enjoy living in, we must arrive at that determination very soon.

An important step in that direction, a procedural step, seems to have been taken by the House Appropriations Committee, in a decision to present all appropriations in a single bill. Expenditure control is almost impossible so long as the appropriations for different departments, bureaus and agencies are embodied in a great number of separate bills, supplemented by sundry deficiency bills. On the other hand, if all the great appropriations can be assembled in one place, the total will stimulate thoughtful study. We may then decide to live within our means.

(3) Were Senator Byrd to realize his hopes of $36 billion total expenditures, the budgetary surplus would still be only $1 billion. Hence, there is not much leeway for tax changes that will produce a loss of revenue. Even in the face of an unbalanced budget, the President recommended "that excise taxes be reduced to the extent, and only to the extent, that the resulting loss in revenue is replaced by revenue obtained from closing loopholes in the present tax laws."

There has been some indication that some Congressmen accept the first part of the recommendation, but not the proviso. The President's own list of desirable changes in the excise taxes exceeded, both in length and in revenue involved, his list of loopholes. He said: "I believe that reductions are most urgently needed in the excise taxes on transportation of property, transportation of persons, long distance telephone and telegraph communications, and the entire group of retail excises, including such items as toilet preparations, luggage, and handbags."

Total revenues produced by that list of excises in 1949 were $1.3 billions, as follows:

TAX	1949 Yield
Transportation of property	$337,000,000
Transportation of persons	251,000,000
Long distance telephone and telegraph communications	311,000,000
Toilet preparations	94,000,000
Luggage, handbags, wallets, etc.	83,000,000
Jewelry	211,000,000
Furs	62,000,000
Total	$1,349,000,000

Revenue Additions

The Ways and Means Committee is now considering many possible additions to the list, with the active aid of interested constituents. Since the reduction or repeal of taxes is easy, and the increase of taxes is hard there is some likelihood that some of the excises will be reduced or even repealed, whether or not addi-

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1950 Will Be Good Year For Banking and Business

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Asserting banking is in stronger and better position to serve public than ever before, Secretary Snyder says that 1950 will be a good year both for banking and business. Looks for more salesmanship and continued prosperity in years ahead.

Banking is, of course, essentially a service industry. Its success and progress depend upon the measure of the contribution it makes to the economic advancement of our country. It is in the past momentous decade—so close to all of us — that banking has made its greatest contribution to our nation. It has, in turn, deservedly reaped its greatest personal gains.

John W. Snyder

Bankers Aid Economy

Our banks have always been prompt to lend their financial aid to our government in time of war. But never in our history has the contribution been so great as in recent years. Bankers throughout our country have been staunch promoters of Savings Bond programs both during and since the war. This has been without profit and at the expense of considerable time and personal effort.

In the postwar years the active cooperation of the banking profession has helped ease the reconversion problems that we have had to meet. Voluntary credit control in inflationary periods, and the continuing voluntary cooperation of the representative bankers who come to Washington to advise on the financial problems which confront our nation, are outstanding examples of this contribution.

Members of the American Institute of Banking have been among the most active workers in these programs which enabled us not only to successfully finance the war, but to maintain sound management of the debt after the close of the war.

Today, the banking industry is in a stronger and better position to serve the people generally than it has ever been in its history. Its prospects for the future, of course, hinge largely upon the progress of the nation's economy. In my opinion, the year 1950 will be a good year for both business and banking.

Business in Good Health

Business generally is in a healthy condition. Business finances are strong. Inventory policies have remained cautious and conservative. There is no evidence that the upturn over the past six months has reflected any expansion of inventories in excess of normal needs. On the contrary, the current volume of industrial production and retail trade represents solid levels based on the actual volume of consumer demand.

Such influences as these will provide continued strong support to our economy in the days ahead.

New Products

We also face an era in which a continuing progression of new products will give successive support to business activity. Never before has our scientific research been so progressively carried forward on all fronts. It presents unlimited opportunities for the development of new and improved products which have so largely been responsible for our ever-improved standards of living. Moreover, business is alert to these opportunities. Business expenditures for new plant and equipment in recent years have been on a scale unequaled in our history. They reflect the determination of industry to make use of new discoveries and improved techniques to better their production efficiency; to turn out new and superior products; and to broaden their markets.

*A talk by Secretary Snyder before the Lancaster Chapter of the American Institute of Banking, Lancaster, Pa., March 2, 1950.

Also, business generally has been "dusting off" and improving an old product — salesmanship. Competition has long been an essential ingredient of our American free enterprise system. Competition spurs business, and we should welcome its return. It will provide a healthy climate for our further economic expansion in the days ahead.

The record of our system of individual enterprise is one of magnificent achievement. Banking has from the beginning been a fundamental part of this system under which America has grown and prospered, and under which we shall continue to advance to new heights.

The problems will not be easy. On both the domestic and the foreign fronts, we may be sure that they will seldom take the exact form of problems which we have met before. To meet these challenges, we shall have to keep alert to the changing needs and conditions of our entire economy.

We cannot, of course, predict the precise course of our future development. But if we continue to exercise broad vision and judgment—so well exemplified in the progressive work of the Institute—we shall have the courage to adopt new principles and policies to fit the new times and their opportunities, and to hurdle new obstacles as they appear.

Reinholdt & Gardner Admit Robt. Matthews

Robert H. Matthews

ST. LOUIS, MO.—Reinholdt & Gardner, 400 Locust Street, members of the New York Stock Exchange, announce that on March 1 Robert H. Matthews was admitted as a general partner in the firm. Mr. Matthews was formerly a partner in G. H. Walker & Co.

Hermann Stockwell With F. S. Smithers

F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Hermann G. Stockwell has become associated with them in the investment department.

Mr. Stockwell comes to Wall Street following 22 years with the Investment Department of the Sun Life Assurance Co. of Canada at it head office in Montreal. His early experience was in the statistical analysis of industrial and public utility companies. In 1934, he was transferred to the railroad section of the department, where eventually his duties covered not only the analysis of railroad securities, but also the buying and selling of railroad and industrial bonds and preferred stocks. At the time of leaving the Sun Life, he was Supervisor in charge of this section of the Investment Department. During his long association with the members of the investment fraternity, Mr. Stockwell had made many friends, both in the United States and Canada. As a member of the Investment Department of F. S. Smithers & Co., he will be available as a consultant on railroad and industrial bonds and preferred stocks and will be actively engaged in the distribution of all types of securities to various institutions.

Gregory Harrington Forming Own Co.

Formation of the investment firm of Gregory Harrington & Co., to deal primarily in state, municipal and revenue bonds was announced. The firm has opened offices at 25 Broad Street, N. Y. City.

Mr. Harrington formerly was associated with Lehman Brothers in the municipal bond department. More recently he was with Ira Haupt & Co. where he specialized in U. S. Government and municipal securities.

Howard S. Ohlsen, formerly of Herbert J. Sims & Co., Inc., is associated with Mr. Harrington in the new firm.

Wellington Fund Adds to Staff

PHILADELPHIA, PA.—Walter L. Morgan, President of Wellington Fund, announced the addition of new officers and personnel to take care of increased activities and responsibilities due to the rapid growth of the Fund's resources to $115,000,000, owned by 44,000 shareholders. The two new officers are Thomas J. Meaney, Assistant Treasurer, and Thomas F. Glancey, Comptroller. Mr. Meaney has been a member of the Wellington organization since 1931 and is in charge of the security order department. He will be assisted by John J. McCullough who has just joined the organization. Mr. McCullough was formerly employed by the New York Stock Exchange firms of Boody, McLellan & Co. as a floor clerk and later Reynolds & Co., in the trading department. Mr. Glancey has been assisting Joseph E. Welch, Treasurer, in accounting and financial matters for several years. He is now in charge of the accounting division, and will be assisted by Joseph J. Gleason.

Henry C. Dugan and H. Charles Bailey have joined the staff and will assist A. J. Wilkins, Director of Distribution, in dealer relations and distribution of sales literature.

Mr. Morgan also announced the addition of new personnel in the investment research department to assist Rawson Lloyd, Director of Investment Research and A. Moyer Kulp, Executive Director of the Investment Committee. Robert J. Ogilvie has joined the organization as Senior Analyst. Mr. Ogilvie has been in the investment research field for many years, first with Moody's Investors Service for five years and then with Lionel D. Edie & Co. for six years. In the last two years he has been in the investment division of Investors Diversified Services in New York City. John M. Birmingham, Jr., and Thomas E. Pisano recently joined the research staff as Junior Analysts. The addition of these men to the research staff will aid Mr. Kulp and Mr. Lloyd in expanding research services and contacts and field work.

With F. L. Putnam & Co.

BOSTON, MASS.—Edward H. Bradford has become associated with F. L. Putnam & Company, Inc., 77 Franklin Street, members of the Boston Stock Exchange. Mr. Bradford was formerly with Harriman Ripley & Co. and prior thereto with Paine, Webber, Jackson & Curtis.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Minneapolis Associates, Inc., Rand Tower have added to their staff Robert H. Ahlgren, James G. Dodds, Carl A. Heinecke, Floyd A. Hubley, John A. Johnson, Leo K. Like, Thomas B. McDougall, Leon H. Rector, Sigvald Tveit, and Francis R. Weir.

Your Dollar and Mine

By ELIZABETH S. MAY*

Academic Dean, Wheaton College

Dr. May states that along with our present-day mass of statistics and economic experts, we need more straightforward common-sense analysis having meaning for the average citizen. Shows that compared with 1929, the "nation's dollar" now has increased in value in terms of total consuming power; but the "taxpayer's dollar" has fallen by one-third.

When I was an undergraduate I read some of the writings of the British economists who lived after the Napoleonic Wars. They were trying to find an explanation of the changing levels of prices and wages and the relationship of these to the supply of money. They had no cost of living index, no figures on national income, and very few statistics. Today we have available masses of statistics and vast collections of data but we still need the cool, clear light of reason to show us how to interpret them in an intelligible way. For all our experts in economics we need more straightforward common-sense analysis that has meaning to the ordinary citizen.

Dr. Elizabeth S. May

As we think back over the last 20 years, most of us remember 1929 as a time of prosperity and we think of the '30's as a long downhill slide. We know that production was high during the '40's but the hungry jaws of war left slim picking for the mere consumer. Now that we are in the '50's we rather wish we could get our bearings in relation to the past as a help to sighting the future.

1949 Ahead of 1929

On the average in 1949 we were ahead of 1929: we could buy more goods and services in 1949. Now an average may be misleading. We are none of us "average." But as long as we remember that an average of all incomes includes rich men, poor men, beggarmen, thieves, doctors—and all the rest—it may be helpful at least as a starter. If we take the income of all the people in the whole country after they have paid all their taxes, express it in terms of what it would buy in 1948 dollars, and distribute it among all the men, women, and children in the whole country we come up with an average of $1,309 in 1949. The comparable figure in 1929 was $947. So we are ahead. Not much ahead, perhaps, but at least not behind. Some incomes increased more than others; we are probably safe in guessing that low incomes increased relatively more. But more went up than went down. That is something. Let us say that the *nation's* dollar increased in value.

Now what happened to the taxpayer's dollar? This will interest all of us. We have heard a great deal about the large slice which is necessarily going into taxes today. That is why we have just taken a look at the nation's dollar *after* taxes were paid.

The total tax bill imposed on individuals has increased enormously: it was $18.8 billion in 1949, compared with $2.6 billion in 1929. This means not only Federal but State and local as well.

The individual taxpayers are also paying larger tax bills. For example, a single person with one dependent and a net income of $5,000 paid 1/5 of 1% in Federal income tax in 1929; 2.5% in 1939; 13.6% in 1949.

The Increase In Taxes

Of course in many cases the job that paid $5,000 in 1929 paid more in 1949. But suppose just for the sake of argument that one of us had earned $5,000 in 1929 and was getting the same today. The income after taxes in 1949 (using 1948 dollars) would be $4 372; it would have been $6,967 in 1929.

The increase in Federal taxes collected has reflected a very sizable increase in the activity of the Federal Government. Total outlays increased almost three times between 1929 and 1939; over 13 times between 1929 and 1949. Of course the whole economy has grown. For example, personal income has increased one and a half times. The Government has assumed new functions: welfare and relief were a major addition in the '30's; today public assistance, agricultural assistance, aid to highways, aid to education, and many other domestic programs have been added. There is also social insurance, of course, but such expenditures have imposed no burdens on the general taxpayer since they are self-financing. But the domestic programs all together—large as they are compared with 1929—are not the real explanation of the steep rise in the Federal Budget. The domestic programs have added millions. There are other programs which have added billions.

New Complexion to Budget

What has given the new complexion to the budget, raised it to an entirely new level, is the recent war and the new role of the United States in world affairs. The big four expenditure items are national defense, veterans outlays, interest on the public debt, and international affairs; these together make up some 70% of the total estimated expenditures in 1951. If these remain high the budget will remain high—and so will taxes. There is no reason to expect any appreciable reduction so long as the cold war continues. And with a big budget and high taxes we can only expect a large public debt.

Economics is traditionally a gloomy subject, I know. And public finance is generally regarded as one of the gloomier parts. But there are some less gloomy aspects. Many of these outlays themselves stimulate the growth of the economy; many ward off what would otherwise be deteriorating influences. To the degree that the Government outlays are opening up new resources or building new capital, they offer new opportunities for private investment. Similarly purchases of commodities for Marshall Plan countries, military procurement, rendering of agricultural assistance, these and many other direct expenditures of the Federal Government cushion potential declines in consumer purchasing power and prevent or lessen the severity of possible recessions.

The present size of the economy in the United States is definitely attributable to wartime expansion. In those days when hours were long — and workers were fired with patriotism — factories were built and machinery was produced which is still helping to swell the total output of American industry. In other words the economy grew. It is still growing.

Growth of the Economy?

How much more can the economy grow? There are those who are very pessimistic. They talk about exhaustion of markets and the approaching maturity of our economy. Such fears are not to be dismissed as sheer poppycock: already serious agricultural surpluses are in prospect. But neither are such fears inevitable.

In spite of an increase in corporate tax liability from $1.4 billion in 1929 to $10.9 billion in 1949, profits after taxes have increased impressively: from $8.4 billion in 1929 to $16.7 billion in 1949.

The future of American profits depends more on some of the global prospects than on more immediate domestic developments. The smart investor has to guess right not only about the future expansibility of American industry but also about how long the cold war will last and how fast worldwide trade will expand.

As individuals we are all interested in the nation's dollar, the taxpayer's dollar, the Federal Government's dollar, and the investor's dollar. But we are also interested in our own dollar. The big problem is how to choose between saving and spending. We all want the proverbial dollar for a rainy day but we have to know how much to put away now to have that dollar then. We need to know how much money is likely to earn and how secure prices are likely to be. And we need to know where to plant our precious savings so that they will be fruitful and multiply.

*A talk by Dr. May before a luncheon meeting and discussion on "A Woman's Financial Program," sponsored by the New York Group of the Association of Bank Women, N. Y. City, Feb. 18, 1950.

Francis A. Truslow Honored by Liberia

The Republic of Liberia has conferred upon Francis Adams Truslow, President of the New York Curb Exchange, the Order of the Star of Africa in recognition of outstanding services rendered to that country last year by Mr. Truslow. Early in 1949, at the request of our Department of State, Mr. Truslow prepared for the President of Liberia a report and recommendation which assisted that state in compiling its corporation and maritime codes and in drawing up an act establishing the International Trust Co. of Liberia.

Francis A. Truslow

Presentation of the decoration was made for the President of Liberia by Richard S. S. Bright, Liberian Charge d'Affaires *ad interim* in Washington.

George Chapin Joins First of Michigan

TOLEDO, O.—George E. Chapin has joined the sales department of First of Michigan Corporation, according to W. Sydnor Gilbreath, Jr., President. Mr. Chapin will represent the company in the State of Ohio.

For the past five years Mr. Chapin has been affiliated with Hayden, Miller & Co., of Cleveland in corporate and municipal sales. He has been a securities salesman in the State of Ohio for 30 years. Mr. Chapin has written several bond tables, among them the first interpolating table of municipal bond values using the decimal system. This table, with variations, is now in common use throughout the country.

"Overgrazing" in the Public Treasury

By ORVAL W. ADAMS*

Vice-President, Utah First National Bank, Salt Lake City, Utah

Speaking to an association of livestock men, Utah banker compares Federal policy of deficit spending to overgrazing of pastures, with the same harmful results. Attacks trend of giving national purse strings to Chief Executive and calls for nonpartisan movement to restore constitutional checks and balances in government. Criticizes President Truman's idea of raising national income to $300 billion by government spending

You livestock stalwarts are aware of the evil effects of overgrazing on the public domain. Forest reserve regulations are made to prevent this uneconomic practice. Overgrazing is partially responsible for the creation of dust bowls, the drying up of waterholes and soil erosion. When overgrazing on the public range is permitted over a long period, the trail ahead points to the last roundup.

Orval W. Adams

When a livestock man allows the fences around the stockyards to be destroyed and the cattle to tramp the hay and eat their fill, checks and balances disregarded, the end of that livestock man as a solvent citizen looms.

Today it is my purpose to discuss with this group, representative of a great American industry, overgrazing in the public treasury. That overgrazing has been practiced for the past 16 years and is being practiced in an alarmingly increasing extent. Every lover of the American system of government should be aware of the treasury erosion that has taken place. That we are not all awake to this can be attributed to the current practice of borrowing to meet deficits, as opposed to taxing and thrift. Fearful of a tax-conscious public, Treasury-raiding politicians all down through history, under the pretext of caring for the under-privileged, have neglected or avoided the fundamental obligation of government to so tax as to provide government on a pay-as-you-go basis, and with a minimum of invisible taxes.

Too few American citizens understand the age-old truth that our system of free enterprise is in jeopardy when spending is out of control. Would that the army of worthy American citizens—the great middle-class, savers, owners of life insurance policies and savings accounts—and the worthy ones on relief understood that truism, so that they could protect their own best interests through exercising their franchise.

"The State Is a Crocodile"

Referring to the philosopher, Hobbes, who characterizes the State as being pretty nearly a crocodile, Everett Dean Martin says: "As a matter of fact, I frequently think that it is a crocodile. It often shows about the intelligence of a crocodile. It destroys its own children quite as ruthlessly. It sheds the same kind of crocodile tears. The State is a crocodile. It is a necessary beast to protect life, property, peace and liberty, but if you don't chain it, it will eat up your own children. It has always done so and it always will." Someone has said that what we need is more country and less State.

In my opinion, control of the public purse is the only means of chaining the crocodile. When the purse-strings are given over to the Chief Executive, the crocodile then becomes the ruthless destroyer of its children. Let me quote Everett Dean Martin again. He said: "Our fathers were terribly concerned about the chains on the crocodile. The whole meaning of the Constitution of the United States is checks and balances."

Checks and balances are only operative when citizens are tax-conscious. Citizens are tax conscious only when they are taxed—and economically informed—and that necessarily means down and through the lower brackets.

Referring again to the worthy needy, they must be taken care of; but at the same time it must not be forgotten that the destruction of savings and the starvation of production through an ever-increasing deficit and public debt mean the loss of the capacity to care for the needy. The thrifty citizens, and not the government, must produce the money for this purpose. Necessarily the interests of those on relief are identical with the interests of the producers and those who have saved, for the government cannot care for the needy one moment longer than it remains within the capacity of the thrifty in America to provide government with necessary funds.

The problem transcends all questions of party or partnership. The problem must be solved by us as American citizens and not as members of political parties. If our status as free men is to be preserved, the electorate must not be debauched with taxpayers' money. I said recently—and I repeat now with emphasis—"let no man be naive enough to believe that a change of party control will solve the relief and pressure groups problem, for the technique of organizing the relief and pressure groups' vote has been so perfected and it's vote-getting efficiency so established that the politicians of one party will continue to do what the politicians of another party have already so successfully done."

Deception Through Printing Press Money

The 50 million savings depositors in banks with accumulated savings of billions of dollars and the 78 million holders of life insurance policies with savings of more billions have in large part been deceived into believing that the expenses of government can mostly be met through taxing the rich and government borrowing through creating printing-press money; and at this very moment this great army of self-reliant Americans with voting control, but without tax-consciousness and cheated out of their understanding, have been lulled into a dream of false security by the representations of the political spellbinders whose first concern is not to promote the public interest, but to perpetuate themselves in office.

Shouldn't we be concerned? I'll say we should. Maybe we would be more concerned if we

*An address by Mr. Adams before the Southern Utah Livestock Association, Cedar City, Utah, Feb. 13, 1950.

but stopped to think what happened to Rome under similar circumstances. John Rustgard, in his wonderful pamphlet, "Law of Wages and Prices—Cost of Politics," has this to say:

"When we hear and read more about Rome than about the other races that have come and gone, it is not because its experience was different, but because the records of its transactions, political and private, are better preserved. We know that the Romans repeatedly dealt with the same problems that confront us. Their land questions were the same, so were their moratoriums, inflation schemes, interest cancellations, debt reductions, taxing systems, et cetera. The speeches we hear from political rostrums of America today were delivered during similar times in Rome between 250 B.C. and 500 A.D. Yet knowing where the ancients made their mistakes, we proceed, nevertheless, to follow in their footsteps, even as the son, in spite of the warnings of the father, insists upon making the same errors of his ancestor. But the rule still holds good, that a person's intelligence must be measured by his ability to profit by the experience of others."

The question, it seems to me, at this moment is whether or not we are going the way of all previous civilizations. Unsound fiscal policies contributed to the wreck of them all.

An Open-Wide Federal Treasury

The Federal Government has opened wide its treasury and beckoned us to come and take our fill of our own taxes, given back to us at a discount—and how we have responded! How we have jostled and pushed in our frenzy to get our full share of the spoils. Millions grew into billions and more billions, and very few paused to ask the question—"Who is this great benefactor who can bestow such open-handed, indiscriminate benefactions?"

The United States Government has no money of its own. Every cent it raises, every cent it expends, must come from the people. Gradually, almost one by one, we begin to realize that this great outpouring originated in the pockets of the American taxpayer, big and little; that indirectly we were the dispensers; we were the sources of this magnificent squandering. It seems that perhaps we must come to the belated decision that an end must be put to the legalized debauch, that it must soon begin to dawn upon us what is really meant by the statement that "The power to tax is the power to destroy," and that this orgy of collecting and squandering, unless restrained, will not end until it has extracted the last dollar owned and possessed by each of us—the toiler, the homeowner, and will not end until there is no longer relief for the need. What we need more than military rearmament, necessary as it is, is Treasury rearmament. Heaven forbid that this pump-priming fallacy, an admitted colossal failure, be allowed to continue under the protense of preparing for emergencies, the springboards to despotism. *When are we going to do something about it?*

In the words again of John Rustgard:

"If we are too weak today to handle the situation as it should be handled, we shall be weaker tomorrow—and the next day still weaker; for we are giving shelter to a vulture that is constantly eating into our vitals."

This vulture is the ever-increasing Federal deficit and the accompanying propaganda of the disciples of spending, planned to lull the people into the belief that colossal spending is a virtue.

The Administration has recently fallaciously proposed that instead of trying to establish our economic life by an honest and sincere approach to a sound fiscal policy, that we merely wait until our national income reaches $300 billion, and then the millenium will be here. This is contrary to every fundamental law of economic experience. An attempt to produce a $300 billion national income through increased spending, if apparently successful, could only prove to be bloat, and not health.

To give birth to a healthy recovery movement will, because of long economic anemia caused by quack remedies, necessarily demand a high degree of patience and will be accompanied by suffering. The longer the rebirth is postponed, the more severe will be the pains.

Courageous, patriotic statesmen are the need of the hour. Thank God there are some men of the calibre to make this contribution in Congress. A long time ago they risked their political future to preserve the system of free enterprise in winning that historic battle to preserve the integrity of the Supreme Court and the Constitution of the United States. These same loyal Americans and their new allies have at this moment an equally sacred duty to same America from national bankruptcy. Only on the foundation of a sound fiscal policy will the institutions of a government of free enterprise endure.

Gentlemen, bluntly speaking, our choice is limited to this: Change the trend of deficit spending through a reduction in government expenditures and balance the budget—or continue down the trail to the last roundup!

N. Y. Curb Exchange Announce Appointmts.

Fred G. Gurke of Pershing & Co., a regular member of the New York Curb Exchange since 1937, has been appointed a Class A Governor of that Exchange to fill a vacancy, it was announced. Mr. Gurke, who has been in the securities business since his graduation from St. Lawrence University in 1929 and a partner in his present firm since 1939, will serve until the annual election in February, 1951.

Robert C. Van Tuyl of Shearson, Hammill & Co. and a Class A Governor of the Curb Exchange has been appointed Vice Chairman of the Curb committee on outside supervision.

James V. Sullivan With Reynolds & Co.

CHICAGO, ILL.—Reynolds & Co., 208 South La Salle Street, announce that James V. Sullivan has become associated with the firm as manager of the corporate and municipal bond departments in the Chicago office. He was formerly with Eastman, Dillon & Co.

N.Y.S.E. Saturday Closing July 1 Through Sept. 2

The Board of Governors determined today that the Exchange will be closed Saturdays from July 1 through Saturday, Sept. 2.

The Board also voted that the Exchange be closed on Good Friday, April 7.

Consequences of British Election

By PAUL EINZIG

Dr. Einzig, predicting there will not be another general election in Britain until about June because of importance of passing budget and finance bills, foresees little likelihood Labor Government will seek further nationalizations. Looks for steel industry to continue in private hands and sees no move for second devaluation of sterling.

LONDON, ENG.—It is impossible to form an opinion, at the time of writing, about the probable duration of the political stalemate that has resulted from the British general election. All we can do is to try to form an opinion on the probable economic effects of this stalemate while it lasts. Needless to say, if the inconclusive election result should be followed up by another election in the immediate future, and if that election should produce a different result, the economic consequences of the stalemate would be negligible. For, before they could begin to make themselves felt, the political situation would change. But at the time of writing it seems reasonable to assume that an attempt will be made by the Labor Government to remain in office in spite of its inadequate parliamentary majority, so that the stalemate is likely to continue at least for some months. Possibly the French proverb, "it is only the temporary that lasts," may prove to be correct in this instance, since the three political parties are exhausted by the effort of the electoral campaign and are not keen on facing the effort and the risk once more until they have reason to believe that public opinion has changed in their favor.

Dr. Paul Einzig

In any case, there can be no election until after the passage of the Budget and the Finance Bill. Parliament will be busy during March with the debate on the King's opening speech and with the consideration of the supplementary estimates for 1949-50 and the estimates for 1950-51, all of which have to be passed by March 31 in order to ensure the continuity of supplies of funds to government departments. During April and the first half of May, Parliament will be fully occupied by the Budget debate and the various stages of the Finance Bill. So it is reasonably safe to assume that there will be no dissolution of Parliament until at least the second half of May, and no new election until June. It is of course conceivable that the government may introduce a highly controversial Budget or other controversial legislation which would be resisted to the utmost by the opposition, in which case the government might encounter grave difficulties in Parliament. With its negligible majority it may not be able to ensure the passage of essential legislation, the various stages of which would require the continuous presence of all Socialist Members and Ministers in the House of Parliament in order to maintain the government's narrow majority. In such situation an early election might become inevitable, in spite of the fact that it would disorganize the well-established routine of the financial administration of the country.

The chances are however, that the government will abstain from provoking the opposition into uncompromising resistance, for fear of further losses in case of an early general election. This should mean that the government will not introduce any of its intended measures of nationalization, and that, even though the bill providing for the nationalization of the iron and steel industry was passed by Parliament before its dissolution, it would not be put into operation. From the point of view of the economic recovery and consolidation of the country this would be all to the good. Even many of those who believe in nationalization are inclined to hold the view that Britain has now gone far enough in that direction, at any rate for the present, and that a period of consolidation should now follow. Indeed, many Socialists, including some ministers, hoped before the election that the government's majority should not be too large, because they were afraid that in case of a large majority they might find themselves unable to resist Left-wing pressure in favor of more and more nationalizations. A respite to the steel industry will undoubtedly be beneficial from the point of view of the expansion of production and of exports.

It remains to be seen if, and to what extent, the prolonged uncertainty due to the possibility of an early election will interfere with trade. Beyond doubt, British businessmen felt handicapped during the past six months by the uncertainty of the result of the impending general election, and now that uncertainty may have to continue for some time. Industrialists may hesitate to commit themselves to capital investment programs before they know what kind of government will emerge from the present transitional stage. For the same reason, sterling is likely to be viewed with a certain amount of distrust abroad. The absence of a strong government might affect unfavorably industrial discipline and might conceivably be detrimental to the export drive. From this point of view, however, it must be borne in mind that the Opposition is likely to back up the government on any measure affecting vital national interest as distinct from party or class interests.

There is no reason to expect any major change of policy in respect of Britain's commercial and financial relations with other countries. The policy of economic integration with Europe is one of the subjects on which Socialists and Conservatives are substantially in agreement. Both parties want to proceed with it, in so far as this is possible without damaging Britain's relations with the sterling area and the British Commonwealth, and in so far as this does not involve grave risks of depleting Britain's inadequate gold reserve. The same may be said to be true concerning the convertibility of sterling and the principle of nondiscrimination in foreign trade. The only essential difference is that Conservatives are opposed to bulk-purchasing outside the British Commonwealth. It seems doubtful, however, whether they feel sufficiently strongly about it to consider it worth their while to provoke a political crisis for the sake of preventing the government from proceeding with its present policy of bulk-purchasing. The same may be true in respect of the government's attitude towards the release of blocked sterling balances. This subject was raised during the electoral campaign by Mr. Churchill himself. Although he seldom takes an active interest in technical economic questions, on two occasions in his campaign he went out of his way to protest against the excessive volume of "unrequited exports" arising from the release of sterling balances. Even so, should the government continue to release them at the same rate the Opposition is not likely to go beyond protesting. For one thing, the subject is too technical for the general public and the overwhelming majority of the electorate does not understand the issues at stake.

On thing may safely be taken for granted. There will be no second devaluation of sterling under the present government, or under any conceivable government that may succeed it, unless there should be a vary drastic change in Britain's situation through a sharp rise in prices. At present, British prices are, on the whole, low, and even if they should rise through a delayed effect of the devaluation, they are likely to remain, if anything, below world level. The Conservatives, having criticized the government for having created conditions in which devaluation had become inevitable, are likely to use their increased influence against a repetition of the expedient. But in any case this will not be necessary, since the government itself is against it.

Finance Round Table For Fathers and Sons

The New School Associates, a group of friends and patrons of the New School for Social Research, announces a novel "Round Table for Fathers and Sons" meeting at the Hotel Pierre on Thursday, March 9, at 8:30 p.m. The topic of the series, which is held under the leadership of A. Wilfred May, economist and widely recognized investment expert, is "Your Financial Future in a Changed World."

The series is designed for fathers and sons (or sons-in-law or nephews) so that they may together discuss the intricacies of financial setups in the family and business, as well as the potential impact of external political and economic elements, such as inflation and "Welfare State-ism," etc.

Member of L. A. Exchange

LOS ANGELES, CALIF.—Murray Ward, President of Hill Richards & Co., this week became a member of the Los Angeles Stock Exchange, according to an announcement made by Exchange President W. G. Paul.

Mr. Ward's membership was effected through the intra-firm transfer of the membership of Carey S. Hill.

A Stanford graduate, Ward was a petroleum engineer for the Royal Dutch Shell company in in South America from 1926 through 1929. He joined Hill Richards & Co. in 1933 as a statistician; was sales manager of the firm's San Francisco office in 1936 and 1937, becoming President in 1949.

During World War II Ward was a member of the staff of Admiral Chester W. Nimitz, serving in the Pacific theater. He was present aboard the battleship Missouri at the formal Japanese surrender at the close of the war and received the Legion of Merit as a combat award in 1945.

He is a member of the Industrial Securities committee of the Investment Bankers Association, Chairman of the California section of the business conduct committee of the National Association of Securities Dealers, and a director of Ducommun Metals & Supply Company.

Canadian Securities

By WILLIAM J. McKAY

In the Canadian House of Commons last week the Conservative opposition once more raised the question of the removal of the Dominion's foreign exchange control. It was pointed out once more that Canada now has an exceptional opportunity to set a constructive example which would speedily be followed by other countries.

This course has long been advocated by those who firmly believe that the present lack of buoyancy of world trade is largely owing to unduly onerous governmental controls and restrictions. Where private initiative has not been crushed, it has been diverted into unofficial channels of trade. A large volume of international commerce has been forced underground to the detriment of the orthodox operator, and at the expense of the countries whose official exchange systems are bypassed by dealings at unofficial rates of exchange.

It had been hoped that the September currency devaluations would have been followed by relaxation of exchange controls and a larger degree of currency convertibility, but this opportunity has been permitted to pass. In the case of Britain and Europe in general the existence of the heavy burden of internal and external indebtedness constitutes a formidable obstacle in the path of exchange freedom. Canada on the other hand has little to risk in dispensing with her rigid wartime exchange control structure.

The market for Canadian "free" funds in New York is now quoted within a fraction of the official level. In the last four months the Dominion's exchange reserves have increased by about $130 millions. Confidence abroad in the Canadian dollar at its present parity was never higher, and universal belief in the high economic destiny of the Dominion would be further strengthened by courageous action in the direction of economic freedom.

Although the Canadian political trend never veered as far to the left as in Britain, Australia, and New Zealand, nevertheless the Liberal administration at times has followed a course strangely similar to that advocated by the Socialistic C. C. F. As a result governmental intervention in fields previously controlled by private interests has provoked widespread charges of overbearing Federal Government bureaucracy. With the recent definite British swing to the right it will not be surprising if public sentiment in Canada should also become more intolerant of State controls and restrictions.

As previously mentioned it would not be the first occasion on which the Liberals have stolen the opposition thunder should they now hew more closely to the Conservative policy line. Moreover, the abolition of the exchange control system at this time would not only enable the Liberal Administration to adjust itself to the popular trend but it would also free itself of the straitjacket of a pegged exchange rate. The opportunity is now afforded to permit the Canadian dollar to seek its natural level. In addition to setting a laudable example to those countries that are now hesitating to take the plunge, a decision to free the dollar would probably also bring about a desirable adjustment of its level *vis-a-vis* the U. S. dollar and the pound. Although there is now no fear whatsoever of a wide disorderly decline in the event of liberation, a modest widening of the exchange discount against the U. S. dollar would enable the Dominion to dispense also with all restrictions imposed on imports from this country. In relation to the pound a lower level of the Canadian dollar would enable Canada to secure in natural fashion a larger share of United Kingdom and British Commonwealth trade.

During the week interest in the external section of the bond market was confined to preliminary appraisal of the forthcoming Province of Alberta refunding issue. Its advent should succeed to some degree to jolt this market from its moribund rut. The internals continued dull and inactive but prices were somewhat firmer in sympathy with the strength of free funds which reached a new high point at 9⅝% discount; at the 9½% level the dividend supply should preclude any further rise. Considerable activity in Interprovincial Pipeline debentures which touched a peak at 200 (against the issue price of par) had little effect on the corporate-arbitrage rate which remained steady at 14½%-13½%. A rally in stocks carried the Toronto industrial index to a 16-year peak. Brazilian Tractions was again heavily traded and C. P. R. and Hiram Walkers were also prominent in active dealings. The golds were also active and higher but the Western oils and base-metal groups failed to make any considerable headway.

William G. Pool Joins White, Hattier & Sanford

NEW ORLEANS, LA.—William G. Pool is now associated with White, Hattier & Sanford, Whitney Building.

Benjamin Block Dies

Benjamin Block, who had been in the investment business for nearly 40 years, died March 5 at the age of 77 after a brief illness. He was recently associated with the office of Hirsch & Co., at 1 East 57th Street.

Correction

In the "Financial Chronicle" of March 2 it was reported that Edward H. Heller had opened an office in Atherton, California to conduct an investment business. We have been informed that this is in error, that Mr. Heller is still a partner in Schwabacher & Co., San Francisco, having secured a California license as a dealer to cover a special situation in connection with his offering of rights on Pacific Intermountain Express Co.

Paul Rudolph Adds

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—Dempsey E. Dennis and Sidney Schein have become affiliated with Paul C. Rudolph & Co., 40-D South First Street.

In New Connection

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Robert E. Lee, formerly with Garrett-Bromfield & Co., is now with Pets, Inc.

Mutual Funds

By ROBERT R. RICH

SEC Admits Need for Revision of Section Five

The need for more intelligent regulation and interpretation of law, particularly with reference to Section 5 of the Securities Act of 1933, was recently admitted by one of the Securities and Exchange Commissioners. Section 5, which has been under active consideration, along with the Cashion and Goode opinions, is concerned with the publicity and advertising attending the offering of security issues.

No one quarrels with the outlawing of securities sales in nonexistent companies, rigging the market and other practices with their accompanying advertising and publicity schemes.

But, on the other hand, it has become increasingly apparent in the securities field that the SEC, in striving to squash the parasite and outer fringe of shady dealings, is also squashing the useful members of the securities industry.

The enterprise economy, like a thirsty oil-drinking automobile, needs capital for replacement and innovation, and the more advanced an economy becomes, the more thirsty it is.

The securities field, (and Mutual Funds) is the key economic device in generating the supply and flow of capital.

But, in this age of the huckster and hawker, when every entrepreneur is screaming at the top of his lungs on the radio for your few dollars, or beating you into submission with a five color, double-truck ad in Woman's Own Home Weekly, with banks besieging you with blotters promising you heaven and a fishing boat with 2% compounded every hour, what chance does the securities or Mutual Funds man have, hog-tied with SEC administration of the Investment Companies Act of 1940, which violates every attention-getting advertising idea or copy. Who, but the man who writes it, ever reads a prospectus?

The SEC, in reviewing its whole policy on Section 5, governing the publicity and advertising of security offerings, has a duty to grasp the problem fully, and, while safeguarding the public against the unscrupulous (many of whom have died with their more worthy brethren during 17 years of suffocation) permit to securities dealers and brokers a more adequate presentation of their case for the citizens' dollars.

There is a great shortage of equity capital in this country because no one outside the securities field knows about it. You can't advertise the fact!

Fiduciary & Investment Trust Principles Combined in New Public Offering

Public offering of a novel type of investment program combining the principles of a trust fund and a mutual investment trust, is being made by Fifty State Street Company and Estabrook & Co. as principal underwriters.

The program includes separate trusts for each individual investor, with the Massachusetts Hospital Life Insurance Company as trustee. The investment medium for such trusts is the Massachusetts Life Fund, registered under the Investment Company Act of 1940 as a diversified open-end management company. The Massachusetts Hospital Life Insurance Company, incorporated by Special Act of the Legislature in 1818, is also sole trustee of the Fund.

Common Trust Fund Principle

"The Fund is designed," the prospectus states, "to carry on in modern form the common trust fund principle of investment, the prototype of which the company first introduced in its business over 125 years ago. The units of beneficial interest in the Fund are held only by the company, as trustee under separate trust instruments or certificates, each of which (in accordance with the individual desires of the original investor) states how its share of the income and principal shall be paid."

Through a program of this type, the Company points out, it is possible for both small and large investors to arrange, in a single transaction, the disposition of income and principal for the benefit of themselves during their lifetimes and thereafter for their families, or others.

Net Assets

Total net assets of Massachusetts Life Fund at values as of Dec. 31, 1949 were $11,943,849, equal to $106.97 per unit on the 111,652.53 units of beneficial interest then outstanding. Only full units and even one-hundredths of a unit are issued, smaller amounts being held in cash by the company as trustee of each particular trust.

In a statement of investment policy, the company observes that: "The Trustee believes that a Trust account should always contain a certain percentage of high grade bonds and other protective investments, and that the amount of equity securities should be varied to meet the prevailing and foreseeable economic conditions." On Dec. 31, 1949, approximately 24.1% of the Fund's portfolio was in U. S. Government bonds, about 12.2% was in other bonds, 9.6% in preferred stock, 6.1% in mortgage loans and secured notes receivable and the balance in common stocks.

Income distributions totaling $3.95 per unit were made by the Fund during 1949, together with a distribution of 50 cents per unit, representing capital gains.

The "load" is 7½% maximum, on a sliding scale. The management fee is ½%.

Directors of Trustee Company

Directors of the trustee company are Charles Francis Adams, Chairman of the Board of the State Street Trust Company; George L. Batchelder, Jr., Trustee; Edwin D. Brooks, of the firm of Minot, DeBlois & Maddison; G. Peabody Gardner, Trustee; Henry R. Guild, of the law firm of Herrick, Smith, Donald, Farley & Ketchum; David H. Howie, Vice-President and Director of the Fiduciary Trust Company; John C. Kiley, of the firm of John C. Kiley & Son; John S. Lawrence, Trustee; Paul T. Litchfield, Vice-President and Secretary of the Company; Augustus P. Loring, Jr., Trustee; Edward H. Osgood, President of the company; D. George Sullivan, Vice-President and Treasurer of the company; and Samuel H. Wolcott, Vice-President and a Director of the State Street Trust Company. Messrs. Brooks, Howie, Kiley, Loring, Osgood and Wolcott comprise the investment committee of the board.

Hugh W. Long Officer Speaks

As a feature of the "Finance Conference for Women"—a series of meetings held in Wichita, Kan. on six consecutive Mondays, Mr. Harry L. Sebel, Mid-Western Vice-President of Hugh W. Long and Company, Inc., addressed the seminar on Monday March 6 on the subject of "Investing in Securities and Investment Trusts."

Harry L. Sebel

Mr. Sebel is a graduate of the School of Commerce of Northwestern University where he majored in banking and investments. He is a recognized authority on investments and securities.

The series of meetings is being conducted under the auspices of The Fourth National Bank of Wichita.

With J. M. Dain

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — William R. Disbrow is now with J. M. Dain & Co., 110 South Sixth Street.

John G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Elbert La Hue has been added to the staff of John G. Kinnard & Co., 71 Baker Arcade. He was formerly with M. F. Leighton Co.

With R. J. Steichen Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Carl C. Heinbockel is now affiliated with R. J. Steichen & Co., Roanoke Building.

Pattern of Recent Pension Settlements

By M. M. DENKER*

Partner, Johnson & Higgins, New York Insurance Brokers

Insurance expert reviews characteristics of recent pension systems set up under collective bargaining agreements. Says provisions have been made in haste without proper actuarial studies. Points out long-range financial considerations have been overlooked and urges business financial executives make certain that plans adopted are financed and administered in accordance with sound actuarial and common-sense principles.

Contrary to the impression given by most of the newspaper headlines, the problem of old-age pensions in industry is no new one. Over the past three decades — especially during the last one — there has been a steady growth in the number of corporations that have adopted pension plans for their employees, so that immediately prior to this current surge of negotiated pension plans, there were a little under 13,000 private pension plans in effect in the U. S. covering approximately seven million employees. In most cases, these plans were the result of careful thinking and planning on the part of the management of these companies, and represented sound solutions designed to meet their individual problems and objectives. Unfortunately, it now appears that much of this sound approach is to be scrapped —at least temporarily—and many of the mistakes of the past are to be repeated.

M. M. Denker

To understand this emerging pension pattern and how it came about, we must go back to 1947, when the seeds were sown with the National Labor Relations Board ruling in the case of the Inland Steel Co. to the effect that pension plans were as much a subject for union-management bargaining as wages, seniority or hours of work. This ruling, incidentally, has since been upheld by the U. S. Court of Appeals.

Whereas the groundwork for the currently-emerging pension pattern was laid with the inland steel case ruling, it wasn't until two years later, or Sept., 1949 that the President's Fact Finding Board in the steel industry gave the current movement its real impetus by recommending union-negotiated pension plans for the steel companies — which recommendation, incidentally, is likely to go down as one of the great blunders of 1949. Not that pensions in themselves were unwise, but the fact that these plans affecting the long-range security of millions were now to be conceived in haste, and negotiated from time to time midst all kinds of pressures was probably not the healthiest thing for the economy of the nation. It is easy, however, to understand their expedient thinking. 1949 was no year for a fourth round of wage increases. Pensions had that nice far-away ring —benefits would not be paid, in most cases, until some distant age such as 65 or 70, and presumably, the costs could also be deferred. I don't think I have to point out the speciousness of this line of reasoning to a group of controllers, and yet it is amazing how many responsible businessmen have failed to grasp the simple arithmetics involved.

Within just a few short weeks following the recommendations of the President's Steel Board, the Ford, Bethlehem and other steel settlements came in rather quick succession. Civic and union leaders were issuing public statements for press and radio. The pension dream of $100 a month for life for everyone had at last come true, and it wouldn't cost the worker a cent. The President's Board had indicated that the steel companies could absorb all of the cost, and the price of steel need not go up. Writers and other observers of the scene were working overtime to explain the effect that this new Eutopia would have everything from man's Libido to the price of AAA bonds. Everyone but the poor employer, who had to foot the bill, seemed thoroughly elated with the new prospect. He was more confused than ever. Even where he had been previously exposed to the subject of pensions, such new variables as "service minimums," "disability minimums" and "Bethlehem type of funding" proved a little too much for his pension equilibrium.

Characteristics of New Pension Pattern

What are some of the essential characteristics of this new emerging pension pattern? I think I can best illustrate the path these settlements seem to be following by taking the Ford settlement, which was the first, the Bethlehem settlement, which shortly followed it and established the pattern for the steel industry, and the Goodyear settlement, which came just a few weeks ago and seems likely to establish the pattern for the rubber industry, and compare them in six essential respects. Since "Predictions of Things to Come" has become such a popular pastime, I shall also gaze into my crystal ball and give you my guess as to what future settlements may bring.

(1) **Employee Contributions** — No employee contributions are required under any of these plans, the entire cost being borne by the company. It should be noted, however, that since all of these plans are designed to supplement social security, to the extent that the employee pays part of the cost of social security, they are partially contributory.

I think it unfortunate that we have gotten away from the contributory principle in these supplemental plans. My experience has been that the contributory plan has proven by far the most desirable from the standpoint of the employer and employee. Although some companies who now have contributory plans in effect that are substantially more liberal than the industry's pattern may persuade their employees to retain the old plan, the basic trend, in my opinion, among newly-adopted plans in the near future will be essentially non-contributory for the hourly-paid worker and salaried employee making less than $3,000 or $3,600 a year, with a superimposed contributory plan for the higher-paid salaried employees.

(2) **Retirement Age**—The Ford settlement called for normal retirement at age 65, but permitting the employee to continue on in the service, with the company's consent, to age 68. Both the Bethlehem and Goodyear settlements also have a normal retirement age of 65, but have no maximum or compulsory retirement age. In the case of Goodyear, however, in order to discourage employees from staying on much beyond age 65, no credit is given for service after age 68.

In my opinion, the future trend is going to be away from compulsory retirement at or close to 65, and the settlements are likely to be more in line with those of Bethlehem and Goodyear in this respect.

(3) **Retirement Benefits**—Ford provides $100 a month for any employee with 30 or more years of credited service, reduced by present or future social security primary benefit. Employees with less than 30 years of service receive proportionately reduced pensions. It should be noted that this pension is both the maximum and minimum. Bethlehem, in effect, continued its old pension plan, which provides 1% of average monthly compensation during the last 10 years, times years of continuous service reduced by social security (both present and future) and liberalized its minimum pension provision so as to be a little better than Ford's. The Bethlehem $100 per month minimum is paid for 25 rather than 30 years of service. Similarly, employees with 15 to 25 years were assured of proportionately higher minimums under the Bethlehem settlement.

Goodyear adopted the Bethlehem minimum provisions but departed from that part of the Bethlehem formula that relates benefits to final earnings. The Goodyear formula relates its annual 1% benefit to the employee's earnings in that year, thereby avoiding some of the uncertainties of trying to estimate an employee's final earnings. Goodyear also deducts all of social security, but when social security is increased it will deduct only half of social security as long as the employee continues to pay half of the cost of social security. If the legislators should change the Act so as to place the entire tax on the employer, then Goodyear would deduct all of social security. It should be noted, however, that for purposes of determining the minimum pension Goodyear always deducts all of social security.

Whereas some of the better situated industries may go somewhat above these minimums, in the recent past the A. T. & T. Co. voluntarily reduced the number of years of service for the $100 minimum to 20, and one of the oil companies increased its minimum pension to $125. I think that until social security benefits are increased, the pattern of "minimums" will essentially remain at the Bethlehem level, that is, $100 a month for 25 years of service. After social security is increased, it can be expected that greater pressure will be exerted for deduction of only part of social security and for a general lifting of pension sights. In my opinion, most future plans are likely to get away from the flat type of benefit in the Ford plan except as a minimum. More are likely to go toward the percentage formula, relating benefits to earnings and length of service — probably total earnings like Goodyear rather than the final earnings as in the case of Bethlehem.

(4) **Disability**—The Ford plan provides for $50 per month, less any future social security disability benefit.

The Bethlehem plan provides for disability retirement at the discretion of the board, but with a minimum of $50 a month until age 65, and thereafter with its regular minimums applicable.

The Goodyear plan has very much the same disability provision as the Bethlehem plan.

I look for the continuance of disability provisions comparable to Bethlehem and Goodyear in future negotiated plans. Personally, I feel that a pension plan loses much of its effectiveness if it does not contain some provision against this important hazard. I think that as long as a stringent definition of disability is used and benefits are kept modest, the provision can be satisfactorily administered at a reasonable cost.

(5) **Vesting**—At the outset, the Ford plan provides no vested rights to employees, i.e., there is no point prior to retirement where the employee can leave and take his pension benefits with him. After the employee has had 10 years in the plan (or beginning in 1960) an employee may voluntarily retire between ages 60 and 65, provided he has had at least 30 years of service. In other words, a very modest vesting provison commencing 10 years hence. The Bethlehem plan provides no vested rights to employees. The Goodyear plan, although it has no specific vested right provision, does permit an employee to retire with the consent of the company at age 55, provided he has completed at least 20 years of service with the company.

Probably for the immediate future, the unions will put up no great fight for vesting provisions. This is being done partly to minimize ultimate costs by making larger reductions for expected labor turnover. As time goes on, it is more than likely that pensions will be increasingly regarded as deferred wages, and that employees will demand that they take their pension benefits with them when they leave. Accordingly, it behooves employers to be very cautious as to their labor turnover assumptions in any cost estimates submitted to them. These estimates should give consideration to the probability that employee vested rights are likely to appear increasingly in future settlements.

(6) **Administration and Financing** — Under the Ford plan, the administration of the plan rests with a six-man joint union-company board of administration. The company appeared to be committed to pay 8¾c per hour into the fund for the duration of the agreement, although there seems to be some question as to the extent to which the company may vary these payments from year to year.

Under the Bethlehem plan, a general pension board named by the company is charged with the administration, although a joint union-company committee is to keep "properly informed" on the administration of the plan.

In the case of Goodyear, the administration of the plan is in the hands of a pension board appointed by the company. It is interesting to note that under both the Bethlehem and Goodyear settlements, the companies are not committed to any minimum "cents per hour" funding, except as may be required to fully fund their liabilities for employees actually being retired—what has come to be known as Bethlehem funding.

This is probably the most difficult area in which to make any predictions, particularly as to near-term settlements, but if I going to hazard a guess, I would say that for the near term at least, management will continue to assume the responsibility for the administration of these plans. Over the longer term, we shall probably see increasing union representation on these administrative committees.

The Question of Setting Up Reserves

As to the financing or funding of these plans, the unions are now making a real effort, in the case of Chrysler, to get management committed to a "cents per hour" cost, as they evidently thought they had in the Ford case. I believe that this problem will probably be compromised by management agreeing, as they did in the case of the Goodyear settlement, to at least funding benefits on the Bethlehem basis. Probably after the pension pattern has stabilized itself, management will realize that it is in its interest as well as that of its employees to do some advance funding, and will probably voluntarily set aside some additional reserves for its active employees.

Obviously, no 15-minute talk can possibly do justice to an intricate and technical subject of this kind. Let me leave you, therefore, with this one thought. Over the next two months, your companies are likely to be faced with a number of important and costly decisions. You, as the financial men in your companies, can make a most valuable contribution to your companies' thinking:

First—By seeing to it that your companies' officers and industrial relations people are at least as well armed as the union's representatives with the necessary financial and other facts upon which to make a sound decision. Too often today under threat of a strike or other pressures, the long-range financial considerations are overlooked.

Second—By making certain after the plan's provisions have been formulated, that the plan is financed and administered in accordance with sound actuarial—yes, and common-sense principles.

*A talk by Mr. Denker at the regular monthly meeting of the New York Controllers Institute of America, New York City, Feb. 23, 1950.

George Snyder Pres. Of Phila.-Balt. Exch.

PHILADELPHIA, PA.—George E. Snyder, Jr., George E. Snyder & Co., has been elected President of the Philadelphia-Baltimore Stock Exchange, succeeding William K. Barclay, Jr., Stein Bros. & Boyce. Mr. Snyder who is celebrating his twentieth year in the securities business has been a member of the Exchange since 1931.

On March 15 at the next meeting of the Board of Governors of the Exchange the tie between John Redwood, Jr. and Spencer D. Wright, Jr., Wright, Wood & Co., for membership on the board will be decided.

Jas. Bennett to Admit Van Ness & Gardner

CHICAGO, ILL. — James E. Bennett & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, will admit C. Radford Van Ness and Robert H. Gardner to partnership on March 16. Mr. Van Ness has been with the firm for some time. Mr. Gardner in the past was with James E. Bennett & Co. and has recently been with Lamson Bros. & Co.

With Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Clarence B. Roberts, Jr. has joined the staff of Kalman & Co., Endicott Building.

Dreyfus Admitting

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit Nathan M. Ohrbach to limited partnership in the firm on March 16.

Louis Atherton Dead

Louis M. Atherton, partner in Schirmer, Atherton & Co., Boston, Mass., died on Feb. 23.

Lester Gannon Now With Batkin & Co.

Batkin & Co., 30 Broad Street, New York City, announce that Lester F. Gannon is now associated with their trading department. Mr. Gannon was formerly an officer of Cantor, Fitzgerald & Co.

Lester F. Gannon

William F. Cooney and Norman J. Primack have also become associated with Batkin & Co. in their sales department.

Ducournau & Kees Formed in New Orleans

NEW ORLEANS, LA. — J. P. Ducournau and C. Homer Kees have formed the partnership of Ducournau & Kees with offices in the Whitney Building to engage in the securities business. Both were formerly with White, Hattier & Sanford, Mr. Ducournau being a partner in that firm in charge of the corporation department.

Robert Huff Partner Of Morgan & Co.

LOS ANGELES, CALIF.— Robert H. Huff has been admitted to partnership in Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Huff was formerly Vice-President of Blair & Co., Inc. Prior thereto he was with Dempsey-Tegeler & Co. and was a principal in Huff, Geyer & Hecht and Butler, Huff & Co.

T. Frank McGuire With Mannheimer-Egan

ST. PAUL, MINN. — T. Frank McGuire is now associated with Mannheimer-Egan, Inc, First National Bank Building, as Vice-President. Mr. McGuire was formerly President of Driscoll-McGuire Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The bank-eligible 2½s due Sept. 15, 1967/72 continue to held the spotlight in the government bond market. Although the upward progress has been checked, buying has been of very good quality. Accordingly, this issue, along with the 1956 maturities, has been accounting for a substantial part of the volume and activity in the market. The better tone evident in the 1½s due 1955 has had a beneficial effect upon the 2½s and the 2¼s of 1956. This has helped to improve the action of the 2½s and 2¼s despite the swapping from these bonds into the recently-offered 1½s. Buying of the bank obligations from the 1½s on out through the longest taxable 2½% has been widespread, although the large commercial banks have been the most sizable purchasers of the higher-income obligations.

The restricted issues continue to be hit with offerings whenever it looks as though they are about to move ahead. The authorities, for reasons best known to them, keep pushing-tap bonds into the market, so as to keep quotations on the defensive. The Vics and the 2¼s are the leaders of this group in volume and pricewise. As previously, pension funds and savings institutions are the principal buyers of the taps.

CONDITIONS FAVORING LONG 2½s

Commercial banks have been very substantial buyers of the 2½s due 9/15/67-72. These purchases have been made despite considerable cautiousness which has been overhanging the whole market. There seem to be at least two reasons for the recent buying of the most distant bank obligations. The feeling appears to be more definite now that there will not be any long-term bank issues offered by the Treasury. While there is a need for eligibles, this is largely in the intermediate-term area, and it is believed this is the type of obligation that will be made available to the commercial banks later on in the year. Accordingly, with the threat of a more distant maturing eligible obligation not imminent, the 2½s due 9/15/67-72 look more attractive to many deposit banks which have been sizable buyers of this bond.

The other factor that has been very prominent in the buying of this bond is the yield which is available in the longest eligible 2½%. Some deposit banks must have more than a 2% return and this is the only issue that will give it to them. Yield buying has brought many large money center commercial banks into the 2½% due 9/15/67-72. At the same time quite a few of them have let out shorts in order to acquire the longest taxable obligation.

RESTRICTEDS UNDER PRESSURE BY FEDERAL

While the bank 2½s have been on the firm-to-buoyant side, and have moved away from their lows of the year, the Vics and the rest of the restricted bonds have been under constant pressure of selling by Federal. This has kept the latter securities on the defensive at or about their lows for the year. What are the reasons for the divergence in price movements of the longest eligibles and ineligibles? Some money market followers hold the opinion the authorities will continue to sell the restricted issues in order to move prices down, so that these bonds will become more attractive to non-bank investors. In this way, they point out, it is hoped non-bank owners of the longer eligibles will sell these bonds and put the proceeds into the higher-yielding restricted obligations, especially the Victory bonds. The big uncertainty in this idea is how far down will the tap issues have to go before they are really attractive enough to shake non-bank holders out of diminishing amount of high coupon eligibles.

On the other hand, certain followers of the money markets believe Federal will keep the pressure on the restricted issues, over a period, because they feel the authorities are preparing the market for a long-term marketable non-eligible obligation. It is contended that quotations of the tap issues will be gradually lowered to levels which would be in line with a new longer-term restricted obligation. These two opinions which have been advanced very readily in the financial district, as the main causes for the unsettled condition of the restricteds, may or may not hold water in the long run. However, there seems to be little doubt about the ability of the monetary authorities to control the government market, and this goes for the eligibles as well as the taps, because a new issue of long bank bonds would most certainly keep quotations of those securities within desired limits.

IMPROVED DEMAND FOR NEARBY 1½s

The 1½s due 1955 seem to be in better demand, with indications that quite a number of deposit banks have been building positions in this security. Also the smaller amount of the 1½s which had to be digested by the market has had a favorable influence upon prospective buyers of the issue. Likewise, switching continues to create a demand for the 1½s with the 1956 maturities still being let out in favor of the 1955 taxable obligation. Taking down of premium is a very important consideration in this operation.

PROSPECTIVE RATE ON NEW ELIGIBLES

Although the supply of bank eligibles will most likely be added to before the June 30 fiscal year ends, in order to finance the deficit, it is not expected the coupon rate will exceed 1½% with many guessing new money raising will be done with 1¼s. Some look for an April announcement. Eligible obligations with coupon rates of 1¾% are not expected before September, when it is believed a 1¾% will be used to refund maturing higher-coupon obligations.

The opinion that a larger coupon issue will be used for September maturities has brought considerable buying into the callable 2s and 2½s.

Continued from page 7

Should a Trustee Try to Protect Purchasing Power?

Standard Statistics industrial averages was at almost exactly the same point which prevailed when a semi-annual appraisal was made in April, 1937, 12½ years earlier. For this period, however, the fund in question showed a net gain in principal value of 24.3%. Income comparisons indicate that total income received in the calendar year 1949 was only 8% greater than for the year 1937. The fixed income part of the fund had been invested primarily in state and municipal bonds, a group which had shown a sharp reduction in yield during the 12-year period. This decline was somewhat more than offset, however, by the larger dividends from common stocks. Obviously the beneficiaries had been protected to some small extent from the depreciation in the dollar since 1937. The trustees have not regarded these results as remarkable, but it has been of some satisfaction to find that for this period the overall record of the fund was superior to that of most leading investment companies in spite of the fact that these companies had carried a very much heavier position in common stocks.

The principles which have been used in the management of these funds are those which are presumably accepted today by most experienced managers of conservative funds. There was, first of all, an emphasis on the balanced fund approach. It was considered just a matter of good sense to have a balance between equities and fixed income securities, and to sell stocks on balance when market prices appeared to be relatively high so that equity purchases could be made when better values were available. The percentage in common stocks, taken on appraisal dates, never ran above 55% or below 38%. Thus, while timing and price levels were regarded as important considerations, shifting from bonds to stocks or the reverse was never carried to extremes. Selection of securities was considered of at least equal importance and a study of individual holdings shows that a majority of the largest stock investments turned in a better-than-average performance. Having seen these methods successful in practice, I am naturally prejudiced in their favor. In fact, I know of no sounder procedure now available to either the trustee or the private investor.

More Consideration of Inflation

In discussing general policies over recent months there has been a feeling among these trustees that the inflationary trend in the country, or at least the trend toward an unbalanced budget, has become chronic. Some allowance is being given to this fact. The position in common stocks which is now regarded as normal, is possibly 5 to 10 percentage points higher than it would have been otherwise. This is a practical way of saying that stocks may be useful as a hedge and within limits trustees should give some weight to current inflationary trends. I find that similar opinions are not uncommon among Boston trustees.

At this point someone may ask, and not illogically "If a moderate increase in stocks is good as an inflation hedge why shouldn't a very large increase be better?" It could prove to be. I would personally argue against a radical change in this direction for several reasons which I regard as important.

In the first place, it can hardly be denied that a substantially larger common stock position as compared with high-grade bonds does increase risk. This statement applied to both stability of current income and safety of principal—and for trustees with their special responsibilities this is an important consideration.

Second, it is not clear that stocks are at all foolproof as inflation hedges. Over a period the value of a stock is determined by the ability of the company to show earnings and pay dividends. It is this ability which will count rather than any theoretical estimates about the cost of replacing the company's physical assets. And earnings can be estimated intelligently only if one knows what the rules of the game are going to be. Government regulations, taxes, competition and labor costs all enter into the equation. Those who are convinced that stocks are a real inflation hedge might do well to study the situation in Great Britain where the cost of a "welfare state" and the practices of a labor government have been demonstrated. Since the end of the war in August, 1945, there has been a sharp devaluation in the British pound and an increase of over 40% in the wholesale price level, but industrial stock prices have actually decreased in value by about 10%—and this at a time of full employment.

Trustee Functions

Finally, we must ask ourselves some rather fundamental questions about what the functions of a trustee should be. Mr. Louis S. Headley, President of the First Trust Company of St. Paul, has argued with considerable force and eloquence that the primary and by far the most important duty of the trustee is to conserve dollar values rather than increase principal or income by adopting aggressive and possibly risky management policies. There is much to be said for this viewpoint even if we do not accept it unconditionally. It should be clear to all of us that if trustees as a group do accept unusual risks and through inexperience, poor judgment or bad fortune do lose principal which has been entrusted to them, the repercussions will be most serious and unfortunate, not only for trusteeship as an institution, but for the capitalistic system as a whole.

From these comments you already know the kind of answer I would give to the question which was posed at the outset. The developments which have been mentioned present a challenge which will call for imagination, careful study and hard work. A trustee should try within limits to preserve or protect purchasing power. In meeting this difficult challenge, however, he should not forget his primary duty to conserve the funds which have been entrusted to him, and unless there are new and convincing reasons to do so he should not abandon what most present-day investment managers would regard as orthodox policies.

N. Y. Curb Clearing Corp.

At the annual meeting of the stockholders of the New York Curb Exchange Securities Clearing Corporation, Frederick A. Mumford of Andrews, Posner & Rothschild was elected to the Board of Directors for a three-year term. Andrew Baird of Josephthal & Co. and David U. Page were reelected to the Board.

Sees Latent Inflation Overhanging Europe

E. M. Bernstein, official of International Monetary Fund, says it threatens economic stability and can only be halted by ending government deficits and keeping investments in line with available output.

Writing in the first issue of a new periodical issued by the International Monetary Fund, entitled "Staff Papers," E. M. Bernstein, formerly of the Treasury Department, but now Director of the Research Department of the Fund, contends that a latent inflation now overhangs many countries, particularly those in Europe, and unless the situation is held in check, it can lead to further inflationary pressures. Commenting on this topic, Mr. Bernstein writes:

E. M. Bernstein

"Excess private wealth and excess liquidity together constitute the problem of latent inflation. So long as this latent inflation exists, the removal of price and wage controls, rationing, and allocations is impossible without a consequent rise in prices. On the other hand, as time goes on, it becomes increasingly difficult to maintain these controls. After a decade of denial, public support of controls becomes increasingly unwilling, even among the best disciplined peoples. Administration of controls is more onerous and more arbitrary, as changes in the economic structure make the application of simple devices (e. g., price freezes, base periods) less suitable to the new conditions. It may be accepted that in most countries any reasonable measures for dealing with latent inflation would be welcomed by both people and governments. There are, however, likely to be great differences between the attitudes which in different countries determine the measures regarded as reasonable for this purpose.

Conditions for Dealing with Latent Inflation

"What can be done to solve the problem of latent inflation? As a prelude to any effective policy, a country with considerable latent inflation must first take steps to ensure that no additional inflation is currently generated. Even if a moderate rise in prices is not regarded as a great evil, an inflation spiral would have serious economic and social effects. The government must be sure that its budget, including the budget of state enterprises, does not show a deficit which, added to new investment, would exceed the savings of the public at constant prices. At the same time, increases in income which are not associated with corresponding increases in output must be prevented. The aggregate demand for goods and services for consumption, for investment, and for use by the government must not exceed available supplies. An import surplus may be temporarily useful, but it cannot be regarded as a normal substitute for other methods of limiting inflationary forces.

"The fact is, of course, that only a few countries in Western Europe have as yet reached the state where additional inflation is no longer being generated. The activation of latent inflation in such countries would, therefore, still be dangerous. For them, the immediate and urgent problem is to bring government outlay and investment to a level appropriate to the available output, so that they will not add to the latent inflation. While the deferred demand for consumption and investment made this difficult immediately after the war, it should be possible four years after the end of the war to bring the generation of additional inflation to a halt.

"The deferred demand for consumer goods is for the most part concentrated upon durable goods. It may be assumed that even a prolonged deficiency of nondurable goods will not significantly increase the future demand for these goods, although it may temporarily affect the desire for certain forms of consumption. The effect of a deficiency in durable consumer goods will be more far-reaching, but this, too, will tend to correct itself as the flow of normal supplies is restored. For example, if the average life of a shirt is four years, and the supply of shirts available to consumers is maintained at the normal replacement level for four years, consumer stocks will be fully replenished at the end of that period. If the life of such durable consumer goods as household equipment is eight years, a normal flow maintained for the same period will replenish consumer stocks. For most textiles and household equipment, deferred consumer demand should therefore disappear in a few years.

"The deferred demand for investment is a more complex problem, partly because of its magnitude and partly because of its urgency, if the economy of Europe is to be made self-sustaining. The replacement period for equipment is usually quite long, and even the restoration and maintenance of normal supplies for a considerable time will not of itself make good the deficiency in investment arising from inadequate replacement and expansion during the war. If, for example, the average life of industrial equipment were assumed to be from 15 to 20 years, a constant flow of such supplies at normal levels would be necessary throughout this extended period before the deferred demand would have been satisfied. In the meantime, presumably, the economy would have to get along with over-age equipment, although the effect of this deficiency in quality would steadily diminish as normal replacement continued.

"The process of making good the deficiency in investment by means of a continued supply of normal quantities of new investment goods would under ordinary circumstances be so lengthy that the inducement to invest would tend to remain high for quite a long period. In fact, the volume of investment for reconstruction and modernization in Europe since the war has been abnormally large, and much of the deficiency in investment arising from the war has already been made good. The European Recovery Program is providing a large import surplus that will in part meet the needs for investment which still remain, by supplying imported equipment and by releasing domestic resources for investment. If ERP continues for the full period for which it has been planned, the deficiency in industrial and agricultural investment will have been largely met. There will still remain, no doubt, a considerable deficiency in public construction and in housing; but these forms of investment can be controlled with much less difficulty than other forms.

"Once the generation of new inflationary forces has been halted, the government has several alternative courses: it may either permit the latent inflation to become active, it may wipe it out, or it may work it off.

"The first alternative means simply removing the controls which have kept spending in check and allowing prices to rise until the real value of cash and government securities has fallen sufficiently to eliminate the pressure on consumption arising from excess private wealth. An active inflation does not, however, reduce the value of real wealth. The value of land and buildings and business property, including common stocks, will presumably rise at approximately the same rate as the price level (except as they are affected by rent, dividend, and similar income controls), so that real wealth in these forms is not reduced. Insofar as private wealth consists of mortgages, preferred stocks, and corporate bonds, the reduction in real wealth consequent on the activation of inflation is offset by the increase in the wealth of the debtors, that is, the owners of mortgaged property and common stockholders. The net reduction in the total real value of private wealth which accompanies active inflation is brought about only by lowering the real value of cash balances and government bonds. The activation of past inflation also changes the composition of the private wealth of the public and business firms by reducing the proportion held in cash balances and government securities—that is to say, it reduces excess liquidity. . . ."

Wiping Out Latent Inflation

"The second alternative which governments might adopt after the generation of new inflation had ceased is to reduce the volume of private wealth and the degree of liquidity until they are no longer excessive. This could presumably be done by heavy taxation or by a capital levy, the effect of which would be to raise more revenue than the government spends, and to permit repayment of government debt to the banking system and the public. Such measures would reduce the volume of private wealth, particularly in liquid form. Other measures could be taken to reduce excess liquidity without significantly affecting the amount of private wealth, for example, by the forced conversion of cash balances, including deposits. Such counter-liquidity measures (since they lessen the present value of the blocked funds) might indeed affect not only investment but also consumption."

Economists Comment on Russia's Gold Shift

Leland Rex Robinson, Vice-President of Economists' National Committee on Monetary Policy, says it is attempt to discredit dollar and does not make Russian currency convertible. Walter E. Spahr, Executive Vice-President of the Committee, sees Russian shift from dollar to gold, an exploitation of doubts concerning value of dollar.

"Combined motives of propaganda, economic self-interest, and financial realism have now led the Soviet Union to define the ruble for international purposes in terms of gold rather than dollars," according to Leland Rex Robinson, Vice-President of the Economists' National Committee on Monetary Policy, and Adjunct Professor of Political Economy in New York University.

"Two factors are involved," Professor Robinson stated. "One is an attempt to discredit the dollar, or at least to weaken its hold, as the world's basic currency. This is done, on the one hand, by questioning the stability of the dollar, and, on the other hand, by defining the ruble from now on as equivalent to so much gold rather than so many dollars.

"The other factor in this Russian shift to a gold definition of its currency is the lower ruble price of gold established at the same time. Much will be made of the accompanying lower prices for consumer goods decreed in Russia, and the contrasted rising price levels in certain other countries."

"The U.S.S.R. has not adopted the gold standard in other than a very limited sense. It will in all probability not establish convertibility of rubles into gold, at the new rate or any other level. An irredeemable currency is a fundamental tool of totalitarian control and of governmentally-managed economy. Ability of the people to change their paper into the precious metal would bring a breath of liberty behind the iron curtain."

"However," said Dr. Robinson, "Soviet policy is evidently shrewd enough to exploit any recent or potential doubt concerning the American dollar while attempting through this gesture to establish the ruble as a respectable international currency. Furthermore, the upward valuation of the ruble in terms of a clearly defined fixed equivalence in gold aims at giving the U.S.S.R. maximum prices in other currencies for its visible and invisible exports, and at protecting it against repayments in terms of depreciating currencies of credits, loans, or advances to satellites or political partners, like communist China."

Leland Rex Robinson Walter E. Spahr

"All of which dramatizes," concludes Mr. Robinson, "the unique status of gold as the only valid means and measure of international payments, and highlights the importance of dependable and realistic rates of exchange fortified by redeemability of currencies into fixed quantities of gold."

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Views of Dr. Spahr

Dr. Walter E. Spahr, who, like Dr. Robinson, is a Vice-President of the Economists' National Committee on Monetary Policy, in a statement released on March 8, also sees in the shift of Russian currency from the dollar to gold as a political move, as well as "a shrewd exploitation of doubts concerning the future gold value of the dollar."

"It would be an easy thing for Russia to follow through on its recent monetary move by making gold available on demand to all foreign holders of rubles at the rate of one ruble for 3.42858 grains of fine gold," said Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy and Professor of Economics, New York University.

"The international convertibility of the ruble would then be superior to that of the dollar in that all holders of rubles outside Russia, regardless of whether they are individuals or central banks, would be accorded that privilege, whereas today only foreign central banks and governments, but not individuals, can receive on demand 13.714 grains of fine gold for each dollar offered.

"It would be a grotesque situation, indeed, should a totalitarian government provide a thorough-going redeemable currency in international exchange while the United States, which pretends to be the friend of private enterprise, restricts redeemability to central banks and governments thus providing for multiple quotations of the dollar with the consequent impairment of confidence in the dollar and of activity of private enterprise in foreign trade.

"The Russian shift from the dollar to gold as a standard for the international value of the ruble has been described, probably correctly, as a shrewd exploitation of doubts concerning the future gold value of the dollar of the United States.

"But the Russian shift," he said, "is not all of that picture." He called attention to the fact "that during every month in 1949, except May and June, and in January, 1950, other countries increased the amount of gold held under earmark at our Federal Reserve banks. That is, they converted their dollars into gold, since they preferred gold to dollars, the Federal Reserve banks holding this gold for them as their agents.

"On January 31, 1950, the gold earmarked for foreign account, including gold held for the account of international institutions, amounted to $4,366,500,000. The net increase in this conversion of dollars into gold, for earmarking, from January, 1949, to January, 1950, inclusive, was $588,700,000. When discussions of devaluation of European currencies became pronounced in August and September, 1949, with opinions expressed that the United States might join in the devaluation, the conversion of dollars into gold by foreign central banks and governments was unusually pronounced.

"The earmarking," he said, "ran as follows (in millions of dollars): January, 1949, $2.7; February, $22.2; March, $16.7; April, $17.7; May, released from earmarked supply, $37.8; June, released from earmarked supply, $121.6; July, $19.9; August, $208.5; September, $154.8; October, $89.1; November, $63.9; December, $59.4; January, 1950, $93.2.

"In our daily discussions regarding the great demand by foreign countries for our dollars, the fact that those countries have converted $4,366,500,000 into gold, that they are showing to this extent this preference for gold over dollars, and that they have that amount of gold which they could convert into dollars seems to be ignored.

"A question arises as to why the ECA group, which continues to demand more dollars for Europe and England, do not call to the attention of Congress, and examine with it, the fact that $4,366,-500,000 is held under earmark with us. The Federal Reserve authorities do not reveal who it is that holds this large sum.

"The recent Russian adoption of a gold unit in international exchange as against the dollar, combined with the preference of other countries for gold over dollars, as indicated by the $4,366,500,000 under earmark, reveals what can happen because our dollar is not redeemable in gold at par for all dollars.

"The correct answer to these developments," concluded Dr. Spahr, "is for the United States to establish the soundness of its dollar by making it redeemable for all holders at the statutory rate of $35."

The Plight of the Conservative In Public Discussion

By JAMES H. McBURNEY*
Dean, School of Speech, Northwestern University

Dean McBurney maintains conservatives are not doing their cause justice, inarticulateness of conservatives is disservice to their cause, and they are lost unless they find effective means of participating in public discussions. Insists public attitudes can be changed significantly by public debate.

The plight of the conservative in American public life is a fact which hardly needs documentation. An analysis of this plight was presented in a recent issue of the Chicago "Daily News" in which opinions from grass-root voters to political and educational leaders were reported. Says the "News": "Whether it was called a 'welfare state,' 'creeping socialism,' 'fascism,' 'a regimented state,' or something else, it boiled down to a belief that individual freedom and initiative are being threatened by the government." When queried by the "News," Franklyn B. Snyder, President-Emeritus of Northwestern University, added this: "Complacency today is the greatest foe of the conservative."

James H. McBurney

I think this hits the nail on the head. Complacency it is! And this complacency affects public discussion in America in ways which are good for no one, least of all the conservatives.

I have the termerity to argue that the conservatives in America have become inarticulate to a point where their voice does not do credit to their ideas and often does their cause a positive disservice. I think my analysis is not a partisan one. I confess to a conservative bias, but my concern here is a professional interest in public discussion and debate. In a very real sense, discussion is the essence of the democratic process. Whatever weakens discussion in America, weakens America. A monolithic society is not conducive to vigorous discussion of public questions. We need differing points of view, and we need articulate spokesmen for these points of view.

For the past eight years, I have had charge of the Northwestern University Reviewing Stand, a national radio forum originating in Radio Station WGN, Chicago, and carried by the Mutual Network. We are on the air each week with discussions of contemporary problems, mainly social, economic, and political questions. Our speakers are members of the University faculty and distinguished guests from business, industry, labor, government, and the press. As moderator of these discussions, I am the recipient of an amazing volume of letters and comments from all over America. One of the most persistent criticisms is the charge that we are radicals, reds, and even communists. To be sure, we are often labeled radicals and reactionaries on the same program, but the charge of radicalism far outruns any other single criticism.

Why this persistent charge of radicalism? I am sure the answer does not lie in the sponsorship and management of our radio forum. Even our critics express surprise that we should be the ones to commit this indiscretion. What is more, precisely the same charge is directed against the other leading radio forums. The answer must be sought in the discussions themselves.

In the first place, we usually discuss changes in the status quo—questions of public policy. That is an important function of discussion. All kinds of social, economic, and political changes are analyzed in the interest of better understanding. The conservative, by definition, opposes change; he supports the status quo; he usually takes "the traditional position." The very fact that discussion concerns itself with change may suggest that discussion supports such change. Actually, of course, it does not. Properly conceived, discussion is a method for analyzing problems and considering solutions to these problems. It is not even a good vehicle for propaganda.

More important are the persons who take part in these programs. In organizing discussions of controversial questions, we naturally try to secure the most competent spokesmen available for all points of view. We have little trouble getting the advocates of change, the liberals, the radicals. These people invariably accept our invitations with pleasure and alacrity; but not so with the gentlemen on the right, the representatives of business and industry, the conservatives. More often than not, they are too busy, have other commitments, or refuse to appear on the same platform with other speakers we have invited. Sometimes they say quite frankly that they are afraid of give-and-take discussion.

As moderator of these discussions, I frequently find myself wanting to come to the aid of the conservative spokesmen. Often they are nervous and inarticulate. Especially is this true when their basic assumptions are challenged. They lack facility in verbal analysis and synthesis, in give-and-take argument, in rebuttal and refutation. More often than not they are no match for rhetorically seasoned liberals, with long experience on every kind of platform from a cracker barrel to a radio microphone. There are notable exceptions, but my description is faithful to the rule.

Charges of Radicalism in Radio Forums

I think this is the reason why our radio forum is charged with radicalism—the conservative spokesmen do not come through! It is either this or the less charitable explanation that the conservative position in America today is not tenable in public discussion. Whether or not the conservative position, or any other position, is tenable is precisely what public discussion is designed to test. Given spokesmen of high competence and reasonably equal competence, it provides one of the best tests democracy has been able to devise. Unless these conditions are met, we run the risk of serious distortions in public policy.

If this problem were confined to radio forums, I would not take your time with it. It most emphatically is not so confined. These forums are just a small sample of the kind of discussion that goes on all over America—in homes, schools, churches, places of business, legislative assemblies, and deliberative bodies of all kinds. In this larger arena, we can witness the full measure of the rhetorical bankruptcy of the conservative.

For many years past in America, the conservative has been in the saddle. The industrialist, the banker, the business man have been the backbone of America—respected, accepted, and looked to for leadership. Whether this reputation was deserved is neither here nor there. It is a fact. But this long, unchallenged tenure has not been an unmixed blessing. The conservative grew soft under it. He came to take his position for granted. He became complacent. And he lost his voice, except for occasional ceremonial chants and cries of distress. In the meantime, the little fellow on the outside grew in strength and lung power, until one day there appeared on the scene a great spokesman for the ill fed, the ill housed, and the ill clothed. Since that time we have lived under New Deals and Fair Deals.

Response of Conservatives

How have the conservatives responded to this rude unseating? Not too well, I fear. The National Association of Manufacturers invited a number of students to attend their recent annual convention in New York. "Time" Magazine reports some of the reactions of these young observers.

"Too many of the NAMsters, the students felt, talked in such platitudes and generalities about the drift towards socialism, the welfare state, taxes, that what they had to say lost its effect. What was needed, said one student, was a clear, fresh exposition 'to the man in the street in terms of the simple why and wherefore of the price of his bread.'

"A further student criticism was that, in panel discussions, the NAMsters 'were often unqualified to answer our questions.'

"One student put his finger on NAM's biggest trouble: its failure to capitalize on opportunities to catch the public's ear."

Quite obviously the answer to this problem is not a simple one. Indeed, there may be no answer which the conservatives will like. Whether or not an intransigent liberalism is good for America must be ground out in countless discussions and debates all over America. My hope is that the conservatives will find the means of developing an effective voice in these discussions and debates. I think they are lost unless they do. And I think America stands to lose without their best counsel. I would say exactly the same of the liberals were the situation reversed.

I realize that this thesis comes easily from a teacher of discussion and debate and a moderator of public forums. Some will say the plight of the conservative is dictated by economic, social, and cultural realities in the American scene which have little or nothing to do with "talk" about these realities. I do not propose to assess these realities in this paper, but I do profess to know something about the influence of talk in building attitudes and shaping events. Talk influences men, and men influence events. The case for making good sense and good taste articulate is a familiar one to most teachers of speech. We have substantial experimental data to support this thesis.

Public's Change in Attitudes

In the first place, we know that attitudes toward social problems do change significantly as a result of discussion. In other words, something is accomplished in discussion; people do change their positions on public questions as a result of listening to discussions and participating in them. Secondly, we know that the initial or pre-discussion dispersion of attitudes is significantly reduced as a result of discussion. People get closer together. There is a significant tendency toward consensus. Thirdly, we know that people develop superior attitudes toward public questions through discussion, as measured by the opinions of experts. In other words, discussion has the effect of developing sound positions on social questions. Finally, we know the greatest influence in discussion is exerted by the more competent people, as measured by standard tests of personal competence, such as personality inventories, intelligence tests, social maturity scales, and the like.

I cite these data to make the point that public discussion is a democratic tool which no segment of American society interested in social attitudes can afford to neglect; and by the same token, it is a matter of great importance to American society that all social groups be competently represented in public discussion.

Several suggestions for developing effective spokesmen in deliberative councils are implicit in what I have already said. I should like to spell these out in greater detail.

In the first place, men in executive positions in business and industry must be willing to participate in public discussion. As the President of the United States Rubber Co. put it last June:

"The Eleventh Hour is here for business to speak for itself. Now, and from now on, the men who run American business must devote as much—if not more—time and effort to the public relations of their business as they spend on finance, production, and distribution. Unless they do, they will not need to worry about the latter problems. Government will be glad to handle them all."

In the second place, the paid spokesmen of the conservatives, the public relations officers of business and industry, must be selected with careful attention to their qualifications for serious intellectual discussion and vigorous public debate. The main job of such officers is developing relations with the public rather than with their brothers in the bond. This requires social, political, and economic literacy of a high order and top-notch dialectical ability.

Thirdly, the conservatives urgently need to develop greater sensitivity to the changing pattern of communication in America. This pattern is characterized by a growing emphasis on logical values in place of high pressure mumbo-jumbo; by simple, direct statement rather than verbal obfuscation; and by a sense of relativity in language usage in place of arbitrary, dogmatic assertion. These changes are inevitable in a democratic society which is becoming more conscious of the processes of communication and more sophisticated in their use. Any speaker ignores them at his own peril.

Stereotypes Must Go

Fourthly, the conservatives must rid themselves of some unfortunate stereotypes. In this so-called "era of the common man," the conservative is depicted as the foe of the common man. Unfortunately, this role can easily be given specious plausibility because the conservative does have vested interests in the status quo. In a society in which men are living longer and specialized economic functions tend to draw class lines, it is easy to think of the conservative as an old man who has lost the common touch. Actually, the interests of the common man on any given issue at any given time and place may be just as completely identified with the conservatives as with the liberals. Most certainly it begs the question to assume otherwise. The lines between conservatives and liberals in America need not, and should not, be drawn on the basis of age or class. They should be determined in free and widespread discussion, and the conservatives must learn how to conduct themselves in such discussions in ways which will enlist the sympathy and understanding of common men.

The conservatives have also succeeded in alienating many of the intellectuals in America. Witch hunts in the colleges and universities, journalistic caricatures of the mortar board, and frantic name calling are hardly designed to win the understanding of men who place a high premium on objectivity in discourse. Moreover, there are echelons in the intellectual hierarchy in which there are fashions in ideas just as there are in goods. In some of these quarters, I fear, the conservative position has lost caste for reasons which have very little or nothing to do with its merit.

A minimum program of education and training for the kind of public discussion I am talking about should include: (1) A broad understanding of social, political, and economic issues in American life and culture; (2) clear insight into personal and social values as they affect these issues; and (3) specific training in the philosophy and method of democratic participation.

On this last point may I add with some feeling that such training is not to be secured in classes in after-dinner speaking and polite elocution. What is needed is sound education in discussion, debate, persuasion, and semantics under conditions which provide opportunities for realistic experiences in participation and leadership under the direction of competent teachers.

In conclusion, I wish again to make it clear that I do not present this analysis to plead the cause of the conservative, nor do I mean to question the ability and integrity of the conservative. It is my purpose rather to point out that conservatives generally are not doing their cause justice in public discussion and debate, explain why this is the case, and suggest some of the ways in which this weakness can be corrected. I believe this to be a problem of more than ordinary importance in American public life, and certainly one of great significance to students and teachers of speech.

As Aristotle put it, over 2,000 years ago, "Truth and justice are by nature more powerful than their opposites: when decisions are not made as they should be, the speakers with the right on their side have only themselves to thank for the outcome."

*An address by Mr. McBurney at the opening general session of the 34th Annual Convention of the Speech Association of America, Chicago, Ill., Dec. 28, 1949.

Baltimore Bond Club To Hold Outing

BALTIMORE, MD.—The Bond Club of Baltimore will hold its annual outing on Friday, June 9, at the Elkridge Hunt Club.

Hansen President of National Analysts

George M. Hansen, Keystone Custodian Funds, Inc., Boston, has been elected President of the National Federation of Financial Analysts Societies.

Now William Leib Co.

SAN FRANCISCO, CALIF.—George R. O'Connor has withdrawn from Leib, O'Connor & Co., Russ Building, and the firm name has been changed to William Leib & Co. The firm is a member of the San Francisco Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The National City Bank of New York announces the opening on March 6 of a new branch in Mexico City at 9 Plaza de la Republica, which will be known as the Republica Branch. This brings to a total of 52 the bank's branches overseas. The main branch in Mexico City, originally established in 1903 by the International Banking Corp., is located at 54 Avenida Isabel la Catolica. Acting Manager of the new branch is Fernando Nunez Mora, who has been connected with National City's Mexico City activities since 1939. William B. Richardson, Resident Vice-President in Mexico will supervise both branches. Mr. Richardson was a member of the bank's 1915 College Training Class.

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Arthur S. Kleeman, President of **Colonial Trust Co. of New York** announces the appointment of Eugene J. McCabe, Jr. as Assistant Secretary and Assistant Treasurer. Mr. McCabe, formerly an Assistant Manager in the bank's International Division, is a member of the New York Bar, and has been with Colonial Trust Co. since his release from the Navy in 1946. Before the war he was associated with the Guaranty Trust Co., where his late father was an officer. Mr. McCabe is the bank's Public Relations Officer.

President Kleeman, **Colonial Trust Co.**, announces the presentation of a display of products of Sweden sponsored by the Swedish Chamber of Commerce of the U. S. A. in New York. The exhibit, currently in the windows of Colonial Trust's principal office on the Avenue of the Americas at 48th Street, will remain until the middle of March. In conjunction with the exhibit the trust company has prepared another in its series of international monographs, "World Recovery Through Imports." This set, entitled "Trade With Sweden," stresses the economic importance of increased imports from that country.

Both the exhibition and the monographs are the outgrowth of several visits to Sweden by Mr. Kleeman and by Mario Diez, Vice-President in charge of the bank's International Division.

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The New York State Banking Department reports that approval has been given (March 2) to the **Patchogue Bank, of Patchogue,, N. Y.**, to a certificate of reduction of the amount of the bank's capital stock from $497,600, consisting of 12,500 shares of preferred stock "A" of the par value of $16 each, 1,952 shares of preferred stock "B" of the par value of $50 each, and 4,000 shares of common stock of the par value of $50 each, to $205,000, consisting of 3,437½ shares of preferred stock "A" of the par value of $16 each and 6,000 shares of common stock of the par value of $25 each.

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W. Wilson Holden has been named a trustee of the **South Brooklyn Savings Bank of Brooklyn, N. Y.**, it was announced on March 1 by Rodney C. Ward, President of the bank, according to the Brooklyn "Eagle" of March 1.

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The sale for $227,000 of the unliquidated assets of the defunct **New Jersey Title Guarantee & Trust Co. of Jersey City, N. J.**, was approved by Judge Thomas J. Stanton in the Superior Court at Jersey City on Feb. 27. The company was taken over by the State Banking Department on Feb. 14, 1939. The assets have been purchased by the investment firm of Gallagher & Roche, the members of which are Hubert Gallagher and Henry Roche, former employees of the Title & Guarantee Trust who joined in a partnership after the closing of the company. An offer for the assets for $224,512 had been made by the Federal Deposit Insurance Co. on Jan. 20. The bidding brought the purchasers control over mortgages, loans and discounts, judgments, stocks and bonds and some office furniture listed at value of approximately $1,400,000, according to Associated Press advices from Jersey City, which also said:

"The defunct bank's general creditors already have been paid a dividend of 72.5% and may receive an additional 1.5 or 2% as a result of the sale, according to the State Banking Commission which handled the liquidation proceedings. At the time of its failure, Feb. 14, 1939, the bank owed $22,000,000 to depositors, but the FDIC paid off $16,500,000 to those whose deposits were under $5,000. Over the intervening years, the depositors with more than $5,000 in the defunct bank were compensated as part of the 72.5% dividend."

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Robert R. Williams, Jr., Assistant Vice-President of the **Federal Reserve Bank of Philadelphia** has been elected a Vice-President of the **Corn Exchange National Bank & Trust Co. of Philadelphia.** According to the Philadelphia "Inquirer" of Feb. 27, Mr. Williams, with the exception of three years in the Army, has been with the Federal Reserve Bank since 1938. The "Inquirer" also said:

He worked first as a statistician and edited the monthly "Business Review." In 1941, he became head of the consumer credit department. He served as special assistant to Thomas B. McCabe, then foreign liquidation commissioner, Department of State, in 1945 in the disposal of surplus property of the armed services in foreign countries. In 1946, he was promoted to Assistant Vice-President of the bank.

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At their annual meeting in January, the stockholders of the **Tradesmen's National Bank & Trust Co. of Philadelphia** took action toward increasing the bank's capital from $4,232,580 to $4,489,100. The plans to this end, through a stock dividend, were noted in our issue of Dec. 8, page 2304. The new capital became effective Jan. 17.

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Lyman A. Fassett, an Assistant Treasurer of the **Pennsylvania Company for Banking & Trusts, of Philadelphia**, died suddenly in the company's offices on March 2. Mr. Fassett, who was 59 years of age, had been with the institution since 1911, and became an Assistant Treasurer in 1943.

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The **Western Bank Trust Co. of Cincinnati, Ohio**, organized Feb. 16, 1875, celebrated its 75th anniversary on Feb. 18 at the Cincinnati Club in a meeting attended by directors, officers and employees of the bank, it is learned from the Cincinnati "Enquirer," which said in part:

"When founded in 1975, the bank had an initial capital of $100,000—since grown to an institution which, last year, reported capital of $1,000,000 and accumulated earnings in surplus, reserves and profits of $1,000,000, and resources in excess of $24,000,000. The Western Bank & Trust Co. was originally organized as **The Western German Bank. In 1907**, a trust department was added and in 1918 the bank's present name was adopted."

William A. Reckman is President of the bank.

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The directors of **The Detroit Bank, at Detroit, Mich.**, on Feb. 28 declared a quarterly dividend of 75 cents a share on the common capital stock of the bank, payable March 31 to shareholders of record March 7. This increases the annual dividend rate from $2.60 to $3 a share and the quarterly rate from 65 cents.

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The **Central Northwestern National Bank of Minneapolis, Minn.**, reports a capital of $150,000 as of Feb. 21, increased from $100,000 as a result of the sale of $50,000 of new stock.

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A change in the name of the **Liberty National Bank of Oklahoma City, Okla.**, to the **Liberty National Bank & Trust Co. of Oklahoma City** is announced as of March 1. The institution increased its capital on Dec. 1 from $1,500,000 to $2,500,000, as was noted in our issue of Dec. 1, page 2569.

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The **Fort Lauderdale National Bank of Fort Lauderdale, Fla.**, increased its capital, effective Feb. 17, from $150,000 to $200,000 by the sale of $50,000 of new stock.

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The 30th anniversary of the **National City Bank of Dallas, Texas**, was observed on March 1, and at the same time the 40th year of banking in Dallas was also observed by Dan D. Rogers, Chairman of the board, it was noted by President De Witt Ray, according to the Dallas "Times Herald." From the advices in that paper it is indicated that when the bank started business on March 1, 1920, it was called the **Liberty State Bank**, and had a capital of $100,000 and surplus of $10,000. To quote further from the "Times Herald," "Mr. Ray said that when the bank moved to its present location in 1937 it had deposits of $3,500,000 and that at the present it has deposits of approximately $38,000,000 and resources of well over $40,000,000."

In the same paper it was stated:

"De Witt Ray has been President of the National City Bank for the past seven years. He is past President of the Texas Bankers Association, immediate past President of the Dallas Clearing House Association and has held several important committee posts in the American Bankers Association."

Mr. Rogers, who joined the National City in March, 1949, as active Chairman of the board, began his banking career with the old **Guaranty Bank & Trust Co. in Dallas**, and in 1915 joined the **Mercantile National Bank**, where he served as Vice-President, director and chief oil loan officer for many years.

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New stock to the amount of $150,000 served to increase the capital of the **American National Bank of Beaumont, Texas**, from $600,000 to $750,000 on Feb. 14.

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Through a stock dividend of $40,000, and the sale of $60,000 of new stock, the **National State Bank of Boulder, Colo.**, enlarged its capital Feb. 15 from $100,000 to $200,000.

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Frank C. Martens, Vice-President, and John Campe, Assistant Cashier of **Crocker First National Bank, Oakland, Cal.**, have retired after serving the bank and its predecessor, **Farmers and Merchants Savings Bank**, for many years. Mr. Martens joined Farmers and Merchants in August, 1905, and served as Secretary of the Oakland Clearing House Association since 1941, when he succeeded George S. Meridith of Farmers and Merchants, who had served in that capacity since the organization of the association in 1906. Mr. Campe joined Farmers and Merchants Savings Bank in 1903. In 1947, when the bank was merged with Crocker First National, Mr. Campe remained as Assistant Cashier, from which position he is now retiring.

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The enlargement of the capital of the **First National Bank in San Rafael, Cal.**, from $100,000 to $500,000, was brought about on Jan. 19 by a stock dividend of $400,000.

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Announcement was made on Feb. 23 of the appointment of Richard J. Elkus as President of the **First National Bank of San Mateo County at Redwood City, Cal.** Mr. Elkus succeeds Lee T. Ross, who was named Chairman of the bank's board of directors. Mr. Ross, who had been President of the bank for 25 years becomes the first Chairman of the board since the death 22 years ago of his father, George C. Ross, one of the founders of the 60-year-old institution. Hall C. Ross has retired from the board of directors.

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A. M. Wright, director and onetime First Vice-President of the **United States National Bank of Portland, Ore.**, died on Feb. 23. His death ended a career of 57 years of banking with the bank. Born in Scotland in 1867, Mr. Wright came to the United States at the age of 24 and joined the United States National Bank in August, 1892, a year and a half after the bank was established.

In September, 1917, he was named a Vice-President and in August, 1931, became First Vice-President. He was elected a director in January, 1923, a position he held at the time of his death. Active in organizing the bank's trust department, Mr. Wright was its first Trust Officer. He retired as First Vice-President in March, 1945, but continued as a member of the board and of the Executive Committee. Mr. Wright helped organize the Portland chapter of the American Institute of Banking in 1908 and was the chapter's First President.

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The **Seattle-First National Bank of Seattle, Wash.**, has been enlarged to the extent of $2,000,000, bringing it up to $12,000,000 from $10,000,000; the addition to the capital resulted from the sale of $1,000,000 of new stock while a stock dividend of $1,000,000 completed the plans to bring the capital up to $12,000,000, effective Feb. 21. An item relative to the plans appeared in our Dec. 8 issue, page 2304.

Securities Salesman's Corner

By JOHN DUTTON

There are certain things which we can improve in almost any business. But it is surprising how few people have ever asked others to give them a candid opinion of themselves. Take the case of the salesman and check the important tools which he must use constantly. His voice, his clothes, his manner, his personality, how important they are. How about your voice? What does it convey? How does it sound over the telephone? Do you really know? Have you ever asked ten friends to tell you? You might be surprised at the results.

Does your voice indicate confidence, courage, success? It should. Do you mumble for words? There are cases where men have mumbled and still have done a good job of selling. In this instance, people overlooked the fault and were so interested in trying to follow the jumble of words that came out, that they kept their attention on what was being said. But a clear, concise diction will win every time. Is there timidity in your voice? There could be. If so, root it out. There is a test whereby strangers are asked to rate the age, size, weight and salary of speakers over the telephone. You'd be surprised at the results of some of these tests.

There is another thing about our voices. The way **feel** is reflected into the way we speak. If we are optimistic, alert, cheerful, and confident, our voice will reflect this feeling to others. If we are depressed it will show up right away. If we are dull and go about our work with a hang-dog attitude, others will sense it immediately.

Then there is something else about our voices that is so important. Quite unconsciously most people assume a tone of anxiety when they come to the point of asking another to comply with a request. **Watch this.** You may be guilty and never know it. Watch the way you speak while you are leading up to that part of the sale where you ask for the order. Notice at the beginning how your voice is factual, and purposeful. Observe the "unconcern" which you show. Then watch out for a certain raising of your pitch, more of a querulous quality, with a tinge of uncertainty in it when you come to the "close." If you are guilty in even the slightest degree it will show up. Your prospective buyer will sense it. This is an absolute fact and one of the most subtle flaws in the whole procedure of personal selling when it is committed. Your voice will make you or break you. If it conveys confidence and you back it up with facts all through your sales presentation **keep it in that tone right through until you get your order.**

You may say that this sort of thing is going pretty far. I once discussed voice tones with some excellent salesmen. Everyone of them agreed that telephone selling depended to a very large extent on proper voice pitch and a positive mental state behind it. Personal selling requires that you have every one of your tools at their peak of perfection. A strong, pleasant voice can help a great deal.

Continued from page 2

The Security I Like Best

allocated reserves and other assets amounting to about $5.47 per share.

The future of First Bank Stock Corporation appears to be good. The management of the individual banks is in the hands of men who have guided them capably through the problems of the last 20 years. The directors of the parent corporation are men of wide experience and sound judgment. The member banks enjoy enviable reputations in their communities. Some years ago there was opposition and resentment against what was termed the "chain banks." Good management and fair dealing have caused such opposition to practically disappear.

For these and other reasons which I have not the space to go into, I believe that an investment in First Bank Stock at about the present market will continue to yield at least a 5% return and show capital appreciation over the coming years. What more can the conservative investor ask?

DAVID W. McKNIGHT

Partner, G. H. Walker & Co., New York City

(Westinghouse Electric Company)

The security (common stock) I like best must be selling at an attractive price and possess adequate marketability if a discussion of its merits is to have practical value; the issue I have in mind is the common stock of the **Westinghouse Electric Company,** priced near 33 to yield 4.8%.

David W. McKnight

As almost everyone knows, Westinghouse is the oldest and second largest factor in the electrical equipment business and on a product basis thoroughly covers the industry. It differs from General Electric in that more of its business (about 75% of the total) is in apparatus, or so-called heavy lines such as transformers, motors and controls, switchgear equipment, generating and transportation equipment and turbines. At one time a still larger percentage of company business was in these products but in the past several years consumers' goods such as refrigerators, electric lamps and electronic tubes, electric ranges, washing machines, dishwashers and radio-television have come forward.

The company has long been a leader in electrical research and engineering with many "firsts" to its credit and it can be counted upon to keep pace with the electric power industry's growth. That industry's plant and equipment expansion outlays in 1950 may be within 10% of last year's record. **Westinghouse's** appliance divisions may also be expected to keep abreast of the increasing growth of electrically operated consumers' durable goods. In addition to these basic trends that have a direct bearing on the company's longer sales future, it can be noted that due to **Westinghouse's** preeminence in certain military lines during the war the company has continued to occupy a leading peacetime role in jet propulsion, radar, etc. Its military business is now quite large. All in all, there is not much question (nor has there ever been) about the company from a product or research standpoint.

Since the war's end, Westinghouse has had an erratic earnings record. Forgetting 1946's poor results, that can be explained by a disastrous strike, 1947 and 1948 net income, although setting records, was not particularly impressive in the face of the high sales volume of those years. Gross profit margins were not as good as, say 1940 when sales were only about one-quarter as large. Obviously, such a condition presents a challenge to management, or at least it did in the case of Westinghouse, and in 1949 their objective was a better profit margin. Thus during the year the top management held quarterly on-the-spot meetings with its division managers located around the country. At these meetings divisional budgets, costs, selling prices and inventories were closely checked with a view to coordinating major policies. Inventory control was particularly close and it might be noted that 1949 year-end inventories were $236 million against $300 million at the close of 1948.

The outcome was that in 1949, despite a net sales decline of $25.0 million (2.6%), net income attained a new peak of $67.3 million or $4.95 per common share as compared with $55.6 million or $3.88 per share in 1948, the previous high record. Of course, new and more efficient manufacturing facilities were in operation last year and there were some other favorable influences, but the emphasis should be placed on the more aggressive management procedure referred to.

It would not be surprising to see a moderate decline in the company's sales in 1950 but a continuation of last year's improved margin of profit (7.1% net) should result in a net income in the neighborhood of $4.50 per common share, that is, based on the year-end capitalization. In this connection it should be pointed out that the company has outstanding $80 million debentures which are convertible into stock at the rate of 30 shares of stock for each $1,000 par value of bonds and in addition it has just filed a registration statement covering 500,000 shares of common stock to be offered under an employees' stock plan. Just how rapidly these latter shares will be issued is not known at this writing, but assuming complete conversion of the bonds and the sale of this half-million shares of stock there would be a 22% dilution of the present equity. Nevertheless, it is important that the Westinghouse capitalization continues toward simplification; already $20 million debentures and $8 million preferred stock have been retired in recent months.

Thus, all in all, in the past year Westinghouse has improved its margin of profit, increased inventory turnover, retired a substantial amount of senior securities, increased net working capital and raised the regular quarterly dividend. The recent advance in the price of the company's stock has, of course, given some recognition to these developments but the stock is far below its normal price-earnings ratio and the yield of 4.8% is high by past standards.

To take a look into the future and risk certain assumptions, I can visualize a "diluted earning power" in the neighborhood of $3.50 per common share and a more representative dividend than the present $1.60 annual rate. It is my belief that these power earnings will command a higher market evaluation for at that time senior securities outstanding should be negligible or non-existent. As a possibility, if the dividend were $2.25, a yield of 5% would result in a market price more than one-third higher than the current price for the common stock, a worthwhile objective at this general level of the stock market. For classification purposes I would say that Westinghouse Electric common is of semi-investment quality and is suitable for purchase by individuals and fiduciaries. It is listed on the New York Stock Exchange.

CLYDE L. PAUL

Partner, Paul & Lynch, Philadelphia, Pa.

(Republic Natural Gas)

There is no "security which I like best" for all classes of investors, but for the capital which is looking for almost sure appreciation, my choice is Republic Natural Gas traded in the over-the-counter market at about 40.

Clyde L. Paul

The current dividend rate is at the rate of $1.00 per share per annum, which puts it into the low yield investment class, but the almost certain increase of earnings, plus the very large oil and gas reserves, assures larger earnings and a higher market price. Earnings for the six months ended Dec. 31, 1949, before income taxes, amounted to $1.14.

Republic Natural sells their gas from the States of Oklahoma and Kansas acreage in the Hugoton Field under contracts which are to be renegotiated at stated intervals, beginning March, 1951, on the Cities Service contract, and on June 30, 1951 on the Northern Natural contract. Inasmuch as Hugoton Natural Gas Co. negotiated a 15-year contract with the Kansas Power & Light which provides for a minimum price of 12c per thousand cubic feet, it would indicate that the renegotiated price between Republic Natural and their customers would be very substantially higher than the present $.053 contract.

If the Kansas and Oklahoma Commissions' orders fixing the minimum price at which gas may be sold are sustained in the Courts, Republic's sales in Oklahoma since January, 1947 and in Kansas since March 1, 1949, will be paid for at 7c and 8c respectively, increasing the actual earnings in 1949 by more than a million dollars.

Republic has been constantly increasing their producing properties and report in the 12 months ending June 30, 1949, that by the completion of 17 new gas wells they developed 10,560 acres of gas land and brought their total number of producing gas wells in the Hugoton Field in Kansas and Oklahoma to 336; their proven acreage being 230,000.

In the oil division, Republic's gross revenues for the six months ended Dec. 31, 1949, were $2,858,000, which is below the sales of each of the two previous periods of six months, which was caused by the drastic curtailment in production allowable by the States of Texas, Kansas, and Oklahoma, although the Republic Co. had substantially increased the capacity of its producing oil wells through new developments and reports that it is carrying on this expansion now greater than ever before.

In the famous Upton County, Texas, which is considered one of the largest oil fields discovered in many years, Republic has seven producing wells and large undeveloped prospective acreage.

The company's entire indebtedness ahead of the 1,450,733 shares of common stock are bank loans of $8,000,000 at 2% per annum, payable in 10 equal conservative semi-annual installments beginning Sept. 16, 1951.

The very able President of Republic is W. H. Wildes, and on his efficient Board of Directors is E. DeGolyer, recognized as one of the leading geologists in the country, and H. B. Hurley, Senior Vice-President, who was formerly in the production department of the Continental Oil Co.

Republic's business is entirely intra-state, and therefore, not subject to the regulations and control of any other than the State Commissions.

Many conservative and well-advised investment trusts own substantial blocks of Republic stock, among which are Lehman Corp., Massachusetts Investment Trusts, Incorporated Investors, Pennroad, and U. S. and Foreign Securities Corp.

One of the most able engineering analysts recently stated that "Republic Natural Gas common is our candidate among the quality equities for maximum participation in the rapidly expanding natural gas producing industry."

WALTER A. SCHMIDT

Partner Schmidt, Poole & Co. Philadelphia, Pa.

(Central Soya Company)

The security, which seems to me to have excellent opportunities for the future, is unusual in various respects.

What would you think of an industry which was not considered to exist until about 1925 and which, today, is regarded as probably the third largest in agricultural products?

Walter A. Schmidt

What would you think of a company, in this new industry, which was organized with $125,000 capital in 1934 by a man who was president of a company in a somewhat similar industry and which, today, has a market value of about $25,000,000? This represents an increase in value in the ratio from $1.25 to $250 per share.

I am referring to the Central Soya Co., in the soybean industry. This company's terrific performance is the result of plowing back earnings, stock dividends having been paid in 1939 of 100%; in 1945 of 20% and in 1946 of 150%, although shareholders were offered stock in 1939 at $15 per share; and in 1949 at $29 per share, on a basis of one new share for each ten shares held.

The total funded debt is $3,400,000 with no preferred outstanding. The net sales for its fiscal year ended Sept. 30, 1948 were $104,000,000, and in 1949 were $95,000,000. In each year the company's net worth, its working capital and its unit volume has steadily increased, although fluctuating prices of its products has sometimes been reflected in its dollar sales.

The company's fixed policy not to speculate in soybeans is most important. Purchases of beans are hedged by making contracts for future deliveries of the oil and meal products, with the result that inventory losses have been minor and the operations of its plants have been uninterrupted.

The earnings for its fiscal year ended Sept. 30, 1949 were $7.22 per share which compares with an average of $5.50 for the last five years. The present active over-counter market is about 5.5 times the 1949 earnings. Dividends of $2 have been paid since 1947, the yield being slightly more than 5.00%. It is free of the Pennsylvania Personal Property Taxes which is an added advantage for Pennslyvania residents.

You will agree that these outstanding accomplishments clearly prove the McMillen management to be alert, aggressive and sound.

Among the company's principal opportunities for future growth is the fact that it does not, as yet, operate west of the Mississippi River and the potential wider coverage of the east. Substantial chemical research departments are developing improvements of biological values with resultant increases in sales for its cattle and poultry feeding products.

During good years and depressions of the future, it would seem cattle and poultry will have to be fed and the processing of soybean oil for foods, plastics and paints should continue.

Here is a stock with vim, vigor and vitality!

High Yields in Good Quality Equities

H. Hentz & Co., members of the New York Stock Exchange, in the current issue of "Fortnightly Financial & Economic Review" suggest the following list of stocks for inclusion in portfolios where yield is an important objective.

Issue	1945-49 Avge. Earn.	*1949 Earn. Per Sh.	Ind. Div.	Rec. Pr.	% Yld.
American Radiator	$1.54	$1.75	$1.00	15	6.7%
Americal Tel & Tel.	9.03	**9.22	9.00	150	6.0
C. I. T. Financial	3.25	**6.81	4.00	66	6.0
General American Trans.	4.80	5.50	3.00	50	6.0
General Motors	7.02	13.30	6.00+	76	7.9
Koppers Company†	3.38	**4.03	2.00	31	6.4
Libbey-Owens Ford	4.38	8.00	‡5.75	62	9.1
May Department Stores§	5.41	5.00	3.00	49	6.1
National Dairy	3.81	5.00	2.40	40	6.0
Otis Elevator	3.65	5.50	2.50	38	6.6
Pacific Gas & Electric	2.37	**2.10	2.00	33	6.1
Public Service Elec. & Gas	2.20¶	**2.25	1.60	24	6.7
Standard Oil of California	8.02	10.00	4.00	62	6.4
J. P. Stevens††	5.86	**5.14	‡2.75	32	7.8
U. S. Steel	3.40	**5.39	2.60	31	8.3

*Estimated. **Actual. †Adjusted to present capitalization. ‡Paid in 1949. §Fiscal year Jan. 31. ¶Three year average. ††Year ended Oct. 31.

With Noble, Tulk

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lloyd W. Spitzbarth has become affiliated with Noble, Tulk & Co., 618 South Spring Street, members of the Los Angels Stock Exchange. He was formerly Long Beach manager for Hopkins, Harbach & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—William A. Sibley has become associated with Merrill Lynch, Pierce, Fenner & Beane, 454 North Camden Drive. Mr. Sibley was formerly with Shearson, Hammill & Co. and Buckley Bros.

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An Investment Appraisal For the Spring of 1950

the dividends averaged $6.30, to yield about 4.5% as compared to a 3⅛% yield on AAA bonds. Last year's well protected dividends amount to about $12.79 and provide a very generous 6.36% yield as compared to the present 2.5% return on AAA bonds. Furthermore, the present dividends are covered by an extraordinarily wide margin of earning power.

Money Supply vs. Stock Prices — The accompanying chart [omitted: Ed.] compares the tremendous expansion which has taken place in our money supply with the very moderate increase which has taken place in the overall value of the stocks listed on the New York Stock Exchange. This relationship dramatically reverses the situation of the late 1920's when stock prices were skyrocketing and the money supply remained relatively constant. Anyone looking at the diagram must conclude that money appears to be more plentiful than stocks.

This increase in the money supply was the source of the inflationary pressures which pushed up commodity prices in the war and postwar periods. The developments of the past year pretty well assure that this inflationary pressure has spent its force as far as commodity prices are concerned. In fact, if it were not for artificial restrictions we would probably be experiencing a sizable deflation in commodity prices. Along the farm sector we are holding prices by such amazing procedures as the outright destruction of 100,000,000 bushels of potatoes and the burying of at least $100,000,000 worth of eggs in a cave in Kansas. The purchase of grains, cotton and other commodities at prices and under conditions which assure that they can never be used for human consumption is fundamentally just as unsound economically, even if the methods used are not so spectacular. Along the industrial sector, the fuels are the most conspicuously supported commodities. Mr. Lewis is holding up the price of coal by limiting the miner to three days of work each week while the oil industry is holding up its price structure by shutting in about 1,000,000 barrels a day of potential output. Although the economics point to lower commodity prices at a later date — from the current market point of view it would appear that the price structures generally would be supported at levels that will assure most industries very satisfactory profits at a high level of business.

At the present time, then, it would appear that the investor should not be concerned with the inflationary effects of the money supply on commodity prices, but his primary concern should be with the prospects his investments have of losing their real earning power. Certainly, the huge increase in the money supply has influenced declining interest rates which are, after all, only the riskless rent value of money. While many investors have rather thoughtlessly considered that the low interest rates of the past decade were the result of some sort of legerdemain on the part of the U. S. Treasury, the facts of the matter are that the governmental pressure has been used to keep interest rates up over the past four years. In order to combat inflation which was taking place in commodity prices, the Federal Reserve raised the reserve requirements of the member banks to about twice their normal level. This has had the effect of drying up about half of the legal lending power of the banks, yet it never left the business community pinched for funds. Now that the pressure of price inflation is passing, the Federal Reserve can be expected to reverse its policy and the bank requirments will doubtless be lowered by successive steps to their normal prewar levels. This will mean that at a time when the business needs for credit will be contracting, the available credit resources will be expanding so that increasing pressure from the idle funds can be expected to become a more pronounced stock market factor.

Investment Buying and Speculative Selling—For over 3½ years speculative selling and investment buying has held the market in a narrow trading range—the longest on record—in the face of record-breaking business that has resulted in unprecedented earnings and liberal dividend yields. The selling has been described as speculative since for the most part the sellers have sold their securities because they felt that they had a prospect of repurchasing them within a reasonable period at lower prices. The market reached a low in the trading range in the fall of 1946 under the pressure of sellers expecting that the wartime inflation would plunge us into another 1920-21 type of depression. The market reached another low in the trading range in the spring of 1947 when sellers were discounting chaos in Europe. In February, 1948, the collapse of speculation in farm commodities revived fears of a 1920-21 type of depression since a break in farm prices ushered that one in. The post-election selling reflected the concern of investors fearing the Fair Deal, and by the spring of 1949 the soft goods lines of industry were at dead center in their transition from a "sellers" to a "buyers" market.

By June, 1949, all of the fearful investors had apparently sold all of the stock they cared to, since after the market gave a conclusive "sell" signal, no more stock came out. While this surprised the chartists and the technicians, any one who had followed the course of the trading in 1947 and 1948 must have recognized that the market was in a sold-out condition. In both years the trading volume fell to below 15% of the shares listed on the New York Stock Exchange, and in the case of the leading investment issues the volume fell to negligible proportions. As the trading volume tended to dry up the investment character of the buying became evident. Stocks were being bought on a long-term investment basis by those who felt they represented sound values and provided liberal yields. Among the buyers were the endowment funds of the richest universities whose portfolios are now over 40% invested in common stocks. Their buying has been duplicated by other true investors seeking income, and the stocks which they have bought won't be sold until their prospective dividend yields seem unsatisfactory.

II

Investment Outlook

Business Prospects — Against a sold-out condition in the stock market and a strong investment background of record levels of business earnings, and dividends, we must consider the business prospects for 1950. Most economists are in agreement that the first half of 1950 will be an excellent one with a distinct tapering likely to occur in the fall. In fact, most economists are in such complete agreement on this prospect that one is prompted to remember how completely they agreed upon an inevitable business setback in 1947. One of the few economists who was right on the fine business in store for 1947 and 1948, the correction which occurred in the spring of 1949, and the business pick-up which occurred last falls, differs with this pattern. He looks for a little overproduction in the first quarter in most lines where stocks are being built up to take advantage of the $2.8 billion which the G. I.'s are getting as an insurance refund. This opinion expects business to pick up briskly next fall, after a dip this summer, to be followed by a demand for new industrial equipment that will cut labor costs.

Although this meeting is apt to discount any prophecy, it does appear that 1950 has an excellent chance of being a very good business year since:

(1) The national income is at a very high level assuring an excellent demand for goods at retail.

(2) Artificial props, which have helped business since 1946, all promise to be continued in considerable force, including:

(a) A heavy armament program which is the largest single government expenditure;

(b) A farm assistance program which will buttress farm income;

(c) A foreign aid program which promises to maintain exports at satisfactory levels.

(3) The volume of new public construction on the part of States and local governments promises to rise at least 25%, which will cushion a prospective decline in the capital goods expenditures of industry;

(4) Home building is in for another huge year with over 1,000,000 new homes in prospect which means fine business for the building material and home appliance companies as well; and

(5) The automobile business promises to enjoy another fine year. A backlog of demand is clearly shown since second-hand car prices still remain very high in relation to the price of new cars by prewar standards. While a sharp seasonal slowdown may occur this fall, it will probably only signify a return to the normal seasonal pattern of the motor trade.

In any event, by moving up, through, and out of the trading range, the market appears to have come to a thoughtful conclusion that the future business prospects are reasonably bright. Particularly impressive was the market's disregard last fall of such critical business news as the British devaluation and the coal and steel strikes. When a market disregards the obvious news its decisions are usually important, and its recent strength in the face of the coal crisis must be considered impressive. Except for brief periods of hysteria, the market has always been the best prognosticator of the business future. After three long years of doubt and without any trace of hysteria, the stock market has clearly arrived at a positive conclusion.

Limited Risks—Because of the political prospects, the risk of buying the Dow-Jones Industrial Averages at the 200 level is very limited for the investor purchasing primarily for income purposes. What risk there is, lies in the obvious possibility of deflation accelerating to a point that suddenly plunges the economy into a recession of the 1937-38 variety. A review of that period clearly shows that political factors serve to limit such a risk. In 1938, the Congress which had been worrying the year before over the dangers of inflation, was so shocked by the paralyzing deflation that had gripped the country, that both parties united to speed President Roosevelt's "Spending-Lending" program towards its early enactment. Investors then realized that we were adopting as national policy a program of spending our way out of a depression. Fearing for the ultimate value of their money, investors preferred equities to cash. Their buying made June, 1938 one of the most violent stock market advances on record and returned the industrial average from the 105 level to the 145 level in three weeks time.

If the present Congress were suddenly faced with a deflationary crisis, it is most likely that they would react again to a new "Spending-Lending" proposal just as they did in 1938. It does not take much imagination to visualize that the scope of any such "Spending-Lending" program would be so huge as to cause an even greater measure of investment concern. If only a small fraction of our present money supply and the $260 billion national debt attempted to shift into the equity market, the ensuing scramble could be expected to run the stock market back to at least the 200 level. This prospect practically provides the present-day investor with a "political put" on current market levels.

III

Potential Market Levels

Potential Buyers — The present dividend payments, which are covered by a very wide margin of earning power, provide the Dow-Jones Industrial Averages with a 6.36% yield, two and one-half times the yield available on AAA bonds. In the past the yield on common stocks was only about 50% greater than the yield on AAA bonds. If business stays in the vicinity of the present levels the pressure of investment buying attracted by the historically liberal dividend yields promises to send the market higher.

True investors who will continue to buy and hold sound investment values at liberal yields are:

(1) The endowment funds, trust departments and private investors already considered;

(2) The fire and casualty companies whose portfolios by prewar investment standards are short of at least $1 billion worth of common stocks, and

(3) The open-end investment trusts.

The open-end investment trusts are bringing into the market the savings of smaller investors who never before bought common stocks. These investors have entered the market indirectly via the shares of open-end investment trusts where they hope that a combination of diversification and administration will limit their risks. The growing sales of the shares of these trusts has been the most important single development in finance since the war. By the last quarter of 1949 their sales amounted to about $1,500,000 a business day, and the bulk of these funds have had to be invested promptly in order to provide the dividend yields which were expected by the buyers of the investment trust shares.

A more general public acceptance, wider advertising, and a rising stock market has facilitated the sales of open-end investment trust shares in 1949, and will continue to do so in 1950 if business remains reasonably good. Over the next several years the potential money available for such investment promises to be materially increased by the maturing of the savings bonds which were so heavily sold during the early years of the war. These maturities will increase from a total of about $1 billion in 1950 to a total of $8.8 billion in 1954. It is reasonable to expect that a sizable proportion of the maturing savings bonds will be attracted directly or indirectly to the stock market, as well as some portion of the very much larger total of the other types of maturing government bonds which are held by private individuals. It seems very likely that the burden of refunding the national debt will fall largely upon the country's banking stucture.

It is too early to estimate whether the pension funds which are just starting will be significant buyers of stock on balance, but their longer range effect upon the bond market appears to be self-evident.

IV

Conclusions

Technical Market History—From a technical point of view, it would seem appropriate to review the market action which followed on the break-through of the only two other prolonged trading ranges which have occurred in the past 30 years. These are presented in the accompanying diagrams [omitted: Ed.] where the evidence plainly shows that sold-out markets have very little disposition to react until after they have advanced to levels that amply discount their investment potentials.

1922-1926—Between the summer of 1923 and the summer of 1924 the market, which was encompassed within a narrow trading range. disregarded the fine level of business, the earnings and the dividend yields available on the leading investment grade stocks. Investors were just too skeptical of the level of business since, by 1912 standards, the sales of automobiles and other luxuries like refrigerators seemed far too high to last. With Mr. Coolidge's nomination, the constructive political atmosphere brought into focus the following facts:

(1) The young chemical industry was in for a prolonged period of expansion;

(2) The shift from the use of direct to alternating current would cause the rebuilding of every power plant in the country and provide everyone with lower power costs;

(3) The automobile had become a necessity which was building cities in the Middle West and was building roads and suburbs all over the nation.

Matching this fine economic news was the financial fact that created more buyers than sellers. The Federal Government was retiring nearly $1 billion worth of debt each year and part of this money flowed into the market which was in a sold-out condition. The combination of these forces produced a market advance on an investment basis until the late fall of 1925 when a speculative sentiment took over.

From our point of view it is important to note in the attached diagram [omitted Ed.] that the investment phase of the advance lasted for a year and a half — for a full year after the market had moved out of the trading range — and that the investment advance carried the market forward for 60 points in the Dow-Jones Industrial Averages, a gain of more than 50%.

1933-36 — A similar period of digestion followed the NRA uprush in the spring and summer of 1933. For a year and three-quarters the market traded in a narrow range of approximately 85-105 while investors debated as to whether the economy would not collapse into its previous condition of paralysis. In due course a growing sense of confidence in the existing rate of earnings began to develop and again this coincided with a new source of funds going into the market. This time it was European money which came to our shores in the form of gold for refuge from the worsening peace conditions on the continent. These new funds in the market again created more buyers than sellers and again it is significant to note the extent of the advance which occurred during the course of the next year before the first significant speculative shake-out occurred late in 1936. This time the market advanced by more than 50 points in the industrial averages after it had moved out of the trading range. This represented a gain of slightly less than 50%, and again the investment advance was followed by a period of less thoughtful speculative advance.

1946-1950—This spring finds the market reasonably priced in relation to business activity, earnings, and dividends. Strict chartists are concerning themselves with the fact that the market has advanced some 45 points in the industrial averages without any appreciable correction. A more realistic observer might consider that with improved sentiment the market has crossed through the trading range without hesitation, just as it did in 1924 and again in 1935. It is now engaged in consolidating its advance by holding firm in the face of very unsatisfactory news from the coal industry, and with what appears to be firm determination to move towards higher levels in due course. This time it is the growing sales of open-end investment trust shares that is supplying the new money which is serving as the catalyst for the advance.

With individuals, old-line institutions, and the growing investment trust industry all faced with the continuing problem of investing funds at adequate returns, it is reasonable to expect that the market has an excellent chance of advancing from around the vicinity of the 200 level. The optimistic, or those more impressed by tradition, might very well expect a 50% investment advance that would be comparable in scope to the 1924-26 and the 1935-36 precedents. A more moderate observer will probably feel that continuing concern over the international and the domestic political situations will limit the investment phase of any advance to say half of the previous proportions—or a 25% advance at best. Since this would take the industrial averages into the vicinity of 250 where they would afford only a 5% yield on last year's dividend payments, the yield factor alone might very well provide a barrier to further investment participation.

However, a real investor is primarily concerned with the merits of buying the Dow-Jones Industrial Averages at around the 200 level rather than the possibilities of advance even though such a probability may help him arrive at his purchasing decision. At the 200 level, the real investor will be getting more assets, more earnings, and a greater yield than has ever been available except in periods of the direct business depressions. On this basis he should be able to buy with confidence.

With Francis I. duPont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Sydonia B. Masterson has become associated with Francis I. duPont & Co., 634 South Spring Street. She was formerly with Merrill Lynch, Pierce, Fenner & Beane and First California Co.

Paine, Webber Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Jefferson R. Witherspoon has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Bache Adds Two

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John F. Knight and Max R. Stein are with Bache & Co., 135 South La Salle Street.

Continued from page 5

The State of Trade and Industry

the catastrophe which would have become inevitable this week was averted, the coal crisis still took a severe toll. In the steel industry loss of production will total about a million tons. More than 400,000 tons of the million-ton steel loss can be attributed to last week's operations. If the coal impasse had continued the weekly loss would have zoomed well over half a million tons. Within two weeks the loss would have been at a rate of more than a million tons a week.

This week steel production is scheduled at 73% of capacity, unchanged from last week's revised rate. Some companies will bounce back with a high operating rate almost at once, this trade magazine states, while for others, it will be more than a week before they start receiving coal from the mines. Meanwhile, they can dig into the reserves they had to hold to insure against damaging their furnaces. But within two weeks the operating rate should be back in the 90s again.

Among steel consumers, power curtailments caused more loss of production than lack of steel. In the Chicago area power restrictions had already forced most manufacturers to a three-day-week basis, while in the Detroit area, production losses have been light, excluding the Chrysler strike. The race for the market among the auto makers, this trade authority notes, is one of the strongest factors supporting the tight steel market—especially in cold-rolled sheets.

Almost all steel consumers report that their inventories are smaller than they would like them to be. Efforts to replenish steel inventories since the steel strike, no matter what the reason, have caused the tightest steel market since the zany days of 1948.

Some steelmakers now believe that the strong demand for steel will continue into the third quarter. This looks like a good bet, although it will take a few weeks to sort the strike-hedge orders from the good orders which were placed during the coal crisis. If the appliance makers and auto people are guessing right 1950 will be better than 1949—for themselves, as well as steel, concludes "The Iron Age."

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 73.5% of capacity for the week beginning March 6, 1950. This is a decline of 0.2 point from last week's rate of 73.7%.

A spokesman for the Steel Institute stated that the likelihood of the rate being revised upward was remote despite the resumption of coal mining activities. He added the day-to-day rate will probably be very uneven with operations in the early part of the week suffering from hangover effects of the coal shortage.

This week's operating rate is equivalent to 1,401,100 tons of steel ingots and castings for the entire industry compared to 1,404,900 tons one week ago. A month ago the rate was 91.5% and production amounted to 1,774,200 tons; a year ago it stood at 101.4% and 1,869,300 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT POINTS UPWARD IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended March 4, was estimated at 5,878,788,000 kwh., according to the Edison Electric Institute.

It was 24,529,000 kwh. higher than the figure reported for the previous week, 327,177,000 kwh., or 5.9% above the total output for the week ended March 5, 1949, and 586,193,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS SHOW FURTHER FALLING OFF IN WEEK

Loading of revenue freight for the week ended Feb. 25, 1950, which included the Washington's Birthday holiday totaled 546,791 cars, according to the Association of American Railroads. This was a decrease of 13,325 cars, or 2.4% below the preceding week this year.

Coal loading amounted to 51,980 cars, a decrease of 93,685 cars below the corresponding week a year ago, but an increase of 3,149 cars above the preceding week this year.

It also represented a decrease of 141,337 cars, or 20.5% below the corresponding week in 1949 and 244,119 cars, or 30.9% under the comparable period in 1948.

AUTO OUTPUT IN LATEST WEEK MAKES FURTHER PROGRESS

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada rose to an estimated 127,012 units compared with the previous week's total of 125,285 (revised) units.

Although General Motors and Ford have curtailed overtime work, they are maintaining high daily production schedules to meet public demand, Ward's said.

The total output for the current week was made up of 96,245 cars and 23,710 trucks built in the United States and 5,176 cars and 1,881 trucks built in Canada.

The week's total compares with 118,267 units produced in the United States and Canada in the like 1949 week.

Production for the year to date is estimated by the agency at 930,000 cars and 203,400 trucks in the U. S. and 48,700 cars and 7,800 trucks in Canada. This would compare with 730,900 cars and 236,800 trucks built in the U. S. and 19,500 cars and 17,300 trucks in Canada in the like period last year.

FAILURES CONTINUE DOWNWARD TREND

Commercial and industrial failures fell to 179 in the week ended March 2 from 210 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were less numerous than in the comparable week of last year when 185 occurred but remained above the 1948 total of 113 for the similar week. Casualties were about 30% below the corresponding prewar week in 1939 when they numbered 254.

Failures involving liabilities of $5,000 or more dipped to 152 from 155 and were slightly below the 162 of this size a year ago. Most of the week's decline occurred among small casualties, those with liabilities of $5,000 or less; they dropped to 27 from 55 although remaining above the 23 in the corresponding 1949 week.

All industry and trade groups except manufacturing which rose from 9 to 47 had a weekly decrease in mortality. Retail casualties fell to 80 from 104, wholesale to 20 from 24, construction to 13 from 21, and commercial service to 19 from 23. Manufacturing and wholesale trade were the only lines in which casualties exceeded their 1949 level.

The Middle Atlantic and Pacific States accounted for the major portion of the week's decrease. Mild dips appeared in most areas, although slight increases occurred in the West North Central, South Atlantic, East South Central and Mountain States. Casualties equalled or exceeded their 1949 levels in six of the nine regions, exceptions to this pattern occurred in the New England, South Atlantic and West South Central regions.

WHOLESALE FOOD PRICE INDEX MOVES SLIGHTLY HIGHER

Resuming its upward trend, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose two cents in the latest week to stand at $5.85 on Feb. 28. This was slightly above the comparable 1949 level of $5.82, but it was 12.7% below the corresponding 1948 figure of $6.70.

The index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

WHOLESALE COMMODITY PRICE INDEX MAINTAINED AT RELATIVELY HIGH LEVEL

The Dun & Bradstreet daily wholesale commodity price index held in a narrow range at a comparatively high level during the past week. The index finished at 248.93 on February 28, comparing with 249.16 a week earlier, and with 259.41 on the corresponding date a year ago.

Price movements in leading grains were somewhat irregular with wheat, corn, oats and barley showing moderate advances for the week.

Activity on the Chicago Board of Trade increased slightly for the week but volume remained well below that of a year ago. Strength in wheat reflected a scarcity of the cash article in both the Southwest and Northwest, prospects of a substantial export business in the near future and reports of unfavorable crop developments in the Southwest.

Corn prices rose largely in sympathy with wheat with demand from industries and feed interest fairly active. Marketings of corn continued small due to poor road conditions over much of the belt.

Domestic cotton values continued their upward trend last week with spot quotations at New York as well as all active futures contracts rising to the highest levels of the season.

Sales reported in the ten spot markets amounted to 150,000 bales, against 186,800 the previous week, and 147,900 a year ago. Last week's total represented the smallest weekly volume since the latter part of August. Export sales dropped off sharply last week after reaching the season's peak in the preceding week, according to the New York Cotton Exchange. For the current season through February 16 exports totaled about 2,785,000 bales, as against 2,336,000 in the comparable period a year ago.

Entries of the staple into the Government's 1949 loan stock during the week ended February 16 dropped to 43,000 bales, from 62,000 a week previous, while withdrawals rose slightly to 50,000 bales, from 49,000 the week before.

RETAIL TRADE SHOWS MILD GAIN FOR LATEST WEEK—WHOLESALE TRADE VOLUME SLIGHTLY UNDER LEVEL OF PREVIOUS WEEK AND YEAR AGO

Despite a continuance of snow and cold weather in many areas, consumer buying increased slightly in the period ended on Wednesday of last week. Over-all dollar volume for the nation was slightly below that for the comparable period of a year ago. The soft-coal strike, although exerting a mildly repressive influence in scattered localities, did not appreciably affect total country-wide purchasing, according to Dun & Bradstreet, Inc., in its current summary of trade.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 2 to 6% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

East and South—3 to—7; New England +3 to —1; Midwest —4 to —8; Northwest —2 to —6; Southwest —1 to —5 and Pacific Coast 0 to —4.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 25, 1950, showed a decrease of 5% from the like period of last year. In the preceding week an increase of 2% (revised) was registered from the like week of 1949. For the four weeks ended Feb. 25, 1950, sales reflected a decline of 1% from the corresponding period a year ago, but for the year to date show a drop of 4%.

Retail trade in New York the past week registered some improvement with department store sales estimated at about 2% above the comparable period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 25, 1950, fell 13% from the like period last year. In the preceding week a drop of 4% (revised) was registered from the similar week of 1949. For the four weeks ended Feb. 25, 1950, a decrease of 6% was reported from the like week of last year. For the year to date volume decreased by 8%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity."

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Problems of the Prospectus

fers the security or solicits an offer, the law permits the prospectus to be withheld until the transaction is confirmed or the security is delivered.

These provisions create the setting of our problem. In a highly competitive and risky business the law imposes a period during which the mails or interstate facilities of communication cannot be used to set up a distributing organization or to solicit buyers' interest. When the registration statement is effective offering can take place only by word of mouth or at first through the full statutory prospectus.

What have all these restrictions added up to? Securities are sold by word of mouth. Business is done by telephone. While the law condemns offering before registration is effective, the SEC encourages broader dissemination of information, particularly to dealers, in a document that is a prospectus in everything but name before registration is effective; I am referring to the so-called "red herring" prospectus. Except for institutional buyers who often insist on seeing prospectuses before they buy, customers are sold securities long before they ever see either a prospectus or any decent set of facts about the investment. Sometime later the investor sees the prospectus—a document which is often formidable and beyond his comprehension and which amounts, under the circumstances, to showing the menu after the dinner is over.

Proposals for Changes

What have been the reactions to this situation?

First: Every proposal for revision of this Act, whether it has originated within or outside of the SEC, has carried with it a proposal to do away with the ban on offering and solicitation before the registration statement becomes effective. It has been universally recognized that with effective protections to the investor this restriction of offering has become an unnecessary limitation on a business which is highly competitive and risky, and in which commitments naturally carry with them the pressure to take steps to measure anticipated demand and to cut down risk.

Second: Every proposal to amend the law, whether arising from inside or outside the SEC, has included a proposal to liberalize the use of written offering material in addition to the prospectus. While there have been disputes as to how far the law should go in permitting written offering material which did not amount to a prospectus, there has been agreement on the proposition that we should eliminate the present requirement that the prospectus be substantially the first piece of informative literature.

Third: It has been recognized that the prospectus, in order to be useful to the average investor, needs streamlining. But it has been proposed to do the streamlining by government fiat and by dispensing official immunity for condensation. And it is still the view of many, with which I cannot agree, that the same document, the prospectus, should serve a combination of purposes which, to my way of thinking, one document simply cannot be made to serve in many cases. It is hoped that the document can be full enough to contain, in one package, all the material legal representations of the issuer and the distributors about the security so that they can defend themselves against liability for misrepresentation or omission. Also, it is hoped that the document can be ample enough to satisfy the searching analysis which many institutions and financial advisers will want to give. But, at the same time, this same document is intended to be a useful, streamlined piece of literature that will invite the lay investor's perusal and be simple enough to satisfy his capacity for absorbing information about investments.

What is the answer?

Mr. Hooper, who preceded me on this platform, has commented on the problem of the prospectus in a recent issue of the "New York Security Analysts' Journal." His diagnosis coincides with that of others who have devoted their attention to this problem. In essence, Mr. Hooper has said that the prospectus is not serving its function of informing the lay investor because it has come to be a legal document rather than an informative piece of selling material. He would preserve the prospectus because he agrees with many that the prospectus is useful to dealers, institutions and professional analysts, and he has caught the essential point that the requirement of the disclosure itself effectively nips in the bud many schemes that would wither in the light of full disclosure. But he has expressed doubt whether any condensation of the prospectus pursuant to government order would transform it from a legal document into a useful adjunct to the distribution process as far as the ordinary investor is concerned. While he would preserve the prospectus in its present form as a useful tool for dealers institutional investors and financial analysts, he would give complete freedom to distributing houses to circulate selling literature, and he has suggested that the prospectus be available on request to anyone who thinks he can use it.

In sharp distinction to these views are the ideas of those who insist that we should still rely on the prospectus, as we know it today, as the primary vehicle for information for all investors and who think that the prospectus should be delivered to every buyer, whether lay or professional, a given time before sale.

Suggestions Raise Difficult Problems

This is a dispute in which it is easier to isolate the problems than to solve them. Suggestions such as those made on his own behalf by Mr. Hooper have the merit of flexibility and recognition of the practical problems faced by distributors. However, those suggestions raise certain difficult problems. Many securities' distributors do not want a system of unrestrained selling literature. They fear the constant pressure in this competitive business to stoop to the lowest level of their competitors. They welcome uniformity and restraint in selling literature as the price of maintaining a high ethical level of business practice. They recognize that license in the use of selling literature may entail more stringent regulation than now exists, and perhaps make it more important than ever to give prospectuses to all customers as an assurance that a scrutinized document, containing all the permissible representations, has gotten to the buyer and will help to foreclose the possibility of suits in a falling market.

The truth may lie somewhere in between. Essentially, as I have indicated, the prospectus is, and must continue to remain, the place where the seller says all that the law requires him to say. It is and should continue to be, the source from which the dealer, the institution and the analyst can get the full information they want. It is not, to my mind, crucial whether or not the average investor shall get *this* document. Certainly, if he wants it, let him have it—and promptly. Certainly, if distributors' liability must depend on whether or not they have provided this document to investors, let them provide it. What *is* crucial to the present issue is that the ordinary investor—the man for whom this law was passed—shall get something he can use and in time for it to be of use. We have a prospectus for the professional; why not try to achieve a prospectus for the public?

Disclosure is like the spinning of a generator—it yields no light until the current enters a circuit and is channeled into a bulb. As long as we try to make one document do three jobs we cannot pretend that we have brought light to the investor merely by requiring that this document be prepared, distributed or held available.

No amount of pious hoping will transform our lay investors into financial analysts. There are some who think that if we did no more than step up the time in the distribution process when the investor gets his prospectus there will be better general use of the prospectus as we know it today. There may be a lot to that. How much there is to it is a matter of speculation. But it is certainly not speculation to believe that brevity invites reading while bulk repels it; that a representation 90% accurate may as well not have been made if it is going to be lost in a maze of qualifications to achieve 100% accuracy; that a minutely detailed description of a funded pension plan or elaborate footnotes on inventory valuations will not help the average investor to make any decision except throw his hands up in despair.

These are real problems. How they will eventually be answered I do not know. They can be answered only by an unremitting determination to find the best answers. It is to the credit of those who believe in the Securities Act and have lived with its traditions that they have voluntarily undertaken to make a serious study of its operations and to consider methods of revision. They cannot be expected to embrace, without extremely careful analysis, proposals for revision of a law that has been the keystone of our Federal system of securities regulation. On the other hand, the honest securities distributor is expected to believe in his own merchandise and in his own potentialities of service to the investor, and to emphasize the practical difficulties encountered in complying with regulation. It is my sincere hope that in this give-and-take we will be able to find the answers soon.

It is in this area that the financial analyst can be of extraordinary service. To the extent that the financial analyst is professionally devoted to the ideal of more and better information, to the extent that he has no axe to grind for the securities distributor, and to the extent that he has no stake in any given system of regulation, he can bring to these problems a valuable independent point of view. We would welcome your help and the benefit of your experience.

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Imponderables in the Look Ahead

lation pressure. I might also say that I for one am rather sick and tired of hearing statements to the effect that a creditor country must have an unfavorable trade balance. We cannot in our thinking which underlies policy formulation dissociate our exports and imports from our foreign investment policy. We can, in my opinion, carry on a large export balance for some time to come if at the same time conditions abroad and at home are such as to encourage a long-run, steady foreign investment program. To be sure, in the end a creditor country must become a net importer. But I can see that under certain conditions we could be far from that stage in our economic development.

Investment Abroad

This country was for a long time in its earlier history both a debtor nation as well as a net importer. We shall have to place far more emphasis on our foreign investment policy including the processes by which the evidences of our new and enlarged foreign investments are digested within our own internal financial set-up. I feel confident that this will entail the setting up of new types of institutions. We are, for example, far from appreciating the inherent possibilities of the investment trust as a means of developing further foreign investments. I feel equally sure that considering the needs of our internal economy for new financing as well as in the interest of reducing existing rigidities within the economy, our legal lists are due for a thorough-going revision. There is too much of what a sociologist might call cultural lag between the nature of our modern economy and the condition of our legal lists. Needless to say, this process of digesting the evidences of new foreign and domestic investment, be it equity or debts, cannot be divorced from the problem of taxation. Our tax laws, even more than our legal lists, are due for a fundamental going over.

Combining Federal Agencies

These problems of budget, interest rates and investment are not alone. Our private, semi-governmental and governmental agencies which in their daily operations and policy formulation affect the monetary and credit stream are so utterly disorganized that one can only take recourse in characterizing them to the old army saying of being scattered from hell to breakfast. When the Douglas Committee recently recommended that a new agency be set up, a national monetary and credit council which would include Treasury, the Federal Reserve, the Comptroller of the Currency, the chairman of your corporation and the heads of the other principal Federal agencies that lend and guarantee loans, it is at best only a step in the right direction. It could perform, as the report says, an equally useful function as the National Advisory Council on International Monetary and Financial Problems. One is tempted to say: fine, let's have coordination. But one is also tempted to ask: Who will be the coordinator to coordinate those who are supposed to do the coordinating? Whether or not general agreement can be obtained to have this council headed by the chairman of the President's Council of Economic Advisers, as suggested by the committee, may be quite another question again.

Full Employment—A Tricky Thing to Effect

A full employment economy is, as I pointed out, a tricky thing to effect. It is certainly impossible without planning. But let us be careful of our words. There are two types of planning. There is the type of planning that directly interferes with the daily decisions of investor, producer and consumer. Such direct interference with the daily lives of people is of course essential in war. But it has no place in a peace economy of a free people. But there is the other type of planning on which, I believe, the continued freedom of our people will depend—the planning to form a frame within which economic forces may assert themselves to bring to the top the most efficient and to cast out the inefficient. I might add that inefficiency, your submarginal producer as we say in principles of economics, is not always a question of technical aspects. Some producer may become submarginal for reasons beyond his control. In such cases, in the interets of both the economy as well as of fairness, such a casting-out process should be facilitated by appropriate government action.

The problem of economic efficiency merits a little closer inspection. We not only have an iron curtain to the East, and let us not forget also to the west of us; we also have as far as most people are concerned an impenetrable veil cast over our economy. We might call it the monetary curtain that so often hides the fundamental economic processes from the people, the electorate. Suppose we forget about money for a minute. After all, money in any of its many forms is only a claim check, a ticket to goods and services. The economy produces in any given income period a pile of goods and services. Hands reach into this pile from all sides and take goods and services away. From the pile of goods and services produced, we must take the replacements for those items which wear out in the process of producing the pile. We must also take out those goods necessary to increase our productive capacity still further. Then there are the needs for our own governments, from local governments on up to the Federal Government, including defense needs. There are goods to be taken off to satisfy our commitments abroad under military assistance pacts and economic aid agreements, not to mention the stream of our normal net exports. And only then may what is left go to the consumer. The future might convince us that utopia is still far in the dim distance and that we are still living in a world characterized by scarcity. If I am correct in that, then we are certainly still faced with the age-old problem of getting the most from our limited resources.

How we may gain the most from our allocating these resources will again depend on whether we talk of the best possible allocation of resources within a frame of reference of peace, war or defense or within a frame of national self-sufficiency, regional self-sufficiency or whether we assume the existence or at least a development toward a freer flow of international trade under the principles of comparative costs, of the most-favored-nation clause and the convertibility of currencies.

A New Federal Planning Agency

The creation, which includes the preparatory stage of planning to create it, of a frame within which economic forces may assert themselves will certainly include the creation of a Federal agency of cabinet rank which can in the spirit of our Federal Reserve Act control the supply of the nation's money and credit. Naturally, the turning of an already existing agency into such a national monetary authority would offer certain advantages. Whatever one may say against planning, it is here to stay. Our people do not want alternations of boom and bust if they can help it. They are more to them than merely peaks and valleys on a statistical chart. But the question is: What kind of planning? If we do not, I am tempted to say speedily, create the agency which can gather into its hands all the loose ends, loose in more than one sense of the word, to control the nation's money and credit supply, we shall inevitably drift into that other type of planning. We are already far too close for comfort. Surely such answers as for example proposed by the Hoover Commission to transfer the Reconstruction Finance Corporation, the Federal Deposit Insurance Corporation, and the Export-Import Bank to the Treasury fall short of the mark.

I can see some extremely fascinating problems ahead for you. If we continue with our present farm program, production control and marketing quotas will increasingly have to be enacted. Then one might ask what will be the result of such quotas on land values and long-term loans? Will not in the end possession of the marketing quota rather than the fertility of the land decide its value? What will be the relationship of such quotas to the land? Are they inseparable from the land? "Fortune" magazine pointed out sometime ago that in North Carolina good tobacco land can be bought for $60 an acre, but that land having no tobacco marketing quota. The land with a marketing quota will sell for $1,000 an acre.

One other illustration: "Newsweek" referred the other day to a new pressure group of some 20 industries constituting both organized labor and management which has as its avowed purpose the blocking of further tariff reductions. I know the word subsidy has today an awfully starchy taste. But I cannot help but feel that a proper program of subsidies for tariff reductions, on a descending scale, has enough merit to be at least further investigated. Such subsidies would enable a less painful withdrawal of economic resources from one type of activity and facilitate their shift into other productive channels. The frame of which I speak, this frame within which economic forces could again assert themselves more freely, has many bricks in it. There is the problem of creating a national monetary authority on cabinet rank level; the question of a better allocation of our resources; it would include other items such as for example a vigorous anti-trust policy enforced against any and all interests which violate the philosophy of the Sherman Act, that pillar of our democratic society. No group must be immune from challenge and from competition. Only thus can the existing order of things be subjected to perpetual judgment and perpetual development be assured.

Rigidities in the economy make for this other type of planning. We might call it totalitarian planning. This is true whether we look at our present labor, farm or credit problems. As I remarked earlier, there are always policy alternatives. In case of governmental controls, there are always three. Take the farm situation. There are three things you can do. Take off controls and rely upon an eventual market equilibrium in the spirit of Marshallian economics. The problematical outcome, its pain cost and an existing non- or bi-partisan extreme sensitivity to unemployment would make such policy highly unlikely to be accepted. Secondly, you can always keep on with what you are doing. But if you suffer from an internal disturbance in your body which causes a skin rash, the use of ointment to cure it is not very advisable, be that ointment deficit financing or marketing quotas or what have you. Everywhere we look today we can see governmental policies in existence adopted solely in terms of immediate needs. That may be the line of least resistance. It certainly is not the cheapest road in the long run nor is it the road that will give you in the end the frame within which economic forces may more or less freely assert themselves.

The Problem In Its Entirety

There is a third policy alternative, namely to see the problem in its entirety, see it steady and adopt a social philosophy in conformity with which we can create such a frame. I am also under no illusion that there are some people who will most vigorously disagree with what I have said so far. There are those who at the mere mention of a national monetary authority will pin the epithet fascist on your lapel. I do not think that those who oppose the bringing of order into our organizational financial mess have ever understood the Federal Reserve Act in its inherent philosophy. Nor do they seem to appreciate what faces us.

As long as a more or less rigid control over the interest rate exists, we shall have lost control over the supply of money. That has been recently said so often, I almost hesitate to repeat it. But it cannot be repeated too often. But not only is control over the money supply lost, something else has been lost. To illustrate: Control over the interest rate means the support by the Federal Reserve System of the government securities market, a procedure which so euphemistically has been termed the maintaining of orderly conditions in the capital market. I might just say in passing that there is quite a difference between controlling an interest rate to the degree we have seen in the recent past, and shall no doubt see in the immediate future, and maintaining orderly markets. But the maintenance of an interest rate structure necessitates buying of government securities by the Federal Reserve banks under conditions as we shall encounter them almost surely in the future. Buying operations as market support mean the creation of bank excess reserves. Now suppose the creation and existence of such excess reserves should coincide with an increasing upward pressure on prices, would you not encounter for one thing further increases in legal reserves of member banks and possibly also for nonmember banks? The last time we had exactly that situation, the bankers were accused of causing inflation at the same time when government agencies of one sort or another were rather freely lending and spending funds. Surely that seems a peculiar process of reasoning when the government's dollars do not cause inflation, but the banker's dollars do have such effects. Moreover, bankers in their lending activities a few years ago were merely accommodating business in their needs for increased working capital, the result rather than the effect of higher prices. To increase under such conditions the legal reserves of the banks without curtailing the lending and spending activities of all financial institutions regardless of ownership constitutes nothing but a simple discriminatory act and should be opposed as such.

But the story is not finished at this point. Suppose we shall find ourselves in a situation as it existed a few years ago and suppose we shall raise again legal reserve requirements. What happens when people come to their bank and the banker is forced to say to them: "Sorry, my friends, I can't accommodate you. I am lent out." Suppose that happens in many places. Will there not be pressure for the creation of a new set of governmental banks to provide financial accommodations? There has already been in the recent past considerable pressure for the establishment of regional governmental capital banks. Such development would imply to me possibilities and latent potentialities which even to a "radical" like me are not very pleasant to contemplate.

An Agency for Controlling Money Supply

If we wish to avoid such discriminatory actions and their consequences, I cannot see how that can be done without setting up a Federal agency which will have the power to control the nation's money and credit supply and that means the governmental, cooperative as well as the private dollar. Moreover, I cannot see how this frame within which economic freedom can exist, can be created without it. If you wish, call it the price for the other freedoms.

One other point: Our economy is still full of possibilities not as yet exhausted by any means of providing more stability as regards cyclical fluctuations. Take for example public or semi-public construction. A large part of it is of a postponable nature. In the past we have always had private and public construction activities coinciding, with the result that the process of competing for scarce resources brought on a boom only to be followed by a tremendous falling off in construction activities. I wonder whether or not it would be advisable and feasible to set up a council made up primarily of representatives from all of our governments, local to Federal, including public utilities. Then construction plans could be analyzed and members could decide what plans most advisedly should be kept back to be used when other activities in the construction industry have run their course. Of course, I can see the dangers inherent in a National Monetary Authority. I can see dangers inherent in such a council. But there are also dangers in a box of matches, yet no one has so far proposed that we go back to rubbing sticks together because matches in the hands of children or pyromaniacs cause fires. There are just two things to be said in defense of my proposals. One, if you do not want to do it, it will always be impossible. Second, the price of liberty has always been and will always be eternal vigilance.

Perhaps all of us would do well to read Goethe's Faust. You will perhaps remember how Mephistopheles tempts the good doctor with Margarete's beauty and Faust's behavior as a result of it. "Come, bind thyself by prompt indenture, And thou mine arts with joy shalt see: What no man ever saw, I'll give to thee." I wonder whether the Herr Geheimrat, were he alive today, would not be stimulated to do a rewrite job on his Faust. For we, consider us as Faustians, do not have to be shown Margarete. We have already met her and enjoyed her company. In two world wars have we known full employment. Despite the guns, tanks, ships and planes, we as a nation have lived better than before. And we like Margarete's company. So should Mephisto make his appearance again, his persuasive innuendoes will be much more effective than with the good doctor Faust, and they were quite effective then, because Mephistopheles need but remind us of our two previous experiences with Margarete. Mephisto will make his appearance some day again if we give him a chance. And we shall give him that chance if we do not bring our house in order. I mean under retention of what we consider to be fundamental human rights and privileges.

High Governmental Expenditures

We complain of excessively high governmental expenditures. There is no business and the government is a business, which cannot improve its efficiency. But I am reminded what Mr. Dykstra used to tell me when he was City Manager of Cincinnati. Annoyed by complaints over allegedly high expenditures of the city, he stated that the apparent high cost of government is merely a reflection of a high standard of living. There is a great deal of truth in that. I might add also something of an entirely different nature. Suppose we take the productive increases in our economy over the past and project them into the future via a compound rate of growth, the way Professor Slichter does. He winds up with quite a high total national income by 1980, disregarding further possible price increases. But achieving economic growth means making available the money supply without which we might fall short of the level of production that could be achieved with an adequate money supply. Professor Slichter said only recently that he felt little attention has thus far been paid to how rapidly the country needs to expand its supply of money and what the best way is for it to get the needed increase in money. It may become necessary to run a small annual Federal deficit—Professor Slichter speaks of a billion dollars per year—to make these additional funds available since, so he argues, other channels will make only an insufficient amount available. This is not so strange, for even under the gold standard we used to say that a country which uses gold but does not mine it at home must normally have a small net import if its gold reserves are to grow in line with its productive capacity.

Some Factors in What Is Going to Happen

To those of you who still insist on knowing what is going to happen, I will say this: Get your pad and pencil and add up the following: See if you do not come up with the same answer as I. Add defense expenditures, expenditures under foreign military, economic aid and the so-called normal exports. While you add these figures, keep a few things in mind. No one should be surprised if Moscow does some integrating of her own in Eastern Europe while we still discuss it in and for the West. For a totalitarian regime, complete integration is much easier to accomplish than under democratic regimes because vested interests are not there to complicate economic integration, which after all means a reallocation of all economic resources including human. The Russians have two strong cards to play as regards the Germans. Only they can give them back their eastern lands now in the hands of the Poles. Germany is certainly more important to the Russians than the Poles. Secondly, Russia can use the Far Eastern markets as a further attraction. Germans were always interested in China and the Germans must consider these markets in the absence of markets that will support their industries. Then there is the rice bowl of Asia (Burma, Siam, Indo-China) which Russia certainly aims to control. Perhaps we would do well to re-read Abraham Lincoln's statement, the opening words in the first speech of his campaign with Douglas. No doubt these words are as unpleasant today as they were then.

Let us also remember that for better or worse we are now committed to a full employment economy. But when you underwrite it, there is always danger of pulling out every economic penalty in the system against new price and cost increases so that the price level inevitably receives an upward bias. Add to that the fact that social security in one form or another continues to grow and broaden. Add our impotence today under existing monetary and credit policies and institutional set-up to control the nation's money and credit supply. In fact one might say that as long as we make fiscal needs the sole criterion for monetary and credit policy, we inject a terrifically unplanned element into the picture. If the Federal Reserve banks have to maintain the price of government securites, we have monetized the debt. Anybody and everybody can exchange securities for deposits or currency. That is exactly the reason why I so unalterably oppose a return to a gold (coin) standard. We have too many unforeseeable and unplanned forces already to consider so that such return would merely add another unplanned element. Under a gold coin standard the initiative for overall monetary control would, through free public withdrawal of gold from the nation's monetary reserve, rest in the instinctive or speculative reactions of the people. What would happen if a radio commentator should scare the daylights out of people so that we would have a run to convert funds into gold? That contingency unfortunately is today always present, besides a few others, so that this so-called return of control over fiscal policy to the people via gold convertibility could be disastrous. I admire the integrity and the motives of those who propose a return to gold today, but I fear what they might unknowingly inflict upon us and our country.

And so when you have finished adding, does it not look as if things would continue to run along quite well? Yes, I am afraid, too well. There are too many among us today who have written on their banner, "If we fall, let's make sure that we fall upstairs." And in order that they might be sure to fall upstairs, they are leaning just a little in that direction. I sincerely hope that you agree with me as regards the necessity of re-examining our institutional structure in order to restore control over the nation's money and credit supply. The phenomenon of vested interest is not one that is peculiar to the academic profession or business. Unfortunately it also comes as a by-product of a larger government. But this country is today faced with such a threat to its survival that all of us, no matter in what capacity we may serve, must learn, hard as it may be, to cooperate in developing the type of institutions and policies which will increase our survival power and above all will retain those privileges and freedoms for which Americans have always worked, fought, and died.

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(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Halvor F. Holbeck has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

R. H. McCormick Opens

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Robert H. McCormick, Jr. is engaging in a securities business from offices at 332 South Michigan Avenue.

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(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Seymour Banish, formerly with Faroll & Co., is now with Reynolds & Co., 208 S. La Salle Street.

Wm. R. Staats Adds

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(Special to THE FINANCIAL CHRONICLE)

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As We See It

Careful analysis of what has taken place is, accordingly, very much in order, and to point out the flaws of public policy is, therefore, not merely to cry over spilled milk. On the contrary, if the American public cannot be persuaded to take advantage of this temporary surcease from sorrow—for temporary it is certain to be—to take its bearings, then there is little reason to expect any real relief from such experiences as we have been having since the end of the war, or indeed since the beginning of the New Deal.

Taft-Hartley

Since the Taft-Hartley law is the *piece de resistance* of much political controversy in this connection at the moment, and gives every appearance of being certain to remain before the public eyes for a good while to come, it may be well to begin with the way in which it was employed in this instance and with some appraisal of the act itself in light of the instant case. First of all, it must never be forgotten that the President was again and again on record as regarding this legislation as a "slave law," wholly unworthy of the American people or of the American system. His stubborn refusal to make use of its provisions until faced with a really desperate situation can scarcely have failed to make more difficult any really effective use of it when he finally was driven to action. Neither the miners nor their union officials can well be censured for doubt as to whether the President's heart was really in the steps to which he was finally driven.

Such an impression was doubtless strengthened by the conduct of the Administration officials whose duty it was to prosecute the case once it was before the court. Certainly, dispassionate observers did not fail to note and to attach deep significance to the halfhearted and almost incredibly weak handling of the contempt proceedings. There may be some strictly technical reason why the citation requested should have directly threatened no individual, but most observers find it difficult to see why such a course should have been taken. To most students of this strange affair, there was likewise a strange failure to adduce evidence in support of the contempt plea. One hesitates to find in the text of the court's verdict any criticism of the way in which the case was presented, but it is difficult to pass over the following passages of the court's decision without wondering:

"This court does not hold that any telegram or combination of telegrams or letters would constitute a good faith compliance with an order directing action on the part of the union. It does hold that, where the union has sent communications such as are included in this record, the apparent good faith of such communications must be controverted not by mere suspicion based on failure to obtain results, but by clear and convincing evidence, if they are to be ruled by a court of law to constitute only a token compliance.

"It was testified on behalf of the union that no union funds have been used to aid striking miners since issuance of the temporary restraining order. There was no attempt to disprove this testimony.

"The record shows but one affirmative action which the union might have taken but omitted to take —namely, revocation of the charters of local unions which notified union headquarters they have voted not to comply with the back-to-work order, a sanction authorized by the union's constitution.

"This omission, in my opinion, is not sufficient to prove either civil or criminal contempt, particularly in view of the terms of the restraining order, which directed the union to take 'all appropriate action . . . to insure that . . . all members of said union . . . cease the said strike, to return to their employment.' There is no showing in the record that such action would have been appropriate.

"It may be that the mass strike of union members has been ordered, encouraged, recommended, instructed, induced, or in some wise permitted by means not appearing in the record; but this court may not convict on conjecture, being bound to act only on the evidence before it."

More Serious Aspects

But if the corroborated testimony of many witnesses is to be accepted, much more serious aspects of this entire matter were overlooked both by prosecuting officials and by all other law enforcement authorities. Whatever may be thought of the good faith of letters and telegrams and other actions taken or omitted by the union and its officials, there can be no doubt that armed men (is there any one so naive as to suppose that they were not members of the union?) ranged up and down the mine fields seeing to it that coal was not mined, not only by union miners but even by non-union miners in some instances at least. Now, we are not learned enough in the law to be able to say whether these individuals, even if they were members of the union, could have been held in contempt under the injunction as issued, but we are quite certain that if they could not have been, the terms of the injunction were at fault—or else there is something radically wrong with our system of jurisprudence. Why did Administration officials remain silent about all this both in court and out? And how does it happen that neither local nor State nor Federal officials took direct action in a situation which obviously flouted the law of the land in a dozen different ways?

The dispassionate observer finds it difficult to shake the suspicion that the Administration was well satisfied to have this hated Taft-Hartley law fail, and, whatever may have been its intentions or desires in the matter, when that act failed its efforts to obtain power to seize the mines almost instantly brought concessions from the operators which chalked up another dramatic victory for the miners. The whole thing smells to heaven.

More Vigor Needed

What is obviously needed is not a softening or a repeal of the Taft-Hartley law, but, first of all, an executive department which will enforce with vigor and in good faith the law of the land, and, second, a much stronger act which would embody provisions (some of which were under consideration when the present act was placed on the statute books, *e. g.* the outlawing of industrywide bargaining and agreements) which would prevent the rise of conditions which this time finally obliged a reluctant President to step awkwardly into the fray.

Some real lessons are to be learned from this coal strike—and they are not what the union leaders will be asserting in the months to come.

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The Outlook for Stock Prices

Industrials was not likely to be broken materially, if at all, at any time in the next three years; and that the 1947 and 1948 highs for the leading industrial stock averages were reasonably certain to be exceeded by somtime in 1949.

I am giving you this background principally because it has a major bearing on my reasons for being cautious in the 200-210 range of the Dow-Jones Industrials.

I did not go along with those who were looking for a repetition of the 1920-type of business and market decline in 1947, 1948, or 1949, primarily because of the presence of several very important supporting factors in our economy. These included:

(1) The size of the backlog of pent-up demands for such cyclical products as automobiles, agricultural implements, and railroad equipment, as well as industrial and residential buildings. As long as the urgent pent-up demands in these fields were unsatisfied, it was virtually impossible to have a downward spiral in business. Cancellations of orders by one group of buyers did not materially affect production because others were ready and anxious to secure the goods which were released.

(2) Ever since the end of the war, we have been enjoying an average export surplus of about $6 billion a year. In 1946, this surplus amounted to $4.8 billion; in 1947, to $8.7 billion; and in both 1948 and 1949, to about $5.5 billion. This meant that a substantial part of our surplus capacity was being absorbed, on balance, in foreign markets, and therefore was helping to maintain our domestic payrolls without using up the buying power of the workers.

(3) A third supporting factor was the low level of consumer borrowing, which was being kept in check by the Federal Reserve Board. This helped to keep intact a reserve of buying power which could be released (and which was released last year) as soon as the supply of goods exceeded the requirements of cash buyers.

(4) A fourth point was the widespread holdings of government bonds and wartime cash savings, which were helping to convert the pent-up demands into effective demands.

Bullish Forces Subsiding

I believe you will all agree that these principal supporting factors of the past three years are becoming progressively less potent. It is now possible to buy any make of car without paying a premium, and most cars are available at a discount from list prices. The same thing is true of certain electrical appliances. In spite of the pick-up in new orders for railroad equipment during the past two months, it seems unlikely that freight car production will climb back to the levels of 9,000 to 12,000 units a month turned out during the first half of last year.

Consumer credit expanded by about $2 billion in the last six months of 1949, and while a further rise is possible before we exceed prewar ratios to consumer incomes (unless there should be a sharp decline in wage payments), the fact remains that a larger proportion of the next 12 months' payrolls has been mortgaged than was the case at any time since before the war. In this connection, it is pertinent to note that Federal Reserve studies indicate that a large proportion of our 30 million families whose incomes are less than $5,000 a year, have redeemed all of their savings bonds.

Our export surplus is also starting to decline, even though the full effects of devaluation will probably not be witnessed until sometime this Spring or Summer. It would not be surprising if, by that time, our net export surplus declined to between one-third and one-half of the 1947 rate of almost $9 billion a year. Building activity will probably hold up quite well for a little while longer, but expenditures for new plant are declining, and apartment house vacancies are beginning to show up in a number of cities.

Offsetting Factors

There are, of course, certain offsetting factors which must be taken into consideration. The first of these is the high yields available on common stocks. I personally feel that this is not too important, because most buying and selling of stocks is motivated primarily by a desire for capital gains, with income being a secondary consideration. Furthermore, the influence of the yield factor is largely canceled by the low level of new capital accumulations in the hands of normal buyers of equities. As long as income taxes are held at such a high level that individuals in the higher brackets have neither the savings nor the incentive to buy stocks for income, we are faced with a certain amount of attrition in our capital markets. This may not show up for awhile, but it is undermining our basic economy.

Another supporting factor in the stock market is the fear of inflation. I concur in the view that our national fiscal and labor policies are undermining the basic value of the dollar, but experience during other periods in this country and abroad shows that an undercurrent of inflation does not preclude cyclical swings in stock prices. Anyone who will take the trouble to go over the files of early 1937, when the unprecedented phenomena of seven consecutive years of deficit financing was heralded as a dominant market factor, will see the truth of this observation. I think we should also bear in mind that deficit spending at the rate of $4 billion a year, under current conditions, represents the equivalent of less than 2% of our national product.

We are also hearing a great deal about the probable effect on our stock market of the investment demands of the newly created or prospective pension funds. I think that we are jumping to conclusions if we count on any substantial amount of equity buying from this source during the 12 to 24 months immediately ahead. At best, it seems unlikely that purchases for pension fund accounts will offset the sales by those who follow the Formula Plan principles of investing.

The outlook for the stock market on the basis of the economic factors I have just outlined is supported by various international and psychological forces such as the lack of confidence in the Administration, and the virtual certainty of disturbing developments in Europe from time to time. We have won the war but lost the peace, and it looks as though we are losing the cold war. If it were not for this domestic and world political background, there would be more reason for expecting stock prices to climb back to prewar ratios to earnings and dividends.

The Technical Aspects

A final point I want to mention in support of my current market views is the implications of certain long-term technical studies which I have followed in actual practice since 1930. That is, the apparent existence of three, overlapping, 10-year cycles. Like most technical work, I believe this approach should be used only as an additional means of checking conclusions drawn from more fundamental studies.

The duration of the upward and downward phases of these cycles tends to vary somewhat, so that they are not susceptible to exact mathematical formulae. They are of more help in forecasting the approximate timing of cyclical turning points than they are in telling us how large an advance or decline is likely to be seen during any particular period. Presumably, this is because the extent of any move depends to a considerable degree on man-made decisions and on fundamental conditions. Over the past 60 years, the declines following the indicated timing of cyclical peaks under this approach averaged between 30% and 40%, with only one reaction amounting to less than 20% in one or more of the leading stock averages.

The cycle with which we are concerned at the moment points to a probable market pattern this year comparable to that of either 1940 or 1946. It may be worth noting that in 1940, the prevailing view was that a substantial decline in stock prices was unlikely because of the increase in our expenditures for armaments, and the orders being received from England and France following the outbreak of war in the preceding September. In 1946, this timing work gave definite warnings of a probable sharp decline in stock prices in face of such supposedly dominant bullish factors as a record-breaking level of bank deposits, the pent-up demand for goods, and the imminent collapse of price controls.

In closing, I want to make it clear that my remarks have been concerned primarily with the cyclical, rather than the very long-term Outlook for Stock Prices. It is too early to say whether the next correction or "bear market" will run its course within a few months, or whether it will extend over a period of a year or longer. When this decline does run its course, I believe that stocks will again be a purchase in preference to government bonds, for a subsequent advance to well above the highest levels touched at any time in the past 18 to 20 years.

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Guideposts for Railroad Investors

those of western and southern carriers. In the case of 34 major system mortgages, there was a definite shifting of position.

The mortgages showing improvement relatively as to yield in the over-all decline of the bond market were 13 for western and southern roads and but four for eastern carriers. On the other hand, ten eastern issues lost ground relative to changes in the ranking as to yield, while but four western and southern bonds lost ground in this way. The other three of the 34 showed no change and retained their former positions. The bulk of the losses in relative standing during this decline, in other words, was borne by the eastern roads while the improvements in relative standing occurred mostly in the case of western and southern carriers.

This shift of investor preference is also clearly discernible in connection with rail equities. The action of 15 representative railroad stocks over a period of almost three decades reveals a definite shift of investment approval from the eastern to the western and southern roads. This can be seen easily in the tabulation below:

Comparison of Changes in the Averages of Total Market Value of an Eastern and a Southern and Western Group of Railroad Stocks During Major Moves Since 1921

Major Market Moves—	Six Eastern Stocks	Nine Western & Southern Stocks
Sept. 3, 1929, High as a Per Cent of June 20, 1921, Low	464.8%	296.6%
July 8, 1932, Low as a Per Cent of Sept. 3, 1929, High	8.2	5.7
March 17, 1937, High as a Per Cent of July 8, 1932, Low	707.6	704.4
June 2, 1942, Low as a Per Cent of March 17, 1937, High	38.1	28.2
Feb. 5, 1946, High as a Per Cent of June 2, 1942, Low	422.9	540.7
May 19, 1947, Low as a Per Cent of Feb. 5, 1946, High	52.6	57.1
July 14, 1948, High as a Per Cent of May 19, 1947, Low	142.6	184.2
June 13, 1949, Low as a Per Cent of July 14, 1948, High	67.0	65.3
Jan. 11, 1950, High as a Per Cent of June 13, 1949, Low	129.4	141.2

In this tabulation, covering as it does an extended period in which there were several split-ups and large bond conversions, the prices of the individual issues have been weighted by multiplying them in each case by the total number of shares then outstanding. The resulting presentation is one that automatically makes adjustments for split-ups and is perhaps a valid measure of the impact on John Q. Investor as he scans the financial pages of his newspaper to see what happened to his pet stocks.

The over-all changes in these stocks, grouped separately for six eastern and nine western and southern roads, are shown in respect to major tops and bottoms since 1921. From the low in 1921 to the high in 1929 the six eastern stocks moved up to a total market value amounting to 465% of their value at the preceding low in 1921. That of the other nine carriers, however, trailed markedly; it was but 297%—about two-thirds as much. The eastern stocks did slightly better in the ensuing bear market ending in 1932, but in the next bull market ending in 1937 they were running but neck-and-neck with those of the western and southern roads.

During the last major rise from the 1942 lows, the nine western and southern stocks moved ahead under the impulse of investor preference, and, with the lone exception of the decline lasting about a year and ending in June of 1949, have enjoyed a better gain on each advance and a smaller loss on each decline in the major moves in the averages. In the most recent advance to Jan. 11, 1950, the western and southern equities, advanced to 141% of their June lows of last year—while the six eastern ones moved up to just under 130%—resulting in a capital appreciation for the West on the move greater by over 35%.

Perhaps one further example will suffice to illustrate this major shift in investor preference. At the cyclical top of 1937 practically all railroad stocks made normal major highs following the bear market low in 1932. Then in the next major cyclical top, that of 1946, while the market itself, as shown in the Dow-Jones Rail Stock Average, closed higher in 1946 (68.31) than in 1937 (64.46), the stocks of such important eastern carriers as Norfolk and Western, Chesapeake & Ohio, Reading, Pennsylvania, Baltimore & Ohio and New York Central failed to sell as high as they did in 1937. On the other hand, the equities of such major western and southern roads as Atchison, Atlantic Coast Line, Illinois Central, Northern Pacific, Southern Pacific and Union Pacific exceeded their 1937 highs. This is selectivity in a major way.

Growth Factors

As is now evident to almost all of us, there has been good reason for this change in investor preference. The war in the Pacific theatre added greatly to the flow of goods and supplies moving to our western ports, while the need for fast-expanding war industries caused the construction in the South, Southwest and West of huge establishments for the manufacture of aircraft, vessels, and countless other necessities. Since V-J Day there has been a further migration of industry to these regions—much of it construction of plants which in earlier decades might normally have been built in the established industrial centers of the East and Middle West.

This greater diversification of plant sites since World War II was not only fostered by the Government as an additional safety factor in an atomic age, but it was also accelerated immensely by the vast quantities of industrial raw materials that had been found in these areas. The industrial history of America has been one of baby industries starting on our Atlantic Seaboard, growing and then spreading across the Appalachians into the Middle West as coal, minerals and other basic raw materials were discovered. People by the hundreds and thousands trudged across the mountains, settled in the new lands, developed farms and businesses, and were joined by countless others who wanted to build homes and establish careers in the great Mississippi Valley. The present further movement on to our more southern and western areas is but another step, an inevitable one, in this major process of growth and expansion.

The next tabulation highlights the more recent story of this basic change by comparing population and carloadings for 1940 and 1948:

Population and Carloadings of United States and Principal Regions 1948 as Compared with 1940

	*Population: Per Cent of Total 1940	1948	1948 in Terms of 1940 as 100	**Carloadings: Per Cent of Total 1940	1948	1948 in Terms of 1940 as 100
United States	**100.0**	**100.0**	**111**	**100.0**	**100.0**	**118**
New England	6 4	6.3	109	1.4	1.3	109
Middle Atlantic	20.9	20.2	107	23.0	20.0	102
East North Central	20.2	20.3	111	21.6	20.4	111
West North Central	10.3	9.4	102	12.3	13.0	125
South Atlantic	13.5	13.4	110	18.6	18.8	119
East South Central	8.2	7.6	102	8.6	9.4	129
West South Central	9.9	9.7	109	6.0	7.8	153
Mountain	3.2	3.2	113	3.4	3.8	132
Pacific	7.4	9.9	148	5.0	5.3	125
‡Canada	---	---	---	.1	.2	---

‡Carloadings originated on Canadian Lines within U. S. territory.

Sources: *U. S. Census Bureau.

**Monthly comments on Transportation Statistics, I.C.C., Sept. 13, 1949.

While our entire population has increased by 11% during this short period, that of New England, the Middle Atlantic States and the East North Central area has just about remained static when compared to the United States as a whole. The three states in the Pacific region, on the other hand, enjoyed a relatively big increase. The actual amount of population growth appears in the third column of the tabulation for each of the regions, with again the greatest improvements being shown in the West.

Relative growth of freight carloadings affords one out of several possible indications of the shifts in industry and business. New England, the East North Central and especially the Middle Atlantic States suffered distinct losses in their proportions of the over-all totals in 1948 as compared with similar totals for 1940, while all other areas showed percentage gains. Since business is more concentrated in the industrial East and Middle West, these differences make for big increases in actual carloadings, as shown in the right-hand column, in the smaller and less densely packed areas of the South and West. As indicated by these carloading figures, the West and South moved much further ahead of their 1940 status than did the older industrial areas of the nation. It is this greater *proportional* increase in industry that accounts largely for the growth in business of the western and southern, as opposed to the eastern, carriers.

With the present widespread interest in the coal situation, it should be pointed out that the long-term relative decrease in the use of coal from the standpoint of our total energy supply was not responsible for the relative drop in carloadings in the industrial East. The actual amounts of bituminous coal produced and transported in 1948 represented a substantial increase over 1940. Indeed, 1947 was the biggest year in bituminous production this country has ever had, and 1948 was not far behind. If the total in carloadings for all commodities in the industrial East and Middle West had been proportionate to the increase in bituminous production, the figures for 1948 in the righthand column of the preceding tabulation would have been close to 129 instead of 109, 102 and 111, respectively, for New England, the Middle Atlantic and the East North Central States. Thus, the lack of growth in the industrial heart of America as compared with that in the West and South over this eight-year period is in spite of the increase in our production of coal.

A good example of the pace of the growth of industry in the West and Southwest is available in the number of new industries in recent years on the lines of the Southern Pacific System.

No. of Net* New Industrial Establishments Requiring New Spur Track Service on the South-Pacific System

Year—	Number of New Industries
1936	409
1937	512
1938	386
1939	387
1940	401
1941	453
1942	379
1943	213
1944	375
1945	628
1946	1,224
1947	948
1948	838
1949	638
Average, 1936 to 1944	391
Average, 1945 to 1949	855

*Net after deducting establishments liquidated or moved on to lines of other carriers.

The tabulation shows a reasonably important and constant growth factor in new industries from 1936 through 1944. But with the end of the war, a marked increase in the establishment of new industries on Southern Pacific lines took place. The pace slackened somewhat in 1949, but it was still up to its rate of 1945 and considerably higher than in any of the earlier years in this record. The great expansion in oil and chemical plants along the Texas Gulf Coast and the striking diversity in the new industries throughout practically the entire territory of this major carrier should help greatly to cushion it against the ravages of a depression, should one develop in the next few years.

How much of the traffic from industries on the Southern Pacific, as well as from the country as a whole, would have been diverted since the war from the rails to coastwise shipping by way of the Panama Canal if the rates by water had been lower, it is impossible to tell. But figures such as the foregoing help to account for the phenomenal stirrings that have been taking place out in the wide open spaces. Like the finger on a guidepost, they point out the direction taken by American industry as it migrates and expands into the West and South.

Effects on Individual Railroads

This phenomenon of proportionately greater growth has had a profound effect on the fortunes of the railroads as registered by the varying increases in the business of the carriers of one part of the country as compared with those in other regions. These differences may be seen from the accompanying tabulation.

The basic figures underlying this tabulation are the Freight Revenues and Railway Operating Revenues of 42 different railroad systems for each of the years 1938 to 1949. They have been made easily comparable by expressing them as index numbers with the average of the actual amounts for the years 1938 to 1940 considered as 100. In view of the ups and downs of the 1930 decade, 1938 was a subnormal year in business, 1939 a reasonably normal one, and 1940, with the European war developing in fury, somewhat better than normal. The results as averages for groups of years are summarized in the tabulation.

These roads are arranged in the order in which, over the 10-year period 1940 to 1949, their freight revenues increased (Column 1) above the 1938-1940 level. They appear in the resulting ranking from these index numbers as given in Column 2. Just in case there should be marked differences of sequence due to unusual changes in passenger business, I have checked this arrangement by working corresponding figures for the gross from Railway Operating Revenues. The results of this work are given at the right of the tabulation in Columns 7 and 8.

Also in order to determine whether or not the peak war years and postwar period would have changed the picture to any extent, I computed the average Freight Revenues for the last six years (1944-1949), as shown in Columns 3 and 4. Resulting changes in order as a rule were quite insignificant. Finally, in Columns 5 and 6, the changes due to the general decline in business last year are revealed by showing the revenues for 1949 as a per cent of those for 1948 and the order of arrangement that would have resulted had this criterion been used.

The end results of this type of computation and arrangement are summarized at the bottom of the tabulation. Thus, for Column 2, it is apparent that, among the first 10 roads of the 42 arranged in order of their relative increase in Freight Revenues above the base period, eight were western carriers, two southern, and *none* eastern. Approximately the same line-up results for the first 10

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roads in Columns 4, 6 and 8 of the Summary. The next 10 most favored from the standpoint of increase in their freight business were likewise predominantly western and southern, with no more than three eastern roads showing up in any one of Columns 2, 4, 6 and 8.

But when we get below the middle of the tabulation the eastern roads are in the majority. The less the increase in business, the more easterns we get. Of the third group of 10, the result is almost equally divided between the western and southern on the one hand, and the eastern systems on the other. At the foot of the list, however, of the last 12 systems, 9 or 10 eastern roads appear in each of the four summarizing columns.

This tabulation is presented for your convenience and reference in studying individual carriers. It illustrates concretely how the varying regional growth in the country has influenced the growth in the railroads of their respective areas. Take the Atchison, for instance. Its freight revenues for the years 1940 to 1949 averaged 246% of its corresponding revenues for the years 1938-1940, with the result that it earned second place in the tabulation. Obviously, it should as a consequence enjoy a better cushion of business to support it in the event of a general depression than, let us say, the Reading. This latter, also a well-managed road, averaged during the last 10 years but 180% of its 1938-1940 freight revenues; as a result, it places as Number 31 in the list. Then in the general decline in railroad business last year the Atchison was able to maintain 92% of its 1948 freight revenues, while the Reading held on to but 84%.

Other things being equal, the burden of proof would seem to be upon the advocate of the eastern as opposed to the western carrier. On the whole, it would seem reasonable to favor the securities of roads well up in this tabulation as compared with those well down in it.

Other Statistical Aids

Every student of railroad credit, however, knows that revenues in themselves cannot be the sole criteria for determining choice in the purchase or sale of railroad stocks and bonds. Important monthly as well as yearly figures of various kinds are available in profusion to anyone who is willing to study. From them, the following can readily be ascertained:

(1) The ratio of Fixed Charges to Railway Operating Revenues.

(2) Coverage of Fixed Charges currently and in the immediately preceding 10 to 20 years.

(3) The ratio of Fixed Charges plus Net Equipment Rentals to Railway Operating Revenues.

(4) Net Working Capital relative to Fixed Charges.

(5) Sales as measured by Ton-Mile figures and Revenue Freight Density.

(6) Efficiency of operation as measured by such factors as Net Ton-Miles per Loaded Car-Mile and Gross Ton-Miles per Train-Hour.

(7) Control of expenses as revealed by the Maintenance, Transportation, Wage and Operating Ratios.

(8) Absence of bank loans or large near- or medium-term bond maturities.

(9) Relatively greater or lesser reduction in Funded Debt and Fixed Charges.

A detailed breakdown in these respects for all the 42 roads is possible, but their presentation would take hours instead of the minutes available for this discussion. My impression, however, is that, for the most part, a study of these criteria would largely favor the roads in the West and South, as compared with those in the East. Last week, for example, I noticed in a release by the ICC that only one eastern road managed to turn in a lower Transportation Ratio last year than in 1948, while 20 southern and western carriers accomplished this feat in a year of lower business volume.

Utilization of Plant

One factor in the situation that has an important bearing in financial strength is the relative scope of railroad plant in the different regions. The big eastern systems have been built up for heavy density traffic that flows between big cities and smaller ones which are not very far apart. Those in the West, however, have necessarily had to contend with much longer hauls between terminal points and lighter tonnages per mile of road.

With the war and postwar period, the eastern roads had a good increase in business over the 1938-1940 level, it is true, but an increase which their well-built heavy density lines were obviously equipped to handle. But the war in the Pacific and the unusual expansion of industry into the West and South gave a relatively much larger business to the lighter density roads in those sections. This business they were able to take in their stride as they, together with carriers all over the nation, installed new Diesel power, Centralized Traffic Control, and other technological developments making for the efficient handling of their unprecedented loads.

Remember, too, that railroads such as the Union Pacific; Western Pacific; St. Louis Southwestern; Atchison; Texas & New Orleans; Kansas City Southern; Missouri Pacific; Texas & Pacific; Seaboard; and Atlantic Coast Line increased their Railway Operating Revenues over *three* times in the peak year 1944 over the 1938-1940 base, and that all nine systems in southwestern territory *averaged* over three times. And all this was done without double-tracking existing single-track main lines. In the East the 16 carriers in the tabulation, most of them amply equipped with extensive multiple main-line track, averaged but *two* times. When traffic declined as it did last year from a level almost three times normal, it caused less difficulty than when it declined from one less than two times normal. The old standbys in the East, therefore, had a poorer cushion to start with and found it harder to adjust their costs to the relatively lower traffic they got in 1949. Indeed, since 1945 we have become almost inured to seeing some of the old favorites in the East turning out monthly reports in red figures.

Some of the more dramatic losses of the eastern roads can be ascribed to the serious stoppages in the production of steel, coal and other industries where in their territories industrial unionism is most strongly entrenched and where crucial labor situations have plagued especially this major industrial area of the country since V-J Day. And I might also note that, if the recent prolonged labor troubles in the bituminous coal industry result in a further actual decline in coal transportation with consumers changing over wherever possible to competing forms of energy sources during the next few years, the tonnage and earnings situation of the major eastern carriers may be further complicated and adversly affected. I submit that the above factors are another investor guidepost pointing away from the East.

The Problem of Regulation

There is little need to stress the competitive difficulties of our railroads. You are all familiar with them. The inroads from truck, bus, inland waterway, pipeline and airplane have been in evidence over the years and have been shouted from the housetops. The managements are meeting these vexing problems as they can, and most certainly they are well aware of them. Yet often they are helpless to move quickly, for they are caught in the vise of regulation as prescribed by law.

The top authority, of course, is the Interstate Commerce Commission, which prescribes safety precautions, forms for financial and operation reports, and the rates the roads can charge for their services in interstate commerce. There are also the several state regulatory bodies which determine intra-state rates and control maintenance of services that may no longer be needed and are even rendered at a loss. And then there are the regular and special arbitration, mediation, and fact-finding boards which often exert a determining influence on wage increases and working rules that add to the cost of railroading. In all this medley, there is no one group with top responsibility; rather, the right hand does not know or care what the left hand is doing, and the buck is passed freely around the circle. As a result, the railroads find themselves bound by countless regulatory strands, no one of them ultra-serious but all of them, when taken together, making up a constrictive net of baffling complexity.

Already various railroad leaders have been suggesting a relaxation of regulatory powers. Among others, Mr. Whittemore, formerly of the New Haven, made a convincing plea to this effect before a traffic group in Chicago over a year ago. The burden of the argument is that, while the railroads had a virtual monopoly when regulation was first imposed, they now are beset by vigorous competitors and their monopoly is gone. The regulators, however, are still preforming under the old rules, with the result that the railroads are frequently restrained from taking decisive action in meeting that of the truckers and of other competitors. We should like to believe that something will be done about it soon and that new laws removing, at least in part, the heavy load of officialdom will be put on the statute books. Well, maybe this lightening of the regulatory burden will come to pass sometime, but, as another factor in this discussion, I would suggest that such a hope just yet is probably premature.

From Grievances to Regulation

Many of you remember how, in the earlier part of this century, the public came to fear and dread the action of railroads. I was raised in a small village in Western Ohio where the two lines of the Panhandle from Columbus converged before they entered Richmond, Indiana, on their way to Indianapolis and St. Louis. There were the stories told me as a child as to how the earlier settlers of this village, which they had endowed with the magnificent name of New Paris, assumed that, when the railroad came, their village would grow into a great city. The disappointment was great, however, for it was in Richmond, but six miles away, that the Pennsylvania built its shops, as it was there that the line from Cincinnati to Logansport crossed the main East and West line con-

A Comparison of the Average Growth of 42 Railroads During Past Decade in Freight Revenues and Railway Operating Revenues to the Average for 1938, 1939 and 1940.

(In Terms of Average for 1938-1940 as 100)

	1	2	3	4	5	6	7	8
	All Freight Revenues						Rwy. Oper. Revenues	
Railroads:	Aver. of 1940-1949 as % of 1938-'40	Resulting Order	Aver. of 1944-1949 as % of 1938-'40	Resulting Order	1949 as % of 1948	Resulting Order	Aver. for 1940-1949 as % of 1938-'40	Resulting Order
St. Louis Southwestern	266	1	307	1	93	9	268	1
Atchison	246	2	290	2	92	15	258	2
Atlantic Coast Line	242	3	275	3	90	18	252	4
Seaboard	237	4	274	4	92	11	254	3
Kansas City So. (incl. L. & A.)	234	5	262	6	93	8	241	8
Texas & New Orleans	231	6	261	7	93	10	242	7
Union Pacific	229	7	259	8	92	12	248	5
Missouri-Kansas-Texas	229	8	267	5	89	21	234	9
Western Pacific (Co.)	227	9	253	9	90	19	247	6
Southern Pacific (System)	220	10	248	10	92	13	229	10
Missouri Pacific (System)	219	11	248	11	80	39	223	12
Denver & Rio Grande Western	209	12	235	13	95	4	218	13
Texas & Pacific	204	13	242	12	80	40	226	11
Western Maryland	203	14	230	15	86	30	205	17
Chicago, Burl. & Quincy	202	15	234	14	90	20	205	18
Northern Pacific	201	16	226	17	96	2	207	16
Southern Railway	201	17	225	18	86	27	213	14
Baltimore & Ohio	201	18	223	19	89	24	203	19
N.Y.Chic.&St.L.(incl.Wh.&L.E.)	198	19	216	21	86	26	198	24
St. Louis-San Francisco	198	20	228	16	95	3	211	15
Class I Roads	**193**		**215**		**89**		**209**	
Great Northern	192	21	212	22	98	1	197	25
Delaware & Hudson	191	22	210	23	82	37	187	29
Pennsylvania	190	23	205	27	82	35	200	21
Illinois Central	189	24	209	26	95	5	198	22
Wabash	189	25	210	25	86	28	192	26
Gulf, Mobile & Ohio	188	26	210	24	91	16	191	27
Chicago, Rock Island & Pacific	188	27	217	20	95	6	202	20
Louisville & Nashville	184	28	203	29	85	31	198	23
New York Central	184	29	200	30	89	22	187	30
Chicago, Milw. St. Paul & Pac.	182	30	204	28	94	7	191	28
Reading	180	31	196	31	84	33	185	32
N. Y., New Haven & Hartford	179	32	189	35	84	34	186	31
Erie	176	33	190	34	85	32	175	34
Boston & Maine	176	34	191	33	82	36	174	35
Chicago & North Western	170	35	188	36	89	23	177	33
Maine Central	166	36	194	32	90	17	170	37
Chesapeake & Ohio (incl. Pere M.)	163	37	182	37	82	38	170	36
Lehigh Valley	162	38	168	38	86	29	165	38
Delaware, Lack. & Western	155	39	168	39	88	25	151	41
Chicago Great Western	151	40	165	40	92	14	157	40
Norfolk & Western	150	41	161	41	79	41	158	39
Virginian	131	42	139	42	76	42	133	42
Summary by Regions:								
Of the **First Ten** Roads in "Resulting Order" there were:								
Western		8		8		9		8
Southern		2		2		1		2
Eastern		0		0		0		0
Of the **Second Ten** there were:								
Western		6		7		6		6
Southern		1		1		3		1
Eastern		3		2		1		3
Of the **Third Ten** there were:								
Western		3		2		2		3
Southern		3		3		1		3
Eastern		4		5		7		4
Of the **Last Twelve** there were:								
Western		2		2		2		2
Southern		0		0		1		0
Eastern		10		10		9		10

necting Pittsburgh and St. Louis. It was Richmond, not my town, that grew into the city.

There were literally scores and even hundreds of such instances where the judgment or the arbitrary whim of the early railroad builders resulted in the making or unmaking of an ambitious community of pioneer Americans, for it was not until the railroads were extended across the Appalachians and into the interior of the continent that our centers of population on the seaboard could be duplicated in the Middle West and eventually in the far western parts of this country. Chicago, though on a great inland lake, grew up as the railroad hub of the United States. Indianapolis, Kansas City, Denver, Salt Lake City, Fort Worth, Minneapolis, and many other cities and important towns were made possible by the location and growth of their railroads.

Also, I remember in my school days those livid cartoons in even conservative newspapers, which pictured the railroads and the trusts side by side as two big, corpulent, coarse-visaged gents dividing between them the paltry substance of a little man called The People. It was then commonly believed that railroad lobbies spent huge sums in the Legislatures and that law-making friends could get passes unlimited. As a result of all this, we got regulation, and lots of it—regulation that has become thoroughly entrenched over the years.

Regulation is served and enforced by an extensive bureaucracy which has come to have a vested interest in the continuance of regulation. As Professor von Mises has so well stated in his little book "Bureaucracy," a bureaucrat's job is not dependent on his ability and record in meeting a payroll or the requirements of a free market. Rather is it his responsibility to enforce particular laws and regulations. The carriers might go bankrupt, as many of them did in the 1930s, but, like the doctor whose patient dies, if the bureaucrat has prescribed the usual pills, he suffers no loss of status. Unlike the companies he regulates, he does not have to swim or sink with their success or failure.

Not only does the bureaucrat have a vested interest in his job, as members of the Hoover Commission and economy-minded members of Congress have been finding out, but also in this instance he has to his credit the regulation of an industry which in the memory of many voters was once an ogre of the first class. Consequently, the prerogatives of the regulators of our railroads will not be whittled down by anything so simple as wishful thinking.

Need of Favorable Public Opinion

Whether the railroad industry has underwritten public opinion polls to find out through the sampling process just where it stands in the minds of the average citizen, I do not know. If such polls were taken, I would think they would show that many of the wrongs and hatreds of 40 years ago would by now have faded into what one might designate as a neutral attitude. The fine record of service performed by the railroads in World War II has undoubtedly done much to lay the spectres of the past. But there is still much to be accomplished before a positive attitude helpful to the railroads and sufficiently strong to overcome the inertia inherent in government regulation can be brought about and effected. In my opinion, the railroads must bring to this job a sustained and constructive publicity of the highest order.

Public Relations consists of much more than the output of dry, dignified and complete statistical studies—basic and important as these are. And how many of them would even you read for fun? How much, therefore, do you think they affect Joe Zilch as he scans his newspaper after a hard day's work at the plant?

Again, how many advertisements of the railroad industry or individual companies can you remember specifically and in detail? Very few, I daresay. Yet, if you were to ask almost any of your friends about that cocky hog of two years ago standing on his two hind legs leaning against the open door frame of his freight car and smoking a corncob pipe, I would be surprised if his or her reply would not go something like this: "Oh, yes, that was the pig which was traveling all the way in one car to get his throat cut. He could cross the country without changing cars, but I can't."

I submit that this full-page advertisement represented that spark of genius which the railroads need on a broad scale if they are to get their message across effectively to the average citizen. There has been too much whimpering about government hand-outs to competitors and not enough sound counsel as to how much more the railroads could help you and me if the heavy hand of regulation were only lifted off their shoulders. I believe that only a major campaign underwritten over a period of time with publicity that is bold, truthful, constructive, and sparked with brains will get results. We haven't seen such an undertaking yet and, until we do, it is not prudent, in my opinion, to base any investment program on the hopes that the railroad managements are going to be allowed soon a freer hand to fight their competitive battles.

Is the Business Cycle Finished?

One additional guidepost for the investor is pertinent at this time. It involves the continued validity of the business cycle.

Many people have become convinced, especially during the past three years, that the government has the power and the will so to manage our economy that the major ups and downs of the business cycle will be reduced to minor waves and that for the indefinite future we need not and shall not undergo a major depression.

On the other hand, there are others who doubt the ability or power of any group of politicians to manage our economy so as to eliminate its historical rhythms. They look back over the years and note the major tops in stocks and business that have been repeated every seven to 10 years almost without exception for as far back as the records go. These rhythmic change in public feeling, ranging as they do from excessive optimism to the deepest pessimism, and caused by they know not what, are, they believe, phenomena so profound as to be basic in human action. Whether the next economic storm is to begin this year or next year or the year after that is immaterial in their minds to the probability, if not certainty, that we shall get it sooner or later. When it does come, they say, it will cause a major shakedown in business, and therefore in the railroad industry, just as has happened again and again and again.

If you hold with those who maintain that our economy is under such control that we need not expect the recurrence of what in the past may be described as a normal business depression and its accompanying bear market in stocks and second-grade bonds, then, as I see it, there is no need for you to be interested *per se* in the securities of carriers in growth territories. Why not, instead, buy into junior bond issues that are still low in price? There is that fourth mortgage on the New York Central, for example, with its refunding 4½s and 5s—bonds which have undergone four major declines since 1929 and are still reasonably close to their 1949 lows. Obviously, it would seem that, if the economy is to be stabilized at present levels, New York Central should be able to work out its salvation over a period of time, and that its securities, which in 1932, 1938 and 1942 and as recently as last year were selling at historically low levels, would be cheap.

If, on the other hand, you have, as I have, doubts of the government being able or even willing to pay the price of maintaining our economy at around its present level or better, then I submit that, in the name of prudence, you will do well to heed the guideposts mentioned in this discussion. This would be the course of caution. If later events are to justify a conservative viewpoint, then there should be not only greater safety in the securities of the better situated carriers of the West and South than in those of the East if we run into a depression, but also as good if not better appreciation from current levels as long as our bull market continues. Then, when an economic shakedown does develop and the market has separated the sheep from the goats, a fresh appraisal of railroad securities—eastern, western and southern—will be in order.

Conclusions

Permit me to summarize those investment guideposts which appear to me to be especially pertinent at this time:

(1) The railroads enjoy the status of a growth industry, but their securities, except for the very highest quality of bonds, are subject to the ups and downs of the business cycle. They offer opportunities for appreciation and yield in rising markets on the one hand and grave possibilities of losses in declining markets on the other.

(2) The public itself in its buying and selling of railroad securities during recent years has been showing an increasing preference for the bonds and stocks of carriers in the growing territories of the South and West as opposed to the roads serving the industrial heart of America. There is no reason as yet to believe that this preference is slackening or about to experience a reversal. Until you become aware that such a reversal is in the making, it ought to be safe to ride with the current by investing your rail funds in carriers serving primarily regions where the growth in population and industry has been marked in recent years and seems still to be continuing.

(3) This growth factor in our total economy, which is itself increasing both as to population and industry, has received its major emphasis in the more southern and western regions of the United States.

(4) Correspondingly, the railroad systems in these sections of greater growth have shown the bigger increases in their own revenues during the past decade, and relatively greater improvements as measured by other criteria. This situation also offers elements of strength for the more favored carriers in the event that business is to decline drastically throughout the country—elements which at the same time are not so much in evidence for the less favored roads of the East.

(5) The difficulties which the railroads face because of competition from beneficiaries of direct and indirect government subsidies could be much lessened if the railroads were freer to act than they now are under the regulatory authorities. But it is still premature to base an investment program on hopes that restrictions will be lifted.

(6) If we should work under the assumption that our economy is still sufficiently free to permit the normal corrections incident to hard times, which in the past have acted to shake the clinkers out of the economic grate, then it would seem prudent to concentrate on the securities of carriers which have enjoyed the benefits and taken advantage of relatively greater growth.

Therefore, I personally would suggest for investment at this time and in this order of preference the bonds and stocks of the following roads:

(1) Union Pacific.
(2) Atchison.
(3) Chicago, Burlington & Quincy.
(4) Chicago, Rock Island & Pacific.
(5) Kansas City Southern.
(6) Southern Pacific.

The securities of these roads have done relatively well marketwise. Their records on the whole as to revenues, ton-miles, expense ratios and efficiency factors have been good. And they serve growing communities.

Hardly any field of investment exists in which there are greater differences of opinion and more skillful marshalling of facts and figures than in that of railroad securities. The task of selection is not simple. But, on the other hand, there are not many other fields which, with good timing, offer greater possibilities for those with courage and sound judgment. As for me, the advice of that eastern editor of a century ago seems pertinent once more: "Go West, young man, and grow up with the country!"

Russell Gartley With M. B. Vick & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Russell Gartley has become associated with M. B. Vick & Co., 120 South La Salle Street. Mr. Gartley was formerly with Blair & Co., Inc. in the municipal department and prior thereto was manager of the municipal department of First Securities Co. of Chicago.

Oliver Billings Dead

Oliver C. Billings died at his home at the age of 78 after a long illness. Prior to his retirement in 1947 he was a partner in Billings, Olcott & Co.

Railroad Securities

Chesapeake & Ohio. and Atchison, Topeka & Santa Fe

Up to the time of this writing settlement of the coal strike has had no dynamic effect on the rail market. Prices have continued firm but no heavy general buying has developed. Chesapeake & Ohio did turn more active at higher levels but this recovery move had started when the coal picture was at its blackest. As a matter of fact, this particular stock has been acting much better ever since directors failed to take any dividend action at their February meeting. This has been characteristic of the market for some time now—a strong undertone but indifference to specific news, whether good or bad.

While the railroad market has been moving consistently upward for some eight months, and at least a technical reaction could normally be looked for any time, there is still a general feeling of optimism among railroad analysts. Generally speaking, for the roads where coal is not the dominant traffic factor, the January earnings comparisons were highly satisfactory. As a matter of fact even some roads that carry a heavy volume of coal did relatively well in the opening month. Now with the coal strike settled, gains in earnings compared with like 1949 months should be even more widespread. Superimposed on the large earnings reported by many roads for the full year 1949 these gains should instill increasing confidence in the industry and open up hopes of expanding dividend distributions.

One of the stocks that has been attracting the particular attention of railroad analysts is Atchison, Topeka & Santa Fe common, which for some months has been holding in a fairly narrow range. It is still hoped in many quarters that the stock will be split. Such a step would certainly appear logical and would unquestionably improve the market status of the shares. However, even if such action is further postponed, analysts envision materially higher prices for the stock over the intermediate term. It appears virtually certain that the company will be in a position to continue its policy of the past two years of paying an extra dividend of $2 a share to bring total distributions to $8 for the year and affording a liberal yield of roundly 7½%.

Santa Fe did very well in 1948. Gross was off some $44 million, or by slightly more than 8%. More than 50% of this decline was offset by the cut in transportation costs. Maintenance outlays, however, were virtually unchanged from the year earlier despite the lower traffic level. As a result, common share earnings declined from $23.33 in 1948 to $18.06 last year. At recent levels the stock has been selling less than six times last year's earnings. This appears as an extremely low price-earnings ratio for a stock of the investment stature of Santa Fe common. Moreover, there are hidden earnings adding a plus value to the stock.

The road last year again did not receive any dividend income from the wholly-owned Western Improvement Company. In 1948 undistributed earnings of that subsidiary were equivalent to $4.65 a share of Santa Fe stock outstanding and it is believed that they were not much lower in 1949. Western Improvement derives its earnings mainly from lumber and oil operations and should continue to report substantial profits, which are being held in reserve in its own treasury in the form of government bonds.

On top of its favorable 1949 results, Santa Fe got off to a flying start in the current year. The showing for January was particularly notable when it is borne in mind that the company did not suffer as so many western carriers did from severe weather in the opening months of 1949. If anything, it benefited in early 1949 from the troubles of its competitors. In January 1950 gross revenues were slightly lower than a year earlier. However, expenses were held under strict control and net income was practically double that of a year ago. Share earnings on the common, after preferred requirements, increased from $0.65 to $1.46. It is too early to make any real estimate of probable 1950 results but, nevertheless, it does appear safe to look forward to earnings appreciably above the $20 level.

Public Utility Securities

By OWEN ELY

Cincinnati Gas & Electric Co.

President Beckjord recently addressed the Luncheon Forum of the New York Society of Security Analysts, and a 33-page booklet of charts, tables and special information on rate regulation was made available to members. His talk dispelled the mystery which had surrounded the company's dividend policy—over continued payment of the $1.40 dividend during the year 1949 when share earnings increased to $3.33 a share. The rate had been raised to $1.80 shortly before Mr. Beckjord made his talk, and it now appears that this rate may be semi-permanent. Pending issuance of new common stock on a 1-for-5 basis will dilute the 1949 earnings to approximately $2.78 and the new dividend rate is about 65% of these earnings. While eventually the Company might pay out 70-75% of earnings it appears unlikely that another increase will be made in the near future. (Earnings in 1950 might drop to around $2.60-$2.70, due to increased wage and fuel costs, Mr. Beckjord estimated.) The new stock financing will increase the equity ratio from 33% to about 40%, which is the approximate level the company wishes to maintain. No other financing is envisaged at this time. The common stock has paid dividends for 96 years—a Big Board record only second to that of the Pennsylvania Railroad.

The Company serves some 2,000 square miles in and adjacent to Cincinnati (including a small portion of Kentucky) with a population of about a million. The city of Cincinnati enjoys a strategic location with respect to water shipments, and is becoming an important center for the manufacture of sheet steel. Armco is doubling the size of its Middletown plant and will jump its power consumption from 50,000 to 100,000 kw. Newport Steel in Kentucky is growing rapidly. The big Fisher Body plant is also being enlarged. Proctor & Gamble's soap plant affords an element of stability, offsetting the more cyclical machine tool business (Cincinnati Milling). In general, business in Cincinnati is remarkably stable as compared with that of other midwest cities, largely because of its thrifty citizenry.

The regulatory picture is complex, but favorable on an overall basis. The state of Ohio has a very liberal law directing the State Commission to use cost of reproduction (less observed depreciation) as the rate base. The Commission and the courts do not attempt to enforce this law literally, as to do so would mean a very sharp increase in residential rates, which average among the lowest for steam-electric utilities in the United States. However, the Commission and the courts, with this legal backing, serve as an offset to the anti-utility elements in some of the large Ohio cities, especially Cincinnati and Cleveland. Under the state's peculiar regulatory system residential rates are initially set by municipal ordinance, but if the rates are disputed by the company, the Commission and the state courts have the deciding voice. Cincinnati every two years since 1946 has reenacted the same old electric and gas rates, and these have been promptly appealed by the Company. The appeals covering the 1944 and 1946 gas and electric rates were finally settled by the Supreme Court's favorable decisions of May 4, 1949 and Feb. 15, 1950, but the 1948 ordinances are now going the rounds. The Feb. 15 decision was considered quite important by the company, as dispelling a cloud of uncertainty, and the dividend rate was promptly raised from $1.40 to $1.80. Fresh ordinances will be passed in 1950. This time however the Company is hopeful of obtaining escalator clauses to cover higher costs—coal is now covered for 72% of their business; and it is also possible that a five-year agreement can be obtained, so that the two-year cycle will be ended.

The company was also plagued by a political campaign in 1949 for municipal ownership, waged by the leader of a small group known as the People's Church. This group initially obtained sufficient signatures to put the proposal on the election ballot, but employees of the company made over 17,000 calls on citizens in a four-day period and effected 8,600 withdrawals. This and various irregularities in the petition resulted in its withdrawal before the fall election. The Company stated "Our employees did a truly remarkable job in defending their Company against this unwarranted attack."

The Company has been spending for construction during the postwar period at the rate of some $20 million a year, but this is expected to taper off about the middle of 1952. Two big turbines have been installed, and another 100,000 kw. unit will be placed in service later to take care of expansion of the Armco plant. The Company now has about 550,000 kw. capacity which provides a 10% margin over the current peak load of 500,000 kw. This margin is considered ample since the company interconnects with a 2,000,000 kw. power pool. The new unit coming in about the end of 1951 will raise capacity to 650,000 kw. and the Company at present does not plan any further additions.

The common stock is currently selling on the Board at 34¾ to yield 5.2%, based on the new dividend rate. Range in 1950 has been 30-34⅞.

Mooney Partner; Freeman With Faroll

CHICAGO, ILL. — Walter A. Mooney has been admitted to general partnership and Sidney Freeman has become associated with Faroll & Company, members of the New York Stock Exchange. The firm also announced removal of its offices to the rotunda floor of the Rookery Building, 209 South LaSalle Street.

Bond Club of N. Y. To Hold Annual Dinner

The Hon. Alfred E. Driscoll, Governor of New Jersey, will be guest of honor and speaker at the annual dinner of the Bond Club of New York, on March 29, Charles L. Morse, Jr., Hemphill Noyes Graham Parsons & Co., President of the club, announced. The dinner will be held at the Starlight Roof of the Waldorf-Astoria.

Continued from page 4

Inept America and The Russian Menace

American planes were used by Chiange Kai-shek to bomb the American plant at Shanghai and kill or maim a thousand Chinese. We thus lightly destroyed centuries of friendship with the Chinese and facilitated the spread of Communism through the fringe that separates China from the Pacific Ocean. This sounds like a democratic debacle rather than a victory and with the "cold war" now in progress could be an euphemistic description for the existence of a "hot war" in "escrow."

However, let us review and evaluate our present position.

Is Russia isolating the United States by her penetrating Oriental strategy of winning victories without risk of battle?

As to the East

Russia can overrun Europe, which we cannot prevent as we cannot bomb European cities, though we could and probably will declare war.

At present, the cornerstone of that strength is England, which is involved in a Socialistic regime. While the late election in England has halted her Socialistic program it has made the formulation of important policies difficult. Whether the world situation is thus made more or less critical, only events can disclose. Yet, Winston R. Churchill's emergence into power and influence is an optimistic note, particularly in foreign affairs which are so crucial for Europe, the United States and the world. For England can still give powerful support to the international unity of the diminishing number of free people of the world. England's Socialistic Government nevertheless presents a breach on the powerful rampant of strength we have heretofore enjoyed, for as Walter Lippman states: "Conservative victory, halting of Socialism in so great a country as Britain, would have a profound effect on the world, would be regarded as a triumph and renewal of vitality for the system of free enterprise."

England's greatness in the beginning of the 19th Century was her outlying possessions; her Merchant Marine, and her Navy. The large foreign credits of some $15 billion before the Second War enabled her to solve her problem of lack of self-sufficiency in the need of imports, for which she could not pay by exports alone. This need of imports has not changed, but Socialism has eaten into her ability to compete abroad in the price of her goods in the face of labor's insistent urge for higher pay, low hours and less production. There also must as well be the kind of capital investment that can improve the product and lower the cost—that means modern means of production.

Her taxes are 40% (against 25% here) which is destructive to the growth of the capital class whose preservation is essential to maintenance of production supremacy. That class claims but 70 persons that have net incomes over $25,000. Here in 1946 that number was over 200,000. Taxes paid are earned prudently and spent promiscuously and thus fail to add to productivity.

Great Britain, though still potentially associated with her former Empire which dominated 588 million out of 2,350 million people of the world and of about 13 million square miles out of the world's 58 million, is nevertheless no longer the "Empire on which the sun never sets," nor "The Mistress of Seven Seas." England has become a "weak sister," for in addition to all of the foregoing, her sterling debts to India, etc., are largely unpaid, although some reduction has been made by using the substantial contributions made to England by the United States. Furthermore, devaluation has not and could not have brought her expected relief, for while her exports could give her some relief the imports require larger payments; through the devaluation alone, therefore, she cannot ever succeed in reestablishing her former power within a Socialistic Government.

For Socialism is founded more or less on the crass economic theories of John Maynard Keynes, who has gone so far as to claim that the man who lends money should receive no interest for it because he is put in a favorable position where he has an opportunity of spending it at a future time. Again, he has maintained mathematically and is responsible for the theory that increase of Government debt is a blessing on the ground that in such a case we owe it to ourselves. Further, he claims that no country can ever go bankrupt by operating on a deficit. Since the obligation runs to itself the size of the public debt is of no great moment! A most happy thought and the millennium of public extravagance!

There is no way of maintaining efficient and successful industries and production except by the law of natural competition which cannot be effected by regimentation, which obviously aims to foster and benefit those classes whose labor costs determine the success of that needed objective. No system of governmental interference can successfully regulate production or fix prices. We Americans and the world need England's prosperity and efficiency because Europe could not be secure without her existence as a virile power. What we do for England we do for ourselves, brutally but honestly speaking. This is also part of political wisdom for a charity and largesse for the whole world would be fatal for our existence and for that world, as we would become impoverished, politically and economically.

The difficulties of England's position are thus obvious and unless a return be made to the realities of the struggle of the "gimme" or "come and get it" principles otherwise euphemistically and euphoniously termed the "Welfare State" which she and ourselves can ill afford. The strength of Europe, in turn, depends upon England's determination to be an integral part of Europe. That in turn will affect Germany where again a settlement with France on the Saar and other issues is needed to give Europe and England a needed solidarity now lacking.

Obviously it is Russia's purpose to secure a merger of East and West Germany, on a "Deutschland Uber Alles" appeal. This would be a dangerous resurgence of the Nazi will to conquer, that still lies deep in the soul of Germany. It is thus clear that England's strength is vital to our program and well-being and with Great Britain moving from one economic crisis to another, the North Atlantic Pact would merely be so much paper. Without Great Britain's ability to ultimately balance her international accounts, to pay her way without outside aid, there can be no permanent return to multilateral exchange of goods and to the free convertibility of currencies which are essential to her effective prosperity and a resurgence of her military strength. All this must be apparent to Russia and thus the temptation for Russia at her own time (in the event we should suffer depression) to isolate us on the East by taking over Europe is so strong that we must be and remain on guard.

As to the West

As a result of our misguided policies, Stalin and Mao Tse-tung have seemingly come to wield the vast areas of Russia and China together on the highest plane of Asiatic despotism. At present a fringe of countries in southeast Asia, Viet Nam, Thailand, Burma, Indonesia and India still contain them. These countries of some three quarters of a billion people are all grappling with poverty, over-population and disease. How soon will they fall in the Russian "maw"? Promises of food are golden dollars as against abstract principles of freedom. Already Stalin has his foot in the door of Viet Nam where Bao Dai (presumably backed by the French) has a tenuous hold on the people, the majority of which seem to favor Ho Chi Minh, the Communist, already recognized by Russia and Yugoslavia. India is in the throes and instability of a new government which must maintain itself against the pressures incident to Western influences and a powerful communistic neighbor of the new regime in China, to which she has given recognition.

This situation is the result of our ineptitudes as heretofore expressed and in our failure to understand the Chinese problem where traditional poverty and the desire for a better life lies at the root of much of Asia's turbulences, confronted as her people are with immediate necessitous problems that require action. Should these countries be infiltrated and fall to communistic control, Japan and the Philippines thus isolated would not long remain independent unless we were ready again to wage a battle on the other side of the world.

Balance of Power

Is Russia achieving the balance of power by Machiavellian intrigue of winning a "hot war" without waging it?

Our President has been stressing that all's well with the world as long as we keep running into debt for the "Welfare State" which at the rate of $43 billion outlay estimated for 1950 will mean a $5 billion deficit. Of this amount (leaving out interest on the public debt and veterans' service benefits of about $12,650 million) there will be only $13 billion spent on the national defense and about $6 billion for Europe and international affairs.

During the years 1946, 1947, 1948, 1949 and including the 1950 estimated outlay of $43 billion, President Truman's Administration will have spent $220 billion; that is over $40 million more than was spent from the beginning of our Government in 1789 to the Second World War. For 1951, the estimate is an expenditure of $42,429 million with a **decrease** from 1950 in all services related to war of some $1,700 million; **increases** over 1950 estimated in Social Welfare, etc., of $400 million; Natural Resources of some $300 million (although $700 million over 1949); in Housing Development of $300 million (a billion increase over 1949); and a decrease of some $450 million from 1950 in agriculture, which year was one billion over Jan. 1949 estimates; probably due to the fiasco of the expanded, glorified potato crop which had to be rendered innocuous price-wise by lethal destruction.

This cost of potatoes is minute compared to that of the huge stores of cotton, grain, tobacco, eggs and butter that the "Welfare State" keeps off the market to keep the farmer's vote. Last June the Government owned stored commodities inventoried at $1 billion; by next June there will be an increase to $2.2 billion; by June 1951 the inventory will be $3 billion. There may be times when butter and eggs are better than battleships and submarines but not when the latter are necessary to survive. Perhaps the consideration of the three ultra modern battleships and 500 Snorkel submarines Russia will build (it is reported) should take precedence over the maintenance and disposition of these mountains of butter, eggs "et al"?

Our Secretary of Defense, Louis Johnson, on Dec. 7, 1949 told the National Association of Manufacturers that his savings in the defense budget were being made "without any reduction in our state of preparedness." He then reiterated this claim in his official annual reports, stating that we are "obtaining greater national security at less expense."

This has also been accolated in the February, 1950 edition of the National City Bank circular, as follows: "Perhaps the most signal achievement revealed by the table is the success of Secretary of Defense Johnson, supported by the President, in holding down the national defense budget against terrific pressures . . . the Secretary accomplished a slash of more than $1 billion in defense outlays this year from the original budget estimates."

In the issue of the New York "Herald Tribune" of Feb. 13, 1950, Joseph and Stewart Alsop take Secretary of Defense Louis Johnson to task and charge him with "deliberately misinforming the nation." They give a detailed statement of specific reduction in our navy, air power, air carriers, submarines and other military strength. "Nor is this the worst," the Alsop brothers continue, and claim that the "vital replacement of obsolescent and obsolete aircraft" has been unnecessarily cut down, a policy which, if continued, will cripple our navy and marine air strength. This must be merry reading for our friend Stalin and his fleet of hundreds of new Snorkel submarines.

It must be remembered that we do not possess a large army on the theory that the seas protect us. However, only if we be in possession and maintenance of a powerful air force and navy, are we able to cover wide and extensive areas over the entire globe.

On the other hand our Secretary of State, Dean G. Acheson, constructed an argument on the proposition that "agreements with the Soviet Union are useful when those agreements register or record an existing situation of fact, but otherwise they are not of much use." It is extraordinary that the Secretary of Defense should see the necessity of withering away any superiority we may have, while the Secretary of the Navy feels the necessity of sounding a general alarm.

Meanwhile, we are cutting down our military expenditures, strength and maintenance of our air position in the cold war that is deepening and warming up, with declining expenditures to less than 5% of our national production. It is believed that Russia's proportion of her national production is many times this amount.

In 1945, the non-Communistic people friendly to us were 1,845 million; today that figure is reduced to 725 million. Russia's 193 million is increased to 800 million and 745 million people are neutral, composed in the main of India, Indonesia, Burma, Thailand, etc., of Southeastern Asia. Should Russia gain dominance over these countries she would have domination of close to a billion and a quarter people which would be over half of the 2,350 million population of the world and be about equal to the claimed population of the British Empire before the Second World War.

Russia had in 1946 dominion over 8¾ million square miles; now it is extended by China to over 12½ million square miles which was just about equal to the area of the British Empire in 1946.

England might still, with our help, recover her former domination in milder form over about 600 million people, almost one-quarter of the world's population, and one-quarter, or about 13 million of the world's area of some 58 million square miles. These are astonishing figures to which we should give profound study and consideration.

Confirmation of the shifting balance of power to Russia may be found in the late statement of W. Stuart Symington, Secretary of the Air Force. In effect, he states that Russia's armament building program since the end of World War II has been greater than that of the Western Powers put together. Further, he maintains that her ground army is greater than the combined armies of the United States and her Allies; this is not "news" nor is that of her outstanding submarine fleet which, together with the navy, is to be substantially increased. But that Russia's air force in almost all categories is the biggest in the world and is growing stronger every month is, **"news"** judging from our desultory program in world power development as against the politician mecca of "Welfare State" and "give me your vote." To this latter appeal Russia is deaf and unresponsive which is **not** news.

Another "rift in the lute" is the growing apprehension of Europe of being bombed out of existence with the atom or hydrogen bomb. The lure of neutrality is beginning to loom large to nations that have suffered the many heart-breaking catastrophies of many belligerencies. This constitutes a further drain on our balance of power, of which Russia must be well aware. In other words, if Europe believes Russia has the balance of power and can dominate the world, the nations may decide that they do not want to become "guinea pigs" for the United States of America. Why should we be weakened in the basic protectory factors which, actually, should be strengthened since our position, far from growing stronger, is reaching a point where the balance of power will be a decisive factor in the "cold war" because of Russia's supremacy? Perhaps Russia is awaiting the advent of that condition for the final onset.

There is a further danger that threatens America if the Labor Government remains in power in England for it could engulf us if our present tendencies go unchecked. The status of all Socialistic Government controls are progressive as it requires more and more regimentation and reaches deeper and deeper into the lives of every citizen and all activities, particularly if a depression threatens. This is not merely because of the inherent weakness in a world power of a Socialistic Government but because Socialism is only one step from Communism. They both require and demand regimentation as opposed to freedom. The only difference is in degree and in method of application and administration. In Communism those in power are the permanent form of Government. In Socialism the Government in power is still only the party in power, subject to be ousted.

Russia is a power that is actively engaged in making the world one of her type. Her philosophies and controls not only penetrate her surrounding countries by force and skillful penetration but her tenets also are active imponderables in all free countries and, like lethal germs, attack political organisms that have been weakened by poverty violence and misgovernment.

From all the foregoing we may answer our first question.

Is Russia isolating the United States by her penetrating Oriental strategy of winning victories without risk of battle?

The cumulative events indicate that Russia is far on her way of achieving our isolation both on the East and West and only a firm, courageous and vigorous assault on our political orgy of smug satisfaction can prevent it. England must be brought back to somewhere near its former power, not for the sake of England alone but to hold the line for us—East and West—and prevent our isolation.

As to the second question.

Is Russia achieving the balance of power through her Machiavellian intrigue of winning a "hot war" without waging it?

The present situation is fraught with extreme danger because of our failure to recognize the Oriental "jiu jitsu" that could threaten our present claimed world supremacy. Beware of answering the prophets of gloom as Mr. Chamberlain did to Eden that you had "better go home and take an aspirin." America is not invincible *per se*. For we can well be faced with the reality of Oswald Spengler's thesis in his book "Decline of the West," namely that the Western World, Europe and America, are ripe for the final transformation and alignment of their present power and will be prepared in three or four centuries for stagnation and decay?

Will the "proletarian revolution" prophesied by Karl Marx, typified in Russia's status, mean her emergence as the dominant power in the world?

Arnold J. Toynbee, our modern prophet of history, advances the thesis that while western man and his works are no more invulnerable than the Aztecs, Incas, Sumerians and Hittites that as races have disappeared, we are, nevertheless, still masters of our fate despite historical precedent. He questions whether the United States and the other Western countries can manage to cooperate with the Soviet Union through the United Nations. Unlike Spengler, he does not feel the inevitability of the decline of Western culture, since "we are not just at the mercy of an inexorable fate." Indeed the inevitable path is before us and we must take it with courage and determination. In this we must be invincible!

In an article by this writer appearing in the editorial page of The New York "Times" of Oct. 13, 1938, in which Neville Chamberlain's claim for peace "in our times" was ridiculed, it was stated: "The tolerance of disorderly and degenerate moral processes in any nation is a danger to the world at large. The tolerance of one grave injustice speedily brings another which, unrestrained, speeds a host onward for brutal and egotistical supremacy. . . . Decadence works insidiously among peoples that are free as well as among those that are not free."

We cannot fail posterity—without throwing the free world into the "maw" of the medieval Moloch that seeks to devour and destroy us! That well may mean war! If we envisage it, it will never happen.

Joins Ball, Burge Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Albert A. Augustus has become affiliated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. He was previously with Russell, Berg & Co.

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Tariff Reductions, No Remedy for Dollar Gap

ing to be close to 300%. Professor Harris says that should devaluation reduce dollar prices of Western European products by a fifth, the required increase would be 400%. According to a year-end International Monetary Fund report, such dollar prices are nearing that margin of decline.

I won't bore you further with figures provided you will take on faith that to ask a 300-400% increase in production for export in Europe is a fantastic demand, particularly when ECA is asking Europe to integrate its economy and step up its internal trade as well.

Danger of Tariff Tinkering

Actually there is surprisingly little dispute over the figures or the facts. Practically everyone who has studied the "trade gap" problem realizes that tinkering with the currently low-average U. S. tariff is not going to solve it, but what puzzles us in the League is why, with this general acceptance of the facts, there is the illogical demand to go ahead and cut tariffs across the board, anyway. We suspect that those who make this proposal are motivated not so much by a desire to close the trade gap as by a desire just to slash tariffs.

The favorite argument for tariff-cutting as a desirable operation *per se*, is that it will foster the importation of goods from low-labor-cost foreign countries and thus save money for the American consumer. Let me give you the latest illustration of how wrong this argument can be.

We have had a dwindling wool-raising industry in the U. S. for some years. During the war it was essential, if not vital, because hauling wool from Australia through submarine-infested waters was uncertain and dangerous. Since the war the argument that the wool tariff was adding pennies to the price of your winter suit came to the fore, and, despite the pleas of the American wool-growers, the tariff on raw wool was cut at Geneva in 1947 for the benefit of Australia. Since then our western herds have dwindled still more and Australia has virtually cornered the market. Last month at the wool auction in Sydney, private buyers from the United States and Great Britain found themselves bidding against state trading company representatives from a number of countries for the wool clip, with the result that the price of wool has gone soaring and you may have to pay a little more for your next suit as a result, and despite the lower tariff.

While we are considering object lessons, I also would like to say that coffee, on which there is no "wicked" tariff whatsoever, is fast becoming a luxury in many households, indicating that free trade is not exactly a solution to the problem of the high cost-of-living.

The tariff still has a part to play in our economy. It is, by universal admission, the mildest and fairest regulatory measure in international trade and we need it to preserve competitive conditions in our domestic market as between foreign producers and certain of our industries with a high labor element in their total production costs. It is as unrealistic to demand the elimination of tariffs because most of those industries are not now being injured, as it is to demand the elimination of the fire department because the city's fire record has improved. There is nothing in the present state of affairs that gives us any confidence that the current abnormal level of domestic demand and production will continue in its present pattern. Indeed the pattern is beginning to change, and as it tends toward the normal situation, injuries due to unwise tariff slashing will come forcibly to public attention. Already a number of danger flags are fluttering.

Under a flexible tariff system we could vary our rates to match changing situations, but we have no flexible system at present. Our tariffs are being continuously cut by international agreement. Any move toward subsequent upward readjustment of a rate, however, just, creates an international incident and so is avoided by our government, although foreign governments can take such unilateral actions with impunity. We have also seen that the philosophy of downward revision only of tariffs has so permeated our government departments and commissions that the trade agreements escape clause, which was supposed to safeguard our domestic producers from injurious duty cuts, has not once been invoked nor has any of the many showings of injury even been followed by recommendation that the clause be invoked. Some have not even been thoroughly investigated.

The tariff is important to certain domestic industries. It is not a tool with which you can tinker our international trade account into balance. I urge you to let the tariff perform the function for which it is best fitted, and to tackle the trade gap problem with tools better adapted to the purpose.

Allen and Freer V.-Ps. Of Chase Nat'l Bank

Earle W. Allen and Lawrence C. Freer have been appointed Vice-Presidents of the Chase National Bank, it was announced by the bank.

Mr. Allen will have charge of the bank's commercial business in New York State and New Jersey, a district with which he has been associated as Second Vice-President for several years. He has been a member of the Chase organization for 25 years.

Mr. Freer, who for 12 years has been the bank's Pacific Coast representative with an office in San Francisco, will return to New York to succeed George D. Smith as Vice-President in charge of the bank's business in the Far West. He has had 27 years of service with the Chase. Mr. Freer is a former national president of the American Institute of Banking.

Robert J. Whitefield, heretofore Vice-President directing the bank's New York State-New Jersey business, will have charge of the New York City district. Associated with him will be George D. Smith, Vice-President; Robert C. Dallery, Second Vice-President, and Timothy J. Kelly, who has been promoted to Second Vice-President from assistant cashier.

Additional official promotions announced by the Chase are as follows: Dudley L. Barrow as Second Vice-President in the branch administration department; George H. Albrecht as assistant cashier in the insurance department; Robert J. Bolson as assistant cashier in the correspondence department; Edwin B. Heyes Jr. as an assistant manager of the branches.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Mrs. Charlotte G. R. Risse is with Slayton & Company, Inc., Union Trust Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Now that the coal mess is cleared up, the confusion is greater than ever. It was nice and comfortable to point how well the market was acting in the face of a major coal shortage. The implication being that with such a drag on the economic life of the nation, the comparatively strong performance of the market was a harbinger of the future that would come to pass as soon as the thing was settled.

* * *

So the coal strike was settled. But instead of stocks grabbing their hats and running like mad to the high peaks, they kind of looked around, took a couple of steps forward then slogged down, tired and out of breath. This brought confusion among the board room fraternity, who saw in such action something that almost amounted to treachery.

* * *

To confuse things still further the British elections cast another damper on the immediate outlook. It was hoped that the Conservative Party would win. Instead the Labor Party held on, though by the skin of its teeth. The former took comfort in the fact that the election was close; the latter in the fact that they won. Both sides claimed victories, their claims serving to confuse the American investor still further.

* * *

In this cross-current it is not surprising that the confusion which always lies just beneath the Wall Street surface, should come to the top. It is possible that even a minor setback at this juncture can set off a fast but a deep reaction brought about by fears and the disappointing hopes that dominate almost 60% of all daily transactions.

* * *

Whether such a possibility is to be guarded against is something that traders will have to decide for themselves. From where I sit it looks like any sharp sell-off can well be a buying spot rather than one to fear. Of course there has to be limitations to such a belief. On any reaction stocks should not go below a predetermined point. If they do the wise trader will act accordingly.

* * *

The widely accepted breakpoint in the Dow Industrials is 202. Because it is so widely accepted, I believe it will be broken. So I would prefer to consider the 198 figure the more important. On the up-side there is little to argue about. When, as and if, stocks move up and through the 205 level will be time enough to discuss it.

* * *

In the meantime you're still long of Cooper Bessemer at 24, now about 26, and Mead at 16, now about 17. The stops, equal to about the 198 level, are 22 in the former and 14½ in the latter. So until one or the other happens just hold on.

[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.]

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Impact of International Situation on U. S. Economy

Benelux. There also is the proposed French-Italian customs union. There is the proposed customs union of the Scandinavian countries. There is the proposal to coordinate the economies of Great Britain with those of the Scandinavian countries. But so far, really little has been achieved because of the conflicting economic interests of the individual countries. These often are deep rooted.

Recently, the United States has taken a more active and aggressive attitude in bringing about increased cooperation among the various Western European countries. Efforts have been made to have the recipients of Marshall Plan aid coordinate their economies and form an inter-European payments union. These efforts seem to have been in vain. The principal reason for the failure may be ascribed to the position of Great Britain, which not only is a great European nation but has world-wide interests. Naturally, Great Britain is the head of the great Commonwealth. It is therefore difficult for Britain to coordinate her economy with that of Western Europe.

The British fear that the establishment of a European payments union may interfere with the operation of the sterling bloc, and may reduce its importance. Moreover, the British fear that such a payments union could lead to reductions in their gold and dollar reserves. Also, the United States objected to certain phases of the European payments union on the ground that it would be to the disadvantage of this country.

Integration of the European economy, desirable as it may be, involves a great many difficulties and obstructions. We cannot be too optimistic in this respect, partly because the economies are not entirely complementary, and partly because there are individual groups which fear that they may be adversely affected by competition. Also, there is the great fear, particularly in Great Britain, that integration may lead to an increase of unemployment, and in Britain unemployment apparently is feared more than anything else.

The Dollar Shortage

How the failure to bring about better coordination of the Western European countries will affect the United States will become clearer if we analyze very briefly the dollar shortage.

The causes of the gap are well known. While numerous suggestions have been offered to overcome it, so far only little progress has been made. Nevertheless, we need not to be too pessimistic. The dollar gap has been reduced. The principal question centers around Great Britain. Once the British pound is freely convertible into dollars, as it was prior to 1939, the entire problem of the dollar shortage disappears. This raises several questions: What are the British doing to overcome the dollar shortage? What should they do? What can the United States do, and how will the measures affect the United States?

The British have adopted the following measures in order to cope with the dollar shortage:

(1) They have drastically reduced their imports from the United States. A further reduction is expected during the remaining period of the Marshall Plan.

(2) They have endeavored to increase their exports to the dollar areas, particularly to the United States.

(3) They are trying to restore the trade position of the Far East with the United States. This involves larger imports into the United States from the Far East of basic raw materials such as rubber and tin, and the insistence that the Far Eastern countries buy less in the United States.

As a result of the devaluation of the pound, particularly the South African pound, the output of gold is increasing. A large part of this gold is shipped to the United States to create dollar exchange. The British are endeavoring to freeze out or to reduce materially the importation of dollar oil into the sterling area. The British oil reserves overseas are large. They realize that the consumption of oil throughout the world is great and is bound to increase. They hope some day to utilize oil as a dollar earner.

What Should the British Do?

In my opinion, the following steps would greatly help the British in overcoming the dollar shortage:

(1) Settle the frozen sterling balances which lead to "unrequited" exports and tend to make the British economy "soft."

(2) Remove the monopolistic practices which tend to keep prices high and reduce incentive to buy new machinery and equipment.

(3) Increase the productivity of labor and equipment by removing some of the featherbedding rules adopted by the British trade unions.

(4) Reduce some of the capital expenditures and divert more labor and raw materials for export purposes.

(5) Rely less on regimentation and more on private initiative.

(6) Finally, reduce some of the heavy tax burdens resting on industry and individuals.

If these measures are adopted, they will help to increase opportunity for private initiative and make for larger exports. But whether the British adopt these measures or not, they are working hard in order to be, if necessary, independent of American aid after the Marshall Plan comes to an end.

The Role of the United States

How will these developments affect the United States? Briefly, as follows:

(1) Exports from the United States will decrease, not only to Western Europe but also to Latin America and the Far East. Imports into the United States are likely to increase.

(2) In all probability, the United States will be called upon to make new sacrifices in order to enable the British to settle their frozen sterling balances.

(3) The United States very likely will be called upon to forego the payment of interest and of principal on the British loan, part of which is payable in 1952.

(4) The United States will be called upon to grant assistance to countries outside of Western Europe.

We find, therefore, that the United States not only will have to make new sacrifices in its effort to help rehabilitate Western Europe and to combat communism but also will suffer a shrinkage in its exports and increased competition from abroad. On the surface this looks as if we are getting the wrong end of the bargain. We are assisting other nations in order to have stronger competitors. In reality, this is not so. In 1949, in spite of the decrease in exports and the increase in imports to the United States, the excess of exports of this country still amounted to $5,376 million. Hence, either we buy more abroad and ship less abroad, or the taxpayers pay for the excess of exports over imports from this country.

Obviously it would be more desirable for us to get more from abroad than to ship our commodities and attach to the bill of lading a certified check in payment of the commodities. An economically strong world outside the Iron Curtain in the long run is bound to have a favorable effect on the United States economically and militarily. A strong Western Europe whose economies are coordinated, no matter how great the cost may be, will be cheaper than a weak Europe constantly threatened by the aggression of the Soviet Union.

Conclusions

The conclusions that I reach, briefly, are these:

(1) The international situation is marked by the cold war and the difficulties of coordinating the economies of Western Europe. Both of these developments have a direct bearing on the dollar shortage.

(2) The influence which conditions abroad exercise on the United States on the whole is minor as compared with the influence exercised by economic conditions here on the rest of the world.

(3) The problem confronting the Western European countries will be alleviated if the economy of the United States is kept strong, sound, and growing, thereby creating a greater demand for imports of raw materials and giving the Russians the lie about the weakness of capitalism.

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Coal Industry's Economic Dilemma

ket adverse, ended in complete and total disaster for the UMWA and Lewis.

Lewis Blind to Economic Portents

The real tragedy in the picture from the miner's standpoint is that neither Lewis nor his henchmen have seen the economic portents, for they aver today that they can by force change any trend! No one realized that in the south the competition among mines was fierce, and that wage cutting was often below subsistence. The lesson that the south learned and the union didn't learn is that wages could only be cut if a union existed to equalize the wage-costs or wage structure so that no mine got an advantage over another through cheaper pay!

This indeed is the original reason behind the formation of the UMWA by its patrons Mark Hanna and his father—sixty years ago. It was established to equalize wage-costs from region to region, and mine to mine. The Hannas correctly saw that there was then an east-west differential between Ohio and Western Pennsylvania on the one hand and Illinois and Indiana on the other. This principle existed until the rise of the southern mines, and one of the fundamental mistakes Lewis made in the 1920's was to fail to adjust the union to the north-south differential.

When the NRA came into the picture, the union recognized the existence of such a differential and based its contract on that differential. The existence of this differential is, however, only one part of the picture. The other part is that though the differential should be maintained as sound economic policy, the rigid wage structure should not. The early history of the union also shows that experience with a rigid wage structure was unfortunate and wrong, and a flexible wage structure alone made possible an orderly growth to the peak of the first world war and the 1920's.

This is one of the important lessons in coal from which other industries can well profit. It is that an industrial union can become useful only if it serves an economic end which is recognized by the industry as desirable. When it gives up such an end, its purposes are no longer economic but political, or in terms of leadership aggrandizement and bureaucratic entrenchment. At this turning point, a union then must resort to propaganda, to lies, to frauds upon its membership, and to perpetuating itself in office. Thus, periodically, turning points in development take place, and unless the correct impetus is given at such a turning point, a union finally goes in the very opposite direction it set out from.

That took place in 1919. In 1934, it got a new start, as though it were a new union. It has grown under government encouragement until today it is strong again and has returned once more to the doctrine of "no backward step" and "economic force" or to call it by the correct name, violence and threats and disregard of the rights of consumers and the people. Now, instead of adopting a policy that will ameliorate the situation, instead of adopting a purely economic policy, instead of serving the interests of the men and the mines, it calls for a policy of self-aggrandizement, perpetuation of leadership and the right to challenge the government when as and if its leaders feel they should.

Union Can Show Good Faith

In fact, at this point, the good faith of the union can be shown by a change in wage policy—as the economic instrumentality for orderly decline. Such a policy does not menace collective bargaining in any way; on the contrary it gives the union a real economic place in the industry. It makes the coal workers see that continued stoppages in their production are detrimental to the industry and only hasten the decline by that much more. More than anything else it would steady employment, instead of forcing the workers to lose one year out of 10 in strikes!

Let us illustrate the situation briefly. Let us start at the present basic rate in the mines, the motorman's pay of $2 per hour, portal to portal. By contrast a tippleman may be getting a dollar an hour; a mine manager much more when pro-rated on an hourly basis. A stockholder of a good coal stock might be receiving a dollar a year. Let us therefore define a unit as that portion of labor or capital which yields a dollar in any given time. Bargaining would be over units, how much of each labor grade and how much of each stock would be considered to be a unit. It could be agreed that all distributable income at the end of certain periods, or during certain periods, would be divided among the several claimants on the basis of the number of units for each class of claimant. A certain proportion might be carried to reserve, for pensions, for enhancing payments in bad times, for any number of sufficiently good reasons of an economic character. It would be for the representatives of the men at the mine to say. The function of the union district officials, and the general officers would be merely to see that the wage costs were aligned on as equitable basis and that each company kept its books honestly. Instead of a check-weighman, there would be a miner's auditor of the company's books!

Flexible Wage Would Stabilize Employment

It is not necessary to go into the details to set up the items which are typical of a mine. The important thing about a flexible wage system for the coal industry is that it would stabilize the employment conditions for all mines; and if orderly progress came into the coal fields, and stoppages were eliminated, would mean more days of work and more income for most miners. More, it would make feasible the possible expansion of mining capacity during an emergency such as a war, and thus serve the national interests much more cheaply and much more speedily than the cumbersome method of opening a new mine and hoping to get into production fast. It takes months to get a new mine productive.

It would enable the mine operator to figure ahead on his quotas in the normal way, and feel assured that no other operator is going to get an advantage from a wage cut he doesn't get. It means end to wage cutting with the union as the wage-cost arbiter. This of course is nothing like a program aggrandizing Lewis and his henchmen, or of shaking the fists of the miners at judges and courts. Nor is it dramatic. It is simple and sound economics and means that the men at the mines will have much more say in their conditions than they do today under a dictatorial central direction under one man.

It also means an end to the present pension system, which truthfully considered is little better than a racket. This system is a pig in a poke for the working miner. First, modern mining is rapidly becoming mechanized and technical. Younger and better trained men are needed in mining; older men are no longer capable of operating the new equipment under present conditions. There is a great age disparity between the older men going out and the newer men coming in—and no great group in between. Lewis is asking the younger men to pay for the older men leaving the industry, though he calls it a charge against each ton. It is, in fact, a concealed wage increase, which is not given to the younger men but levied against their earning capacity without their participation or knowledge.

At 20 or 35 cents a ton, or some figure in between, in a production of 400 million annually, this is a considerable amount Lewis is asking for the complete control of the spending of this money. He is promising the younger men an equivalent in their old-age, giving them his own word and that of his union officers. But in all economic honesty, how can he make such a promise? He has not drawn up an actuarial picture, he is not subject to insurance inspection as big companies are; he is not himself in the business of insurance. The economics of the pension demand do not make any sense save in terms of giving control of the disbursing of large funds to the union.

For what purpose? Ostensibly to pension off older miners. On what basis? Let us not be naive about it. The basis is pure opportunism, chicanery, if you will. Pensions will go only to the deserving. Who are they? Only those who follow the central union line faithfully unto starvation, who agree to give up all their rights and prerogatives to the leadership. In a word, the pension goes not to the men who literally earned it, but to the men whom the union thinks should be the recipients—the henchmen, the spies, the slavish followers of dictated policies. It is strange that the membership in the union have not caught sight of the meaning of a union directed pension fund. Nor have they realized that with other unions, there is a brokerage fee to be paid for any pension received, a net deduction to maintain jobholders and officials in office!

Coal at Turning Point

So, whatever the outcome of the present negotiations, coal has reached a turning point in its development. In its labor-management relations, in its union. The rigid wage structure is not only uneconomic, but a folly that can lead to very explosive outbreaks. The maintenance of the present superstructure will end, as past history shows, in weakening the union. It will mean, too, that the union no longer represents the men or the membership, but the interests of the leader and the entrenched bureaucracy—the new despots. It means very plainly that an industrial union which gets outside its economic purposes, or fails to serve a useful function in the industry becomes unrealistic and must resort to fraud and violence and a self-perpetuating officialdom living off the misery of its members. It is fascism and dictatorship and the end of all industrial unionism of this type.

In the final sense it represents an obstacle in times of national danger because it is then an institution entrenched standing in the way of national defense and blocking it until it receives recognition and its assurance of the "take." In that sense, it serves other aims and purposes which are inimical to the nation, and can even under appropriate conditions considered to be much worse. It is better to meet the situation head-on now and see it for what it is than to await the unpropitious hour of disaster.

The operators must now speak their piece, and under the Taft-Hartley law owe it to their workers and themselves to put an end to the present waste and confusions and lying propaganda.

Continued from page 11

Outlook for Automotive Truck Industry

then our forecast for the second quarter will become a reality.

Heavy Vehicles

In regard to the heavy vehicles, in which I am naturally a little more interested, detailed examination finds that the peak was in the second quarter of 1948 coincident with the industry peak, and the year 1949 gave indications of this group having accomplished its post-war adjustment.

Security analysts of our country are well qualified to analyze the overall economic conditions of our country, and I am sure that they are thoroughly cognizant of all the predictions which have been made by authorities far superior to myself of the various economic factors which affect the commercial vehicle industry. However, I would like to give you some facts which point to an interesting and prosperous long-term outlook for the industry. These few facts point out the inadvisability of selling the industry short.

The present average age for trucks is 7¾ years and in 1952, the first postwar trucks will come of age. To show the possibilities for an average replacement market, the 300,000 trucks built in 1945 would be 7 years old in 1952 and in 1953, the 950,000 trucks built in 1946 would become of average age. With over 7,500,000 trucks in use now, replacement on an average every 7 years would spell out the sale of a million trucks a year. At the present time, the trend is towards a lower average truck age. The prewar age was about 5½ years as contrasted with the present 7¾ years. In 1940 there were only 5,000,000 in use and 700,000 produced. There is another factor in the replacement picture, and that is the 70% of the trucks now in use are in the "light" and "medium" classifications. These vehicles are very susceptible to replacement on a similar basis as passenger cars because of style changes. Eye appeal is good merchandising in cars and it also applies to trucks. This accelerated replacement of the light and medium trucks would be compensated in the overall average by longer operation of heavy vehicles. Later on, I would like to mention another phase which will accelerate the replacement of currently operated vehicles, but first let me dwell for a moment on the inherent advantages of the truck as a form of transportation.

Trucks Gaining Favor

Trucks have been gaining in favor since the 30's, and apparently will continue to gain favor due to their extreme flexibility in the movement of products and materials from "door to door." "With the cost of materials handling as it is today, this creates an important demand for trucks. This is most important in short haul shipments from manufacturer to market. In normal competitive market, the speed of movement can have a marked effect on reducing merchandise inventories, and speeding up the turn-over cycle." This speed of movement from door to door also makes the truck a desirable form of transportation for certain long-haul operations. For this type of work, the commercial vehicle industry has a vehicle commonly referred to as a tractor. In reality, the tractor is a high-powered short-wheel based truck, and in the most common form, has attached to it a semi-trailer. In certain states, where regulations permit, combinations consisting of a tractor, semi-trailer plus a full trailer may be seen on the highways. The tractor and semi-trailer moves goods both day and night over long distances. Many of the vehicles which you see on the road in the eastern states ply their way from Florida to Maine and back again. A survey shows that tractor combinations account for two-thirds of the total ton miles in recent years. The trend is definitely towards increased utilization of this type of haulage. It is interesting to note that with the increased distances being covered by the over-the-road trucker, less tractors are now required for each trailer operated. The most recent figures available show that intercity operators average one tractor for every two trailers.

Another advantage of the truck is the way it meets the needs of our changing economy. You are all familiar with the facts concerning the decentralization of industry. The truck has played a very important role in this picture as locations formerly inaccessible by rail or barge are now available as plant sites through use of trucks. The uneven increases in population have resulted in changes of principal markets and the accessibility of some of these markets for proper servicing is only through truck transportation. New businesses are continually cropping up. This further development of our economy would be impossible were trucks not available. The frozen food business which has shown such marked advances since the war, and more particularly the development of citrus concentrates, are examples. The position of the farmer in our economy is, of course, a complete story of American ingenuity and mechanization. Here again, truck transportation is a prime factor in the operation at high productive levels and in the movement of produce to market. And, finally, of course, the end of the base point pricing system has brought about a condition, where the demand for economical truck transportation beyond the short haul has reached great heights, and probably in the future will reach even greater heights.

This country would not be the power that it is today without its tremendous networks of highways. Of course, you have all read in the paper recently of some of the problems concerning future highway maintenance and development, particularly applying to heavy trucks. It is assumed that these problems are not insurmountable. With the continued growth of intercity highways, we can foresee increased volume of business handled by the over-the-road trucker which will, in turn, increase the demand for that type of vehicle.

The Replacement Market

I spoke before, of course, of the replacement market, but there have been, and always will be, developments in the commercial vehicle field which have, in the past, accelerated replacement. With the millions of dollars being spent every year on research and development towards better vehicles, I can assure you that replacement of present-day vehicles will be accelerated by the new developments. There is one that I can speak of as being a current item, and that is the diesel engine. Of course, the diesel is adaptable to the heavy over-the-road trucks in use today, where large mileages are run up every year. The diesel engine and its economies represent today the savior of the long-haul operator who is being constantly squeezed between gross revenues and increased operating costs.

All the foregoing has been in connection with the overall commercial vehicle industry, but I would like to take my closing minutes to speak of other transportation vehicles which are a very vital part of the industry, but sometimes are overlooked by the magnitude of the trucking form of transportation. The first of these is a form of transportation that relates, not to product, but to people. I speak, of course, of the bus. Millions and millions of passenger miles are traveled every day in buses, and that bus picture should be particularly interesting to you because of the crying need of adequate forms of financing of the various transit systems. With financing, our transit systems can replace outmoded equipment, outmoded in the sense that there is new equipment available which can pay for itself over a period of time by its savings in operating and maintenance costs. There are over 175,000 buses of all types running around the highways and cities in the United States today, including 57,000 transit buses. These buses must be replaced at the rate of about 7,000 buses a year. Part of this 7,000 per year, of course, represents the conversion of trolleys to the motor transit bus. One of the factors that accelerates the replacement of transit buses is the necessary conversion to the economic diesel engine operation.

The "Off-Highway" Market

Another form of transportation vehicle which is a highly specialized market, but nevertheless, very important to our economy is that of vehicles commonly referred to in the trade as "off-highway" vehicles. These monsters are important to the strip-mining industry, the logging and pulp wood industry, and to the construction games which require mass movements of earth and materials. The potential market for this type of vehicle is tremendous in comparison to what we have known in the past. While this vehicle represents a small portion of the dollar volume of the truck industry, this market will continue to be an important segment of the industry.

And so, I close my little story with the hopes that you will carry only two facts in your mind:

(1) Look for lower level production and a leveling out in the commercial vehicles field for 1950-1951.

(2) Watch the long-range potential and don't sell the truck industry short.

B. C. Ziegler Adds

(Special to The Financial Chronicle)

WEST BEND, WIS.—Howard J. Griffin has been added to the staff of B. C. Ziegler & Co., 215 North Main Street.

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. 12	73.5	73.7	91.5	101.4
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 12	1,401,100	1,404,900	1,774,200	1,869,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 25	5,000,000	4,996,850	4,955,950	5,400,600
Crude runs to stills — daily average (bbls.)	Feb. 25	‖5,277,000	5,278,000	5,470,000	5,459,000
Gasoline output (bbls.)	Feb. 25	17,703,000	17,617,000	18,363,000	17,621,000
Kerosene output (bbls.)	Feb. 25	2,434,000	2,398,000	2,686,000	1,997,[illegible]
Gas, oil, and distillate fuel oil output (bbls.)	Feb. 25	6,890,000	6,890,000	7,302,000	7,499,000
Residual fuel oil output (bbls.)	Feb. 25	7,855,000	7,758,000	8,389,000	8,638,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 25	133,898,000	131,647,000	124,270,000	124,382,000
Kerosene (bbls.) at	Feb. 25	16,227,000	17,116,000	18,449,000	19,249,000
Gas, oil, and distillate fuel oil (bbls.) at	Feb. 25	56,050,000	58,090,000	66,337,000	54,003,000
Residual fuel oil (bbls.) at	Feb. 25	48,663,000	51,336,000	57,036,000	59,348,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 25	§546,791	§560,116	§636,415	688,128
Revenue freight received from connections (number of cars)	Feb. 25	§503,502	§517,959	*§576,196	623,246
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 2	$133,448,000	$263,585,000	$160,683,000	$118,564,000
Private construction	Mar. 2	87,578,000	166,960,000	90,540,000	67,732,000
Public construction	Mar. 2	45,870,000	96,625,000	70,143,000	50,832,000
State and municipal	Mar. 2	38,455,000	74,514,000	47,481,000	33,150,000
Federal	Mar. 2	7,415,000	22,111,000	22,662,000	17,682,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 25	2,620,000	2,425,000	7,500,000	*11,324,000
Pennsylvania anthracite (tons)	Feb. 25	620,000	616,000	726,000	812,000
Beehive coke (tons)	Feb. 25	2,800	*2,600	20,500	160,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 25	220	*232	222	232
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 4	5,878,783	5,854,259	6,062,095	5,551,611
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Mar. 2	179	210	199	185
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 28	‡3.837c	3.837c	3.837c	3.754c
Pig iron (per gross ton)	Feb. 28	$46.38	$46.38	$46.05	$46.74
Scrap steel (per gross ton)	Feb. 28	$27.08	$27.42	$27.08	$37.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 1	18.200c	18.200c	18.200c	23.200c
Export refinery at	Mar. 1	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Mar. 1	74.375c	74.250c	74.250c	103.000c
Lead (New York) at	Mar. 1	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Mar. 1	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Mar. 1	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 7	103.28	103.46	103.79	101.6[illegible]
Average corporate	Mar. 7	116.41	116.41	116.41	113.1[illegible]
Aaa	Mar. 7	121.46	121.46	121.46	118.8[illegible]
Aa	Mar. 7	120.02	120.02	119.82	117.2[illegible]
A	Mar. 7	115.82	116.02	116.02	112.1[illegible]
Baa	Mar. 7	108.70	108.70	108.70	104.8[illegible]
Railroad Group	Mar. 7	111.62	111.62	111.62	108.34
Public Utilities Group	Mar. 7	117.40	117.40	117.40	113.70
Industrials Group	Mar. 7	120.22	120.22	120.43	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 7	2.26	2.24	2.22	2.3[illegible]
Average corporate	Mar. 7	2.83	2.83	2.83	3.0[illegible]
Aaa	Mar. 7	2.58	2.58	2.58	2.71
Aa	Mar. 7	2.65	2.65	2.66	2.7[illegible]
A	Mar. 7	2.86	2.85	2.85	3.05
Baa	Mar. 7	3.24	3.24	3.24	3.46
Railroad Group	Mar. 7	3.08	3.03	3.08	3.26
Public Utilities Group	Mar. 7	2.78	2.78	2.78	2.97
Industrials Group	Mar. 7	2.64	2.64	2.63	2.79
MOODY'S COMMODITY INDEX	Mar. 7	359.2	356.1	355.8	376.[illegible]
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 25	172,503	179,849	178,895	135,54[illegible]
Production (tons)	Feb. 25	200,993	205,712	208,433	164,620
Percentage of activity	Feb. 25	90	92	92	8[illegible]
Unfilled orders (tons) at	Feb. 25	314,640	344,030	337,785	267,685
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Mar. 3	121.7	121.3	122.1	139.0
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. 18	26,406	29,848	28,169	17,942
Number of shares	Feb. 18	813,684	898,951	833,639	497,272
Dollar value	Feb. 18	$29,843,368	$35,683,156	$34,501,271	$19,267,494
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 18	28,864	34,351	29,369	16,690
Customers' short sales	Feb. 18	245	287	282	198
Customers' other sales	Feb. 18	28,619	34,064	29,087	16,492
Number of shares—Customers' total sales	Feb. 18	815,590	960,523	804,312	445,551
Customers' short sales	Feb. 18	9,363	10,230	10,906	7,807
Customers' other sales	Feb. 18	806,227	950,293	793,406	437,744
Dollar value	Feb. 18	$28,179,563	$35,926,083	$29,546,513	$15,267,880
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 18	288,140	324,980	261,610	141,180
Short sales		------	------	------	------
Other sales	Feb. 18	288,140	324,980	261,610	141,180
Round-lot purchases by dealers—					
Number of shares	Feb. 18	248,130	270,150	289,140	199,500
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 28	152.6	152.5	151.2	158.7
Farm products	Feb. 28	159.4	*158.9	155.5	171.1
Grains	Feb. 28	162.9	162.6	160.7	164.6
Livestock	Feb. 28	200.6	199.5	197.8	207.0
Foods	Feb. 28	157.8	158.3	154.6	163.6
Meats	Feb. 28	219.7	220.2	208.1	221.4
All commodities other than farm and foods	Feb. 28	145.4	*145.3	145.2	151.4
Textile products	Feb. 28	136.9	137.0	137.4	144.8
Fuel and lighting materials	Feb. 28	130.4	*130.5	130.4	134.7
Metals and metal products	Feb. 28	169.2	169.4	169.5	175.1
Building materials	Feb. 28	192.4	191.5	190.9	201.6
Chemicals and allied products	Feb. 28	115.5	115.3	115.8	122.9

*Revised figure. ‖Includes 427,000 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
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of January	9,070	7,857	7,906
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Jan. 31:			
Total consumer credit	$18,325	$18,777	$15,748
Instalment credit	10,830	10,891	8,424
Sale credit	6,163	6,240	4,370
Automobile	3,179	3,144	1,965
Other	2,984	3,096	2,405
Loan credit	4,667	4,651	4,054
Noninstalment credit	7,505	7,886	7,324
Charge accounts	3,506	3,909	3,457
Single payment loans	3,002	2,987	2,904
Service credit	997	990	963
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of Jan. 15:			
All items	166.9	167.5	170.9
All foods	196.0	197.3	204.8
Cereals and bakery products	169.0	169.2	170.5
Meats	219.4	223.2	235.9
Dairy products	184.2	186.2	196.0
Eggs	152.3	178.0	209.6
Fruits and vegetables	204.8	198.2	205.2
Beverages	299.5	292.5	208.7
Fats and oils	135.2	136.7	174.7
Sugar and sweets	178.9	178.8	173.4
Clothing	185.0	185.8	196.5
Rent	122.6	122.2	119.7
Fuel, electricity and refrigerators	140.0	139.7	138.2
Gas and electricity	96.7	97.2	95.5
Other fuels	193.1	191.6	191.8
Ice	145.5	145.5	139.0
Housefurnishings	184.7	185.4	196.5
Miscellaneous	155.1	155.5	154.1
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of January	282.8	*272.1	284.2
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Jan. 28	23,286,000	23,341,000	23,754,000
Spinning spindles active on Jan. 28	20,217,000	20,241,000	20,927,000
Active spindle hours (000's omitted) Jan.	9,091,000	9,206,000	8,425,000
Active spindle hrs. per spindle in place Jan.	496	419	376
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE=100—Month of January:			
Sales (average monthly), unadjusted	179	409	*191
Sales (average daily), unadjusted	182	401	194
Sales (average daily), seasonally adjusted	228	*237	243
Stocks, unadjusted as of Dec. 31	199	207	201
Stocks seasonally adjusted as of Dec. 31	226	227	228
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:			
All manufacturing (production workers)	11,513,000	*11,283,000	------
Durable goods	5,965,000	*5,713,000	------
Nondurable goods	5,548,000	*5,570,000	------
Employment indexes—			
All manufacturing	140.5	*137.7	153.5
Payroll indexes—			
All manufacturing	331.7	*315.5	360.7
Estimated number of employees in manufacturing industries—			
All manufacturing	14,054,000	*13,800,000	15,174,000
Durable goods	7,319,000	*7,043,000	8,258,000
Nondurable goods	6,735,000	*6,757,000	6,916,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:			
Earnings—			
All manufacturing	$56.44	*$56.40	$54.51
Durable goods	59.81	*59.56	58.69
Nondurable goods	52.78	*52.73	50.04
Hours—			
All manufacturing	39.8	*40.0	39.5
Durable goods	40.3	*40.3	40.2
Nondurable goods	39.3	*39.5	38.7
Hourly earnings—			
All manufacturing	$1.418	*$1.410	$1.380
Durable goods	1.484	*1.478	1.460
Nondurable goods	1.343	*1.335	1.293
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of December:			
Shipments (short tons)	862,172	718,703	1,110,512
For sale (short tons)	440,166	395,107	624,739
For producers' own use (short tons)	422,006	323,596	485,773
Unfilled orders for sale at end of month (short tons)	892,458	938,629	2,284,348
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANFACTURERS ASSN.)—Month of January:			
Factory sales (number of units)	249,150	*265,513	228,769
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.) — Month of Dec.:			
Total number of vehicles	352,987	455,008	486,981
Number of passenger cars	285,930	381,951	378,455
Number of motor trucks	66,688	72,749	107,702
Number of motor coaches	369	308	824
NEW YORK STOCK EXCHANGE — As of Jan. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$901,211	*$881,298	$537,264
Credit extended to customers	46,484	60,623	55,882
Cash on hand and in banks in U. S.	309,059	307,208	347,492
Total of customers' free credit balances	669,388	*636,492	573,205
Market value of listed shares	77,940,210	76,291,958	67,478,248
Market value of listed bonds	128,020,569	128,463,516	131,896,587
Member borrowings on U. S. Govt. issues	94,413	132,063	120,973
Member borrowings on other collateral	543,041	542,203	218,073
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of December (000's omitted):			
Savings and Loan associations	$337,474	$341,812	$267,922
Insurance companies	103,397	98,088	85,114
Banks and Trust companies	230,692	229,346	205,556
Mutual Savings banks	82,420	74,983	68,120
Individuals	171,359	177,297	176,437
Miscellaneous lending institutions	199,858	192,515	135,789
Total	$1,125,200	$1,114,041	$938,938

*Revised.

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World Bank's Contribution To Economic Progress

El Salvador for this purpose. It is our hope that his work will not only help to obtain the necessary local funds for this particular project but will also be of major benefit in the development of a local capital market to foster long-term investment in other fields.

Specific Projects Required

In both these examples—Brazil and El Salvador — our relationship with the borrowing country has centered about specific projects for which a loan was desired. But with several other countries the Bank has had an opportunity to establish a broader and more intimate kind of partnership.

One of the basic problems in most underdeveloped countries is a persistent shortage of capital in relation to their investment needs. It is important, therefore, that they make the best use possible of the capital they do have, and discourage its being dissipated on unproductive or uneconomic purposes. This requires a general determination of priority needs, and usually some adaptation of government policies so as to encourage investment in the most urgent and productive fields and discourage less useful undertakings. But the reaching of sound decisions on these fundamental policy questions is often handicapped by a lack of adequate technical and economic data, by a shortage of the necessary analytical skills, and frequently by strong pressures from special interests. So some of our member countries have come to the Bank for help in analyzing their problems and potentialities, and for objective advice in formulating balanced development programs and effective policies to carry out those programs.

The most extensive commitment we have undertaken for assistance of this kind has been to the Republic of Colombia. I would like to describe briefly to you what we are trying to do there.

Something over a year ago the Colombian Government applied for loans to finance several projects. Most of them seemed promising, but, as we discussed them, it became clear that a number of basic questions about Colombian development had not been fully thought through. We found that the government agreed with us, and was anxious to get assistance in working out a sound program. After some preliminary discussions, therefore, we were asked to send a mission to take an objective look at the whole economy.

Colombia's potentialities seemed very promising. Its dollar position was good; it was known to have very rich resources, many of them hardly touched; it possessed a substantial number of well-educated people, who had shown great skill and adaptability in creating and managing modern industries of various kinds; and it had been relatively stable politically for half a century. Nevertheless, the standard of living of the great majority of the people was depressingly low. Most of them had little education, poor health, poor housing, ill-balanced diets, and few of the amenities of life.

Here, then, was a country richly endowed by nature, in which considerable economic development had already occurred, but which give most of its people a living standard much below that afforded by other countries that have fewer basic resources. If we could not suggest ways of correcting this situation, the possibility of our making an effective contribution to development elsewhere in the world appeared dubious.

To head our Mission to Colombia we were fortunate in obtaining the services of Dr. Lauchlin Currie, a former Canadian who has had a rather unique combination of experience in the United States as a professional economist, government executive and private businessman. Acting in conjunction with the Bank's management, he brought together a group of technicians of outstanding ability in their various fields—including experts in agriculture, transportation, public health, industry and power, public finance and foreign exchange, as well as economists with a general background. Three members of the Bank's staff were attached to the mission; the rest were specially employed for the purpose. At the Bank's request the Food and Agriculture Organization of the United Nations and the World Health Organization nominated the experts in their respective fields, and the International Monetary Fund attached a member of its staff to act as the mission's expert on foreign exchange.

The various members of the Mission spent from two to nearly four months in Colombia. They traveled wildely, interviewed hundreds of people, and struggled with mountains of statistics—good, bad and indifferent. In short, they made the broadest and most intensive economic study of Colombia ever undertaken. Their report has not yet been submitted to the Bank, and it would be inappropriate for me to try to anticipate their specific findings. But the work is far enough along for us to feel confident of its value, both to Colombia and to the Bank.

The Mission developed for the first time some estimates of Colombia's national income, of the amount of savings, of where those savings come from and where they go, of the likely course of production in various fields, and so on. The value of these data is by no means merely academic, for they form the indispensable framework both for informed investment and for sound public policy. We are accustomed, in Canada, the United States and other economically advanced countries, to take this kind of information for granted; but when we deal with countries where it is entirely lacking we get a new insight into its importance.

Of course, the Mission also concerned itself with more specific matters. Dr. Currie has told me that they saw many instances where some change in the organization and techniques of production, or some relatively minor investment of capital, might yield returns as great in the aggregate as could be expected from most of the major investment projects. For example, the best agricultural land is now largely devoted to the raising of beef cattle on large estates. Any change that would result in this good land being used more intensively, for crops or dairy products, would mean more to the national welfare than millions of dollars spent, on say, new railroads.

The vitally important road-construction program in Colombia gives rise to a somewhat different kind of problem. A great deal of money and work is being spent on road building, but the effort is dissipated over so many different projects that they all cost more and take longer to finish than should be necessary, and the country gets little immediate benefit from any of them. Moreover, failure to provide for proper maintenance of roads already built prevents the nation from reaping full returns on its investment.

I don't want to exaggerate the importance of these specific problems in relation to the whole body of the Currie Mission's conclusions. I cite them only as random examples of the kind of thing with which it was concerned. The circumstances of Colombia, both the favorable and the unfavorable ones, find parallels in almost every other nation. Certainly there are plenty of instances of ill-advised or wasteful investment in the economic history of Canada and the United States. But it is our hope that by drawing on the experience of these more advanced countries it will be possible to some extent to ease the difficulties for others now going through a similar development process.

Relations With Turkey

I should like before I conclude to make brief mention of our relations with one other country—Turkey. The Turkish economy is closely tied into that of the rest of Europe, and Turkey is participating in the Marshall Plan. Unlike most of Western Europe, however, Turkey is definitely underdeveloped. Many of its problems are similar to those of Colombia, although they are complicated by the necessity for maintaining a very large defense establishment.

We have agreed to organize a survey mission under the leadership of Mr. James Barker — an outstanding business executive who was formerly Vice-President and Theasurer of Sears Roebuck and is now Chairman of the Board of the All State Insurance Co.—which will be more or less like the mission to Colombia in its composition and purposes. We expect it will start work soon. It will work closely with the ECA Mission in Turkey, and since the latter is primarily concerned with the short-term period of the European Recovery Program I think our mission will usefully supplement its activities.

In addition we have been trying to work out means of stimulating private initiative and investment in Turkey. As is the case with many other underdeveloped countries, Turkish economic growth has been retarded by a reluctance on the part of private capitalists to make long-term investments in productive enterprises, and by a lack of the organizational and managerial skills needed for modern industries. In an attempt to make up for this lack the Turkish Government has itself gone heavily into the financing, ownership and operation of industry. It has made a useful contribution to Turkish economic development in numerous fields, but its activities have been hampered by the relative rigidity and red tape which often characterize government operations. Furthermore, many of the government industries have not been subjected to the healthy stimulus of competition.

Both the government and private interests in Turkey have asked the Bank for assistance in working out a program to encourage private enterprise. Both groups feel, I think, that our participation in such a program, as an independent party friendly to both, would help to allay the distrust that each tends to feel for the other. The Bank employed Mr. Harold F. Johnson, who has had broad experience in the private investment field, as a lawyer and an adviser to the United States Government in its foreign economic operations, to go to Turkey for this purpose. In discussions with Turkish businessmen and government officials during October and November he worked out a plan for an industrial credit institute—privately owned and directed, but with active support and financial assistance from the government—to sponsor and finance private industries in Turkey. The details of his plan are now being worked out, and if they prove satisfactory I expect the International Bank will be prepared to make a loan to the institute to finance at least a part of the foreign exchange cost of projects sponsored by it. I have great hope that this kind of approach will prove to be a practical means of stimulating the local initiative and investment that is so vitally important to successful development.

The examples I have given — each somewhat different — provide, I think, a pretty good sample of the kinds of things we are trying to do. I should emphasize that where we have undertaken to make a general development survey and recommendations, as in Colombia or Turkey, our aim is not to produce a blueprint or 5-year plan, that could be adopted by the government without change or amplification. Rather these reports are intended to be working papers, on the basis of which the government concerned can itself evolve a satisfactory program and policies for development, if it accepts the general pattern recommended by our Mission. We hope that these initial surveys will be the beginning of a fruitful long-term collaboration with the country involved, in each case, in which we can furnish both technical and financial assistance, and that our recommendations will help to foster an economic climate favorable to private enterprise and investment.

I believe this kind of approach is a new departure for an international financing institution but analogous situations can be found in domestic financial operations, both private and governmental.

I recall, for example, that back in the '30s the United States was faced with the problem of how to help the lowest income farmers, who were able only with great difficulty to eke out a bare subsistence on poor, rundown land. They could not compete in the market with more efficient producers, and received little help from the major agricultural aid program. In effect, they constituted an underdeveloped segment of the American economy.

A fund was set up for loans to these farmers, but there were strict conditions attached. On receiving an application for a loan the County Agricultural Supervisor would first look over the farm to determine whether it could ever be expected to produce a decent living. If the land was too poor, or on too steep a slope, or too remote, or too small in area, the loan was refused on the ground that it would simply saddle the farmer with a debt he could never pay and which could only leave him worse off in the long run.

Even if the supervisor felt that with proper utilization the resources at hand would furnish a decent minimum standard of living, he would not approve an outright loan.. First, he helped the farm family to work out a plan. Together they might conclude that with certain types of agricultural tools, seed or fertilizer, some livestock or perhaps some canning equipment, it would be possible for the farmer to live better and at the same time obtain the wherewithal to repay the loan. The supervisor would then approve a loan earmarked for these specific purposes. He would also instruct the farmer in the use of the new equipment and in better farm practices, and would pay periodic visits to check on his progress. As a result of this close combination of financial and technical assistance, practically all the loans were repaid, the fertility of millions of acres was restored, and many thousands of people were transformed from a drag on the economy into self-respecting and self-supporting producers.

What the International Bank is trying to do is quite similar, as I have suggested. Technical advice alone is not sufficient to bring about economic development, nor is financial assistance. What is needed is a combination of the two, so that the granting of development loans is coupled with the provision of acceptable technical help and advice over a long enough period to assure that the improved pattern is firmly established. If we can find ways to apply this combination, in the right proportions, to the needs of the various underdeveloped countries that are members of the Bank, I am confident that we can make an increasingly important contribution to their welfare and progress and to the economic stability of the world as a whole.

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Observations . . .

1949, the proportion of the rise in living costs offset by concurrent equity-share advances in various countries was:*

U. S. A.	2[illegible]%
Great Britain	76
France	66
Italy	29
Switzerland	32

And despite much misconception about Quantity Theory and similar ideas concerning alleged correlation between a nation's supply of money and the price level of commodities and securities, conclusions concerning such correlation are misleading and dangerous. The American Bull Stock Market of the Roaring 1920s occurred in the framework of a relatively constant money supply. Conversely, in the prewar 1930s tremendous expansion in the money supply was accompanied by stock market rises that were relatively negligible and uncorrelated as to timing.

This same non-correlation between money and stock prices has been governing in other countries. This is demonstrated in a study by John H. Lewis & Co. showing the following increased ratio scales between 1949 and 1938, with the 1938 figure representing 1:

Country—	Money Supply	Stock Prices
Italy	52.8 to 1	18.5 to 1
France	13.1 to 1	10.6 to 1
Belgium	3.7 to 1	1.78 to 1
Argentine	7.10 to 1	5.45 to 1
India	4.37 to 1	1.45 to 1
United States	3.48 to 1	1.55 to 1
United Kingdom	3.06 to 1	1.22 to 1
Sweden	2.86 to 1	1.12 to 1

The equity share indeed belongs in portfolios of a genuine investment character—but it does not provide a cure-all or 100% safeguard against the current world's multiplicity of anti-capital forces and contingencies.

*Cf. "The Equity Share as an Inflation Hedge," by A. Wilfred May, "Commercial and Financial Chronicle," Oct. 27, 1949.

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The Point IV Program —Facts and Fallacies

recommendations include suggestions for further studies by special technicians, as well as for essential domestic legislative changes in Brazil so as to create in that country a climate more favorable to foreign investment.

It is obvious from the diverse character of these different types of missions that any legislation would have to be so broadly drawn as to allow the greatest flexibility in suiting the type of mission to the different problems and needs of individual areas of the world.

As redrafted by the House Committee on Foreign Affairs, the legislation dealing with technical assistance, but called the "Act for International Development," represents a compromise of views between a bill initially filed last year by the Administration and one which I filed shortly thereafter. My own bill was a rather hastily drafted composite of the views which had been expressed on this subject by the National Foreign Trade Council, the United States Chamber of Commerce, the American members of the International Chamber of Commerce, and various individuals who had had great experience in the foreign investment field. While the principal purpose of this compromise bill is to authorize the granting of technical assistance in different fields, either through bilateral arrangements or through the use of international bodies affiliated with the United Nations or the organization of the American States to such foreign governments as request it, it likewise spells out in some detail the role which private capital, private individuals, and private organizations can play and the conditions which would create a climate suitable for the investment of private capital. For instance, let me quote some of the pertinent passages:

"Sec. 2 (c) Technical assistance and capital investment can make maximum contribution to economic development only where there is understanding of the mutual advantages of such assistance and investment and where there is confidence of fair and reasonable treatment and due respect for the legitimate interests of the peoples of the countries to which the assistance is given and in which the investment is made and of the countries from which the assistance and investments are derived. In the case of investment this involves confidence on the part of the people of the underdeveloped areas that investors will conserve as well as develop local resources, will bear a fair share of local taxes and observe local laws, and will negotiate adequate wages and working conditions for local labor. In involves confidence on the part of investors, through intergovernmental agreements or otherwise, that they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable opportunity to remit their earnings and withdraw their capital; that they will have reasonable freedom to manage, operate, and control their enterprises; that they will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs."

"Sec. 3 (b) that in order to achieve the most effective utilization of the resources of the United States, private and public, which are or may be available for aid in the development of economically underdeveloped areas, agencies of the United States Government, in reviewing requests of foreign governments for aid for such purposes; shall take into consideration (1) whether the assistance applied for is an appropriate part of a program reasonably designed to contribute to the balanced and integrated development of the country or area concerned; (2) whether any works or facilities which may be projected are actually needed in view of similar facilities existing in the area and are otherwise economically sound; and (3) with respect to projects for which capital is requested, whether private private capital is available either in the country or elsewhere upon reasonable terms and in sufficient amount to finance such projects."

It is in the statement with respect to those latter matters that I feel the bill is of particular importance. The mere authorization to send technical assistance where wanted throughout the world could do very little in itself toward raising the standards of living of underdeveloped nations. Very real help could be given in the fields of sanitation education, labor, agriculture, administration, etc., but in the long run, increased productivity must be the deciding factor. That productivity can come only through a given amount of capital investment plus the technical know-how or technical skills which go with capital investment, and the bill, as now reported by the Committee, while defective in some minor particulars, goes far toward spelling out for all to see the minimum conditions under which any reasonable person could expect American capital to seek investment outside the shores of the United States.

Altering Tax Laws for Foreign Investments

The third piece of legislation is now being studied by the Ways and Means Committee. It is based on the President's recommendations which appeared in the recent tax message with respect to altering our own tax laws in order to give proper credits for taxes levied on American investments abroad. Until the exact text of the legislation can be examined, it is hard to comment on it. But in general, the proposals made by the President appear to be equitable and should be helpful in removing some of the present tax deterrents to foreign investments.

So far, I have addressed myself to the factual elements in the Point IV program as they have been revealed through legislative proposals. Some of the details that appear in the legislation are of importance. However, in the limits of this discussion, it is impossible to go into each one of these details.

Some people have felt, and so stated publicly, that they believed the Point IV program would be the medium by which a foreseeable dollar gap of some two billion dollars per year after 1952 might be filled. This, it seems to me, is an impossible assumption on the basis of any of the official statements or the legislation so far advanced. Private capital will move only to the extent that it feels it has better opportunities in the foreign field than in the domestic field, and obviously the volue of that foreign investment will be conditioned more largely by the climate which exists in foreign countries and the performance of foreign governments than by any action which the United States Government can take.

Aside from the movement of private capital, there remains only the volume of financing which might be done by the Export-Import Bank or by the World Bank. It is, in my opinion, obvious from the record of these two financial institutions that they cannot and will not make loans except where there is a reasonable chance of repayment, and judging from their financial operations in the last three years, I assume that they will exercise very much the same degree of caution as will private capital. Certainly, as I have indicated, technical assistance in the field where capital investment is not required can be most helpful, but even there there is a limit as to what can be done. Progress in the fields of health, education, etc., will again depend largely on the receptivity of the individual nations or areas of the world and on the willingness and ability to help finance internally the various domestic activities upon which the success of such programs are dependent.

In summary, I believe that I can express my views with respect to this Point IV program very simply. I believe that it is a program of sufficient importance in our world situation to attract the best government and private brains that can be applied to it. Second, I believe that no illusions whatever should be held out that it is going to be a large-scale giveaway program or anything other than a long-term program. Third, that its success is dependent entirely on the attitude which recipient countries themselves adopt with respect to it, not alone in their attitude toward private capital development, but likewise in the formulation of their own domestic legislation in order to encourage increased productivity. It is not a program we can impose or should try to impose on anyone. It is, however, a program in which our willing cooperation with the capital and the skills that we possess might well make the decisive contribution in the winning of the long-run ideological war from which there now appears to be no escape.

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The Federal Budget Dilemma

tional revenue is elsewhere secured.

The President's list of loopholes comprised "the excessive depletion exemptions now enjoyed by oil and mining interests"; the use of the "exemption intended to protect educational activities . . . to gain competitive advantage over private enterprise through the conduct of business and industrial operations entirely unrelated to educational activities"; and the under-taxation of life insurance companies.

Most of us would agree in principle that if oil and mining companies are obtaining excessive deductions, such deductions should be brought down to proper size. The companies have long contended, however, that the deductions are no more than are necessary to meet the costs of mineral production and the expenses of essential exploration and development. The present depletion allowances have been in effect a long time and have apparently worked well. It seems unlikely that Congress will change them.

Most of us would also agree that commercial organizations should not masquerade as colleges, and that the income of insurance companies should be equitably taxed. In each case, however, the problem cannot be easily solved, nor is there any assurance that important new revenues will arise from the solutions proposed. Colleges and insurance companies alike have suffered from the governmental policy of low interest rates. Some colleges, not all, have sought investments, unusual investments, in commercial enterprises, as a means for bolstering declining income. It will not be easy to define and exempt a college's pure investment income, and to define and tax a college's commercial income. Even when the job is done, not much revenue will be raised. Moreover, whatever revenue is produced is produced at the expense of institutions which do an essential public job, a job the State must do itself when private institutions are inadequate.

The income of life insurance companies is taxed under provisions adopted in 1942 by agreement between the Treasury and the companies. The government's low interest rate policy has so driven down the companies' earnings that the 1942 formula has become unproductive. The Ways and Means Committee has recommended and the House has adopted a measure imposing retroactive taxes on the 1947, 1948 and 1949 incomes of life insurance companies. It is estimated to produce a total of $90 million of revenue for those three past years, surely an inadequate consideration for the departure from the long-standing precedent that taxation must be prospective in application.

Capital Gains Taxation

The President further recommended that the capital gains provisions should be tightened; that estate and gift tax exemptions should be reduced; that those two taxes should be coordinated so that a single progressive tax would be imposed on all transfers a taxpayer might make, either during life or at death; and that the rate of tax on corporate income in excess of $50,000 should be increased.

None of the President's recommendations, if enacted, would greatly stimulate business activity, or tend to assure a continuance of our present prosperity. Some nuisance taxes would be reduced, and that would help; oil and mining development would be dampened; some colleges would be hurt; life insurance policyholders would have to pay a little higher premiums Taxpayers would have additional tax reasons for holding on to securities and not selling them. A small additional handicap would be placed on risking money in new ventures. It would be a little harder to provide a decent estate for one's widow and children. Corporations would find it a little more difficult to make a profit for stockholders.

None of the recommendations gives anyone an incentive to work harder and to produce more. Rather, the general effect of the President's proposals is to convince taxpayers once again that our Federal tax policy is not being designed to promote business activity; that if we have a flourishing economy, it must be in spite of Federal tax policy, not because of it.

To finance the proposed Federal budget of $42 billion out of current revenues requires very great business activity. The Treasury is utterly dependent upon a flourishing economy. But the tax policy of the country, the policy with the greatest single impact upon the activities of men, is not at all designed to foster a great national income.

Further Recommendations

(4) What should be done? I have already given my major recommendations: pare down expenditures to about $35 billion; and balance the budget without the need for tax increases. Those two recommendations are essentials. After them come so many other desirable tax changes that an order of priority is necessary. Moreover, there is only time today to list a few major items.

(1) Isn't the elimination of the double tax on corporate dividends the first necessity in an economy that wishes to foster active business and new risk investment? How can corporations get the new risk money they need when prospective investors know that dividends will be subject to a double tax, which other income does not pay?

(2) Isn't a liberalization of depreciation allowances the next step in fostering the replacement of old machinery by new, in encouraging the development and installation of new labor-saving devices? Our plants must be kept up-to-date if we are to produce and compete successfully.

(3) A revision of the excises might come third on the list, but a revision that would strengthen the excise portion of our tax system, at the same time that excessive rates and undesirable forms of excises are eliminated.

(4) Finally, I have always wanted to increase the certainty of tax laws, by simplifying their provisions so far as possible, and then providing that they mean what they say; so that if a taxpayer complies with them, he can be sure that the result will be what the law plainly states; not some wholly unexpected result an ingenious Supreme Court thinks up ten years later.

Governmental professions of desire to promote economic growth and broader opportunities for our citizens need not be so greatly at odds with specific recommendations for changes in the tax laws. We must have high taxes for many years to come. By the same token, we must devote our best thoughts to tax policy. We should put an end, right now, to political expediency as a guide to great decisions. This election year may not be the time, but sooner or later we must give our Federal tax laws the thorough overhauling they so badly need, to the end that citizens may be encouraged to produce; may be enabled to save money; and thus may not only provide security for themselves and their families, but out of individual savings may furnish the funds to finance the new enterprises a growing civilization must have. We can still grow. We can live the good life. We must not let badly devised tax laws and unintelligent Federal budget policy stop us.

Four Added to Staff Of Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Thomas E. Gay, Jr., Frank L. Nagle III, Carl E. Oliver and Jacob E. Peregrine have become associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Messrs. Gay, Oliver and Peregrine were formerly with Davies & Mejia.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Raymon W. Beck has become connected with Walston, Hoffman & Goodwin, 550 South Spring Street. He was formerly with Hill Richards & Co. and Buckley Brothers.

Joins Knowlton Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Charles R. Nelson has joined the staff of Frank Knowlton & Co., Bank of America Building.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Aid Investment & Discount Co., Akron, Ohio
Feb. 27 (letter of notification) 36,500 shares of common stock (par $1). **Price**—$8.12½ per share. **Underwriter**—Otis & Co., Cleveland. **Proceeds**—For working capital.

● Alberta (Province of)
March 7 filed $61,000,000 of debentures, due 1961 through 1973. **Underwriters**—First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; Dominion Securities Corp., McLeod, Young, Weir Inc., all of New York; Halsey, Stuart & Co. Inc., Chicago. **Price**—To be named in amendment, along with interest rate. **Proceeds**—To redeem $61,067,300 of outstanding debentures, maturing 1961.

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.

● Alumitape Sales Corp., Los Angeles, Calif.
Feb. 28 (letter of notification) 130,000 shares of common stock to be offered at par ($1 per share). No underwriter. Proceeds are to promote and advertise Venetian blind tape and other products and for general selling expenses. **Office**—5404 Alhambra Ave., Los Angeles, Calif.

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.

● Automatic Firing Corp., St. Louis, Mo.
Feb. 23 (letter of notification) 7,000 shares of class B common stock (par $1) and 500 shares of class A common stock (par $1) to be sold by Sidney Strauss, Vice-President of the company. **Price**—$3.50 per share. **Underwriters**—Dempsey & Co., Chicago, and G. H. Walker & Co., St. Louis.

● Barrett Enterprises, Inc., Washington, D. C.
Feb. 23 (letter of notification) 2,000 shares of capital stock (no par). **Price** — $20 per share. **Underwriter** — None. **Proceeds**—To manufacture and sell an original ash tray. **Office**—1314 16th Street, N. W., Washington, District of Columbia.

Beverly Gas & Electric Co.
Dec. 20 filed 33,000 shares of capital stock (par $25) to be offered to stockholders at the rate of 1½ shares for each two shares now held, at $30 per share. No underwriter. The proceeds will be used to pay off $575,000 of notes held by the New England Electric System and bank loans.

Broadway Angels, Inc., New York City
Nov. 14 filed 2,000,000 shares (1c par) common stock and 500,000 management shares of 0.1 of a cent par value, to be sold at 50 cents and 12.5 cents respectively. **Underwriter** — Hugh J. Devlin, New York. **Proceeds** — For working capital. **Business**—To back theatrical productions, distribute tickets and act as an agent for talent. Registration statement withdrawn Feb. 17.

● Buffalo Stainless Casting Corp. (3/10)
March 2 (letter of notification) 10,000 shares of common stock at par ($1 per share). No underwriter. Proceeds are for retirement of $26,400 notes, acquisition of equipment and for operating working capital. **Office**—777 Northland Avenue, Buffalo 11, N. Y.

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.

NEW ISSUE CALENDAR

March 9, 1950
Lowell Adams Factors Corp. — Common
Southern Pacific Co., noon (EST) — Debentures

March 10, 1950
Buffalo Stainless Casting Corp. — Common
Gyrodyne Co. of America, Inc. — Common & Pfd.

March 13, 1950
Carolina Power & Light Co. — Common
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. 11:30 a.m. (EST) — Debentures

March 15, 1950
Canam Mining Corp., Ltd. — Common
Palisades Nepheline Mining Co., Ltd. — Capital

March 20, 1950
Texas Utilties Co. — Common

March 21, 1950
Appalachian Electric Power Co. — Bonds

March 23, 1950
Seaboard Air Line RR. Noon (EST) — Equip. Trust Ctfs.

March 24, 1950
Jamaica Water Supply Co. — Bonds & Common

March 28, 1950
Monongahela Power Co. — Preferred
Northern Indiana Public Service Co. — Bonds

April 4, 1950
Georgia Power Co., 11 a.m. (EST) — Bonds
United Representatives, Inc. — Debentures

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

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 Natural Gas Corp., Charlotte, N. C.
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — 701 Wilder Building, Charlotte, N. C. Not to be offered for sale publicly.

Carolina Power & Light Co. (3/13)
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.

Cincinnati Gas & Electric Co.
Feb. 24 filed 556,666 shares of common stock (par $8.50), of which 498,666 will be offered to stockholders of record March 15, 1950, at the rate of one new share for each five held (rights to expire April 7) 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.

● Columbia Lead & Zinc Mining Co., Spokane, Wash.
Feb. 28 (letter of notification) 400,000 shares of capital stock (par 1 cent), to be issued at 25 cents per share. No underwriter. Proceeds to be used for exploration and development work at metaline mining district. **Office**—502 Hyde Building, Spokane, Wash.

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 Royalty Co., Dallas, Texas
Feb. 27 (letter of notification) 150,000 shares of common stock (par $1) at $1.50 per share. No underwriter. Proceeds to buy new producing royalties. **Office**—740 Wilson Bldg., Dallas, Texas.

● Cook Coffee Co., Cleveland, Ohio
March 6 filed 101,250 shares of common stock (no par) to be sold by 10 stockholders. 10,000 shares will first be offered to employees of the company. **Underwriters**—A. G. Becker & Co. Inc., Chicago, and Merrill, Turben & Co., Cleveland. **Price**—To be supplied in an amendment. **Business**—Coffee roasting.

● Counselors Investment Fund, Inc. (formerly Pan American Investment Fund, Inc.), Los Angeles, Calif.
March 8 filed 85,000 shares of capital stock (par $1). **Underwriter**—Pasadena Corp., Pasadena, Calif. **Business**—Diversified open-end investment company.

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.

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.

● Drewrys Ltd., U. S. A., Inc., South Bend, Ind.
March 1 (letter of notification) 9,000 shares of common stock to be sold at the market price by Alfred Epstein. No underwriter.

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.

● Eaton & Howard Balanced Fund, Inc., Boston, Mass.
March 7 filed 500,000 shares of capital stock. **Underwriter**—Eaton & Howard, Inc., Boston, Mass. **Business**—A diversified open-end trust.

● Equitable Gas Co., Pittsburgh, Pa.
March 2 filed an unspecified number of shares of common stock, to be sold by The Philadelphia Co., Pittsburgh. Underwriter, price and other details to be filed by amendment. Exemption from competitive bidding has been asked. Probable underwriters: Lehman Brothers and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. E. Hutton & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co., Inc.; The First Boston Corp.

● Equitable Securities Co., Indianapolis, Ind.
Feb. 24 (letter of notification) $100,000 of 5% sinking fund debentures. **Underwriter**—City Securities Corp., Indianapolis. **Proceeds**—For working capital.

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● **Fidelity Corp. of Michigan**
March 2 (letter of notification) $100,000 of long-term series B 6% 5-year notes. No underwriter. Proceeds to reduce bank indebtedness and provide capital for loan business. **Office**—Grand Rapids National Bank Building, Grand Rapids, Mich.

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.

● **Georgia Power Co. (4/4)**
March 3 filed $15,000,000 of 30-year first mortgage bonds due 1980. **Underwriter**—To be decided by competitive bidding. 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. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Drexel & Co.; Morgan Stanley & Co.; Harriman Ripley & Co. **Proceeds**—To finance construction program. **Bids**—To be received up to 11 a.m. (EST) April 4.

Glidden Co., Cleveland, Ohio
Feb. 24 filed 178,825 shares of common stock (no par) to be offered common stockholders of record March 15 at the rate of one new share for each 10 held. Rights are expected to expire March 31. **Underwriter**—Blyth & Co., Inc., New York. **Price**—To be filed in amendment. **Proceeds**—For additional working capital.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. Offering—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. Underwriters—Names by amendment and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common Offering price of class A $5. Proceeds—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

● **Gyrodyne Co. of America, Inc. (3/10)**
March 3 (letter of notification) 150,000 shares of common stock, class A (par $1) and 18,000 shares of 5% cumulative participating preferred stock (par $4). **Price**—Preferred at par and class A at $1.50 per share. **Underwriter**—Jackson & Co., Boston, on a "best efforts" basis. **Proceeds**—For development of model, etc. **Office**—60 Wall Street, New York City.

● **Hardy International Hotel Co.**
Feb. 28 (letter of notification) $73,800 of notes of $600 and $1,200 each. No underwriter. Proceeds to buy lease and furnishings of Hotel Nelson, Rockford, Ill. **Office**—4434 W. Laurence Ave., Chicago, Ill.

● **Hayward Timber Co., Glendale, Ore.**
Feb. 27 (letter of notification) 500 shares of common stock (no par) and $61,000 of 2% first mortgage bonds, to be issued to the State of Oregon in exchange for timber lands valued at $87,498. No underwriter. No cash proceeds. **Address**—Box 115, Glendale, Ore.

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 of record March 20 in 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.

Interchemical Corp.
Feb. 14 (letter of notification) 3,334 shares of common stock (par $5). **Price**—At the market (about $18 per share. **Proceeds**—To selling stockholder. To be sold on New York Stock Exchange.

Iowa Public Service Co. (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. (3/24)
Feb. 17 filed 50,000 shares of common stock (no par) and $7,995,000 first mortgage bonds, series C, due March 1, 1975. Common stock will be offered to common stockholders of record March 7 at $21.50 per share on basis of one new for two shares held (rights to expire Mar. 23). **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.

● **Kansas City Power & Light Co. (4/21)**
March 3 filed 1,904,003 shares of common stock (no par) to be offered by United Light & Rys. Co., Chicago, at $12 per share to United Light stockholders of record March 23 on the basis of three shares of Kansas City stock for each five shares of United stock held. Rights are to expire April 20. **Underwriters**—None.

● **Kansas Custom Co., Los Angeles, Calif.**
Feb. 27 (letter of notification) $150,000 worth of participating interests in limited partnership, of which Alice Wellman Harris, Altadena, Calif., and Busby Berkeley, Los Angeles, are general partners. No underwriter. Proceeds are to produce a musical called "It's an Old Kansas Custom." **Office**—325 S. New Hampshire, Los Angeles, Calif.

● **Lincoln Telephone & Telegraph Co., Lincoln, Nebraska**
March 2 (letter of notification) 15,000 shares of common stock (par $16.66⅔). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital and expansion.

● **Linn Plywood & Door, Inc., Albany, Ore.**
March 1 (letter of notification) 40 shares of voting stock (par $5,000 each). No underwriter. "The net assets are the assets of a going plywood mill and sash and door plant, subject to the liabilities of the old Washington corporation."

Lowell Adams Factors Corp. (3/9)
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 today.

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.

● **Lytton (Henry C.) & Co., Chicago, Ill.**
March 1 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$8 per share. **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To two selling stockholders.

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.

● **Michigan Gas & Electric Co., Ashland, Wis.**
Feb. 24 (letter of notification) 12,000 shares of common stock to be sold to stockholders of record March 7 at the rate of one share for each 10 held at $21 per share. No underwriter. Proceeds for construction. **Office**—101 W. 2nd Street, Ashland, Wis.

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.

● **Miller (Walter R.) Co., Inc.**
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

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.

● **Multnomah Plywood Corp., Portland, Ore.**
Feb. 27 filed 180 shares of common stock. **Price** — At par ($2,500 per share). **Underwriter**—None. **Proceeds**—To buy operating assets of Portland Plywood Corp.

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. **Bids**—To be received up to 11:30 a.m. (EST) on March 14 at Room 2315, 195 Broadway, New York, N. Y.

● **Northeast Investors Trust, Boston, Mass.**
March 2 filed 100,000 shares of beneficial interest. No underwriter. A diversified, open-end investment trust.

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.

● **Oil Prospectors Inc., Mineral Wells, Texas**
Feb. 28 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To drill oil wells. **Office**—Damron Hotel, Mineral Wells, Texas.

● **Oklahoma Gas & Electric Co.**
March 6 filed 97,900 shares common stock (par $20) to be offered stockholders at the rate of one for each 10 now held. **Underwriter**—No underwriter, but any NASD member helping a stockholder with a subscription will be paid 25 cents per share. **Price**—To be filed by amendment. **Proceeds**—For construction.

● **Onondaga Hardware Co., Inc.**
March 6 (letter of notification) 20,000 shares of preferred stock and 40,000 shares of common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—If paid subscriptions for $150,000 are received, proceeds will be used for capital funds for the proposed corporation; otherwise subscriptions and payments will be returned. **Office**—Care of Herman B. Pilger, 218 Rigi Avenue, Syracuse, N. Y.

Pacific Gas & Electric Co.
Feb. 23 filed 1,656,156 shares of common stock (par $25) to be offered to common stockholders of record March 14 at rate of one new share for each five shares held. Rights will 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 common and preferred stockholders of record March 21, 1950 at the rate of one share for each six shares held; rights expire April 21. **Underwriter**—None. **Price**—At par. **Proceeds**—For Construction and to repay bank loans made for construction purposes. 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. (3/15)
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. Expected on or about March 15.

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 will be received up to 11:30 a.m. (EST) on March 13 at office of Commonwealth Services, Inc., 20 Pine Street, New York, N. Y.

● **Pepsi-Cola Co.**
Feb. 28 (letter of notification) 3,500 shares of capital stock (par 33½¢). **Price**—At market (about $11.50 per share). **Underwriter**—To be offered on New York Stock Exchange via Delafield & Delafield. **Proceeds**—To Walter S. Mack, Jr., President.

● **Radioactive Products, Inc., Detroit, Mich.**
March 1 75,000 shares of common stock to be offered at par ($1 per share). No underwriter. Proceeds for working capital. **Office**—3201 E. Woodbridge St., Detroit 7, Mich.

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.

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.

● **Shawmut Association, Boston, Mass.**
Feb. 27 (letter of notification) 700 shares of common stock (no par) to be sold at $16 per share by the National Shawmut Bank of Boston. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston.

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 (probably Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Union Securities Corp.). **Proceeds**—To redeem a like amount of outstanding first mortgage 3⅜% and 3⅝% bonds.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock. **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. at rate of one share for each five held. Underwriter—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

● **Texas Fund, Inc., Houston, Texas**
March 1 filed 285,000 shares of $1 par value common stock. **Underwriter** — Bradschamp & Co., Houston. **Business**—An investment fund.

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 at offices of company, Room 2033, Two Rector Street, New York, N. Y. **Proceeds**—To increase common stock investments in subsidiaries. Statement effective March 6.

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.

● **United Representatives, Inc. (4/4)**
March 1 (letter of notification) $300,000 10-year 6½% debentures, due April 4, 1960. **Price**—Par. **Underwriter**—None. **Purpose**—For development of financing foreign shipments. **Office**—250 Park Avenue, New York, N. Y. **Offering**—Expected April 4.

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. **Underwriters**—Harris, Upham & Co., Minneapolis, and Piper, Jaffray & Hopwood. **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.

● **Wall Street Investing Corp., N. Y. City**
March 6 filed 200,000 shares of capital stock. No underwriter. **Business**—An investment company.

● **West Coast Telephone Co., Everett, Wash.**
March 1 filed 35,000 shares of common stock (par $20). **Price** — To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds** — Construction purposes.

● **Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada**
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None. **Proceeds**—Exploration and development work.

● **Westinghouse Electric Corp.**
March 2 filed 500,000 shares of common stock (par $12.50), to be offered to employees under company's employee stock plan. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Prospective Offerings

● **American Can Co., New York, N. Y.**
March 3 announced company is considering a program of long-term financing for working capital.

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.

● **Central States Electric Corp.**
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

● **Chesapeake & Ohio Ry.**
Company has invited bids to be opened at noon (CST) March 15, on an issue of $5,070,000 serial equipment trust certificates of 1950. No bid for less than 99% of par plus accrued dividends from April 1, 1950 to the date of delivery, will be considered. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers, Carl M. Loeb, Rhoades & Co. and Reynolds & Co. (jointly); and Harris, Hall & Co., Inc.

● **Chicago, Burlington & Quincy RR.**
March 7 it was reported that this road may later this year be in the market for $25,000,000 in new bonds to provide for retirement of $12,500,000 of outstanding 4½s of 1977 and make available the balance as new capital. Probable bidders: Halsey, Stuart & 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.

● **Columbia Gas System, Inc.**
March 4 it was reported that in case company decides to refund $77,000,000 of outstanding 3⅛s, such operation may also involve retirement of $14,000,000 serials issued under same indenture. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; Salomon Bros. & Hutzler; 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 sell 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.

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.
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.

Gerber Products Co.
Feb. 8 stockholders authorized directors to sell not more than 150,000 shares of common stock, of which 10,000 shares are to be offered to employees. Proceeds are to be used to finance a New York State plant and warehouse and to improve plant facilities at Oakland, Calif. Traditional underwriter: A. G. Becker & Co.

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.

● **Indiana & Michigan Electric Co.**
Feb. 27 company was reported to be contemplating the issuance and sale of $20,000,000 first mortgage bonds in June or July, the proceeds to finance construction program. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. Possible refunding of privately held $22,500,000 3¼% first mortgage bonds is also said to be under consideration.

Kansas City Power & Light Co.
Additional public financing will 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.

● **Knott Corp., New York, N. Y.**
March 2 the directors authorized discussion with Hayden, Stone & Co. as principal underwriters of a proposed offering of 100,000 shares of new unissued $5 par common stock, subject to approval on March 20 by stockholders of proposed plan of recapitalization and change in name to Knott Hotels Corp. Proceeds will be used to reimburse treasury for capital expenditures already made and to increase working capital.

Laclede Gas Light Co.
On Feb. 14 stockholders voted to authorize a new

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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.

● **Lit Brothers, Philadelphia**
March 4 announced company will sell $6,000,000 of sinking fund subordinated debentures, the proceeds, together with treasury cash, to redeem 60,000 shares of outstanding preferred stock. **Underwriter**—A. G. Becker & Co. Inc.

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.

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.).

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.

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. Rights will expire March 17. Traditional underwriter: Mitchum, Tully & Co.

● **Pacific Power & Light Co.**
March 7 the company expects to issue and sell some $12,000,000 bonds about the middle of April. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; White, Weld & Co. and Harris, Hall & Co. (Inc.) (jointly); Carl M. Loeb, Rhoades & Co. Proceeds would be used to pay off bank loans and to pay for new construction costs.

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.

● **San Diego Gas & Electric Co.**
March 4 it was reported early registration with the SEC of about 500,000 shares of common stock is expected. It is planned to ask the California State Commission for exemption from competitive bidding. Traditional underwriter: Blyth & Co., Inc.

Schering Corp.
Jan. 26 announced the Alien Property Custodian is preparing to offer at competitive bidding 440,000 shares of common stock (total issue outstanding) late in March or early in April. Registration with the SEC expected shortly. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.

Seaboard Air Line RR.
Feb. 7 directors appointed a committee to proceed with the refunding of the approximately $31,800,000 outstanding first mortgage bonds, provided satisfactory terms could be arranged. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers; First Boston Corp. and Harriman Ripley & Co. (jointly); Union Securities Corp.

● **Seaboard Air Line RR. (3/23)**
Bids will be received at office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad Street, New York, N. Y., by noon (EST) on March 23 for the purchase of $7,050,000 1 to 15-year equip. trust certificates, series G, dated April 1, 1950. 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).

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, th offer to stockholders of record March 10, 1950 of th privilege to subscribe, at par, on or before March 3 1950, for $37,727,600 of convertible debentures, due Apri 1, 1960, convertible into common stock at $55 per shar **Underwriters**—Names to be determined by competitiv bidding. Probable bidders: Halsey, Stuart & Co. Inc Blyth & Co. Inc. **Bids**—Will be received at company' office, Room 2117, 165 Broadway, New York City, u to noon (EST) on March 9. **Price**—Bidders to name th price, with the minimum set at 100.

● **Tennessee Gas Transmission Co.**
March 17 stockholders will vote on increasing authorize preferred stock to 600,000 shares from 400,000 shares an the authorized common stock from 5,000,000 shares t 10,000,000 shares. It is presently contemplated to issu and sell publicly 100,000 shares of preferred stock, th proceeds to be used to pay in part cost of extension o pipe lines to Buffalo, N. Y. Traditional underwriters Stone & Webster Securities Corp. and White, Weld & Co

● **Thompson Products, Inc., Cleveland, Ohio**
March 2 announced that stockholders will on March 2 vote on increasing the authorized common stock fron 500,000 shares, no par value, to 1,000,000 shares, par $5 in order to provide for a 1.20-to-1 split-up and for futur financing, acquisition of property and other purposes.

Utah Fuel Co. (4/10)
The referee will offer at public auction at 11 a.m. o April 10 all of the 100,000 outstanding shares of stock o 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.

West Coast Transmission Co., Ltd.
Feb. 10 reported that Eastman, Dillon & Co. and the First Boston Corp. were ready to underwrite the financing of the 1,400 mile pipe line proposed by the West Coast Transmission Corp., along with Nesbitt, Thomson & Co. Ltd., of Montreal, Canada, and Wood, Gundy & Co. of Toronto, Canada. The financing would be divided 75% to bonds and the remainder to preferred and common stock. A large amount of the bonds are expected to be taken by life insurance companies. Arrangements will be made to place in Canada part of the securities. It is expected an American corporation will be formed to construct and operate the American end of the line in Washington, Oregon and California. The completed line, it was announced, will cost about $175,000,000.

● **West Virginia Water Service Co.**
March 1 announced company will offer additional common stock to common stockholders on a 1-for-14 basis. No record date has been set. Traditional underwriters: Allen & Co., Shea & Co.

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.

Our Reporter's Report

Currently investment bankers appear to be finding it easier to sell equities than to dispose of debt securities. Seemingly, in the latter field, the sparse yields afforded again are meeting with resistance from institutional investors who are the main outlets for such securities.

By way of contrast, equities have been doing right well as witness the recent large-scale secondary put through off the board involving several big blocks of Standard Oil and other petroleum shares.

Reports indicate that orders for these securities were sufficient to have taken care of between three and four times the amount of stocks offered. Of course the dealers' allowances were sufficient to offer considerable inducement.

Watching Treasuries

Perhaps the market for fixed debt securities would be giving a better account of itself if something approaching stability prevailed in the Treasury bond market.

The Administration is definitely committed to a policy of "cheap money." But while this is true the Federal Reserve's open market committee has been feeding Treasuries into the market persistently over a period of many weeks.

Momentarily there is talk of a possible long-term Treasury issue in the offing. By and large the behavior of governments has made the investment market a bit "jittery."

What has been happening is perhaps best indicated by the trend in the Victory 2½s since the turn of the year. On Jan. 3 that issue was selling at 103.26. It has backed down steadily, almost without interruption, until currently it is quoted around 102.16, for a net loss of one and 10/32 points in the interim.

So. Pac's Today

Southern Pacific Co. is due to open bids today for a "standby" operation in connection with its offering of $37,727,600 of convertible debentures, due in 10 years, to stockholders.

When news of the road's financing plans first got around, four banking syndicates were organized to go after the business, presumably on the theory that it would involve a straight bond offering.

But when the financing was outlined and the terms for bidding made known, two groups proceeded to disband. The groups which withdrew expressed dissatisfaction with the terms.

The road has since moved to modify the conditions but as the time for bidding approached it did not appear that these firms were likely to change their minds again.

So the two remaining groups will match bids for the business which involves a 20-day standby and a split with the company on any profits realized from the sale of unsubscribed debentures taken down.

Potential Deals Ahead

The Street is talking of a number of new prospective undertakings with the largest expected to involve some $50,000,000 of new common and serial debentures for Northern Natural Gas Co. to finance current construction.

The Chicago, Burlington & Quincy RR. is counted upon to be in the market for $25,000,000 in new bonds to provide for retirement of $12,460,100 of outstanding 4½s of 1977 and make available the balance as new capital.

And Commonwealth Edison, Chicago, judging by remarks of its Chairman C. Y. Freeman, is likely to be back this year for a part of the $90,000,000 which he figures it will need to finance construction.

Meanwhile, looking further ahead, Public Service Electric & Gas Co. probably will be interested in $26,000,000 new money later in the year, and there is talk of a possible Montana Power Co. issue, although that company has refrained from seeking funds for its construction needs in more than a decade.

Glore, Forgan Group Power Securities Offers Otter Tail

An underwriting group headed by Glore, Forgan & Co. and Kalman & Co., Inc., on March 8 publicly offered 25,000 shares of $4.40 cumulative preferred stock (without par value, stated value $100 per share) and 125,000 shares of common stock (par $5), the net proceeds to be used to repay bank loans and for cost of new construction. The preferred stock was priced at $101 per share and the common stock at $20.25 per share.

George Named to Bd. Of Harriman Ripley

Joseph P. Ripley, Chairman of Harriman Ripley & Co., Inc., 63 Wall Street, New York City, announced that at the annual meeting of the company, Edward C. George, Vice-President, was elected a member of the board of directors.

Edward C. George

Mr. George joined the Harriman Ripley organization in 1938 and was elected Vice-President in charge of its Chicago and Middle-Western operations in February, 1949.

A native of Chicago, Mr. George entered the investment banking business in 1919 upon his graduation from Northwestern University. He has been identified with many civic activities and is a former President of the Bond Club of Chicago.

Stone & Webster Group Offers Virginia Elec. & Power Co. Pfd. Issue

Virginia Electric & Power Co., consummated another step in its financing program when it completed negotiations with Stone & Webster Securities Corp. and associates for the sale of 100,000 shares of the utility's preferred stock, $100 par value. The investment banking group on March 7, offered the new preferred, which carries a dividend rate of $4.04, at $102.27 per share plus accrued dividends from March 14, 1950.

Proceeds from the sale of preferred stock will be used by the utility to reduce outstanding bank notes by $5,000,000 and to finance construction expenditures.

Lorillard Net Income Continues to Rise

P. Lorillard Co. reports for the year Dec. 31, 1949, net sales of $153,500,123, according to its 1949 annual report made public on March 6. This represents an increase of $13,220,886 in net sales over the $140,279,237 figure reported for 1948.

Net income last year continued the upward trend shown in recent years, amounting to $6,824,133, equal, after dividend requirements on the preferred stock to $2.73 a share on the 2,246,681 shares of common stock outstanding. This compared with net of $5,644,939, or $2.21 per common share, in 1948.

Herbert A. Kent, President, stated in the report that the continued upward trend in earnings during 1949 reflected not only the record sales of the company but also the increase in the price of cigarettes which went into effect in August, 1948 and was reflected in earnings for the entire year 1949.

Old Gold cigarettes made exceptionally fine progress last year, Mr. Kent told stockholders.

Commenting upon Lorillard's newest cigarette, "Embassy," Mr. Kent said the brand now has "what we term high spot distribution. Volume-wise it is still small, yet it places us definitely in the long cigarette group, a classification which is meeting with a constantly growing acceptance."

Inventories of leaf tobacco at the end of 1949 amounted to $66,571,807, compared with $64,269,907 on Dec. 31, 1948.

Current assets on Dec. 31, 1949, totaled $88,732,909 and current liabilities $18,258,325, leaving net working capital of $70,474,584.

The directors on Feb. 15, last, increased the interim dividend on the common stock from 25 cents a share to 30 cents a share, with the declaration of a dividend of the latter amount, payable April 1 to stockholders of March 8. It is intended, Mr. Kent said, to continue the increased dividend rate. During 1949 the company paid four interim dividends of 25 cents each, and a year-end extra dividend of 75 cents on the common stock. The amount of the 1950 "year-end extra, if any, will, of course, depend on the result of the year's operations," the report said.

Dumont Elec. Common Stock at $1.60 a Shr.

A secondary offering of 50,000 shares of Dumont Electric Corp. common stock was made by Aetna Securities Corp., New York, on March 7, at $1.60 per share.

The corporation is a manufacturer of condensers in its plant located in New York, N. Y.

Dillon, Read & Dean Witter Underwrite Hawaiian Elec. Stk.

Dillon, Read & Co., Inc., and Dean Witter & Co. are underwriting the offering by The Hawaiian Electric Co., Ltd., to its common stockholders of 150,000 shares, series E, 5% cumulative preferred stock (par $20) and 50,000 shares of common stock (par $20).

The company is offering the new common stock and the series E preferred stock for subscription, in each case at $20 per share, pro rata to the holders of its common stock of record Feb. 23, 1950, at the rate of one share of common stock for each nine shares of common then held, and one share of series E preferred for each three shares of common stock then held. The subscription warrants will expire on March 20, 1950.

Of the proceeds from the sale $3,000,000 will be applied by the company to pay a like face amount of its short term promissory notes.

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.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., February 28, 1950.

The Board of Directors has this day declared a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 149, on the Common Capital Stock of this Company, payable June 1, 1950, to holders of said Common Capital Stock registered on the books of the Company at the close of business April 28, 1950.

Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, February 26, 1950, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable March 31, 1950 to Common Stockholders of record at the close of business on March 1, 1950.

S. A. McCASKEY, Jr., Secretary.

CANADA DRY
DIVIDEND NOTICE

The Board of Directors of Canada Dry Ginger Ale, Incorporated, at a meeting thereof held on February 28, 1950 declared the regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock and a dividend of $0.15 per share on the Common Stock; both payable April 1, 1950 to stockholders of record at the close of business on March 15, 1950. Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS,
V. Pres. & Secretary

DIVIDEND NOTICES

EATON & HOWARD
BALANCED FUND

The Trustees have declared a dividend of twenty-five cents ($.25) a share, payable March 25, 1950, to shareholders of record at the close of business March 15, 1950.

24 Federal Street, Boston

EATON & HOWARD
STOCK FUND

The Trustees have declared a dividend of fifteen cents ($.15) a share, payable March 25, 1950, to shareholders of record at the close of business March 15, 1950.

24 Federal Street, Boston

Exide
BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

198th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable March 31, 1950, to stockholders of record at the close of business on March 16, 1950. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, March 3, 1950.

CHEMICALS
TEXTILES
PLASTICS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable April 1, 1950 to holders of record at the close of business March 17, 1950.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1950 to holders of record at the close of business March 17, 1950.

COMMON STOCK

60 cents per share, payable March 31, 1950 to holders of record at the close of business March 17, 1950.

R. O. GILBERT
Secretary

March 7, 1950

DIVIDEND NOTICES

New York & Honduras Rosario Mining Company
120 Broadway, New York 5, N. Y.

March 8, 1950.

DIVIDEND NO. 390

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the first quarter of 1950, of Fifty Cents ($.50) a share on the outstanding capital stock of this Company, payable on March 31, 1950, to stockholders of record at the close of business on March 21, 1950.

W. C. LANGLEY, Treasurer.

MIAMI COPPER COMPANY
61 Broadway, New York 6, N. Y.

March 7, 1950.

A dividend of fifty (50c) cents per share has been declared, payable March 31, 1950, to stockholders of record at the close of business March 17, 1950.

An extra dividend of twenty-five (25c) cents per share has been declared, payable March 31, 1950, to stockholders of record at the close of business March 17, 1950.

The transfer books of the company will not close.

SAM A. LEWISOHN,
President.

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 137

The Board of Directors on March 1, 1950, declared a cash dividend for the first quarter of the year of 50 cents per share upon the Company's Common Capital Stock. This dividend will be paid by check on April 15, 1950, to common stockholders of record at the close of business on March 15, 1950. The Transfer Books will not be closed.

E. J. BECKETT, Treasurer

San Francisco, California

RADIO CORPORATION OF AMERICA

RCA

Dividend on First Preferred Stock

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period January 1, 1950 to March 31, 1950, was declared on the $3.50 Cumulative First Preferred Stock, payable April 1, 1950, to holders of record at the close of business March 13, 1950.

E. B. GORIN, Treasurer

New York, N. Y., March 3, 1950

GT

GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

Regular quarterly dividend of $1.06¼ per share, on the 4¼ per cent Cumulative Preferred Stock, payable April 1, 1950 to shareholders of record March 14, 1950.

COMMON STOCK

A dividend of 50 cents per share on the Common Stock, payable April 1, 1950 to shareholders of record March 14, 1950.

JOHN H. SCHMIDT
Secretary-Treasurer

March 1, 1950.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

DIVIDEND NOTICES

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
DIVIDEND NO. 211

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable April 1, 1950, to holders of record at the close of business March 10, 1950.

J. H. MICHAELI,
February 28, 1950 *Treasurer*

WICHITA RIVER OIL CORPORATION

Dividend No. 16

A dividend of Thirty cents (30¢) per share will be paid April 15, 1950 on the Common Stock of the Corporation, to stockholders of record at the close of business March 31, 1950.

JOSEPH L. MARTIN, *Treasurer*

March 3, 1950.

YALE

THE YALE & TOWNE MFG. CO.

244th Consecutive Dividend since 1899

On March 8, 1950, a dividend No. 244 of twenty-five cents (25¢) per share was declared by the Board of Directors out of past earnings, payable on April 1, 1950, to stockholders of record at the close of business March 20, 1950.

F. DUNNING
Executive Vice-President and Secretary

THE TEXAS COMPANY

TEXACO

190th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of $1.00 per share or four per cent (4%) on par value of the shares of The Texas Company has been declared this day, payable on April 1, 1950, to stockholders of record as shown by the books of the company at the close of business on March 3, 1950. The stock transfer books will remain open.

ROBERT FISHER
January 27, 1950 *Treasurer*

TISHMAN REALTY & CONSTRUCTION CO. INC.

DIVIDEND NOTICE

The Board of Directors declared a quarterly dividend of thirty-five cents (35¢) per share on the Capital Stock of this corporation, payable March 28, 1950, to stockholders of record at the close of business March 15, 1950.

NORMAN TISHMAN, President

SEABOARD
FINANCE COMPANY

COMMON STOCK DIVIDEND
60th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable April 10, 1950, to stockholders of record March 23, 1950.

PREFERRED STOCK DIVIDENDS

The directors declared a regular quarterly dividend of 65 cents a share on $2.60 Convertible Preferred Stock, payable April 10, 1950, to stockholders of record March 23, 1950.

The directors also declared an initial dividend of 33¾ cents a share on $1.35 Convertible Preferred Stock, payable April 10, 1950, to stockholders of record March 23, 1950.

A. E. WEIDMAN
Feb. 23, 1950 *Treasurer*

HELP WANTED

UNLISTED TRADER WANTED

Good background, with ability to handle Trading Position, essential. Equitable financial arrangement. Box T39, Commercial and Financial Chronicle, 25 Park Place, New York 7.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Within a few days you may have the key which will give you a pretty good means of forecasting what this session of Congress will pass and what it will drop.

When the Senate filibuster on the proposed Federal Fair Employment Practices Bill starts, then the gate is slammed shut from that time on, against all but the most important legislation and the most important nonsense. If the bill in which you are interested has not by that time passed and it is not on the favored list of the Administration, the chances are strong that it is a dead duck.

Administration leaders hope to get the so-called "middle class housing" bill out of the way before they turn on the customary filibuster. Unless the gentlemen unexpectedly decide to shorten the solemn farce of considering an FEPC bill with the enforcement provisions which all know in advance cannot pass, then the filibuster is likely to end not much before the middle of April.

By the middle of April, scores of Senators and Representatives will be pulled away from the Capitol to fight for their political skins in state primaries. In any case from April 15 to July 1 is only two and one-half months, hardly enough time for the routine business of appropriations, pending tax legislation, social security extension, foreign aid, and similar unavailable issues. If Harry Truman attempts to keep the Congress here longer than July 31 at the outside, he will face a revolt of many of his own following.

In the process the Administration is likely to lose out on some of its own pet proposals such as, say, the proposed International Trade Organization. It is difficult at this time to imagine that the Senate will be able to find two weeks to debate this hot issue.

* * *

Between the Chrysler and the coal strikes, the automobile industry will go into the peak demand period this Spring with just about the lowest inventories ever. There was hope that 1950 might turn out to be a 6-million vehicle year. The belief still is that the demand is there, but inevitably the coal strike will subtract three or four weeks of production.

* * *

Senator Charles W. Tobey's revival meeting last week in the form of Senate Banking Subcommittee hearings in favor of the Federal Reserve Board's old, unsuccessful project for broad powers to regulate bank holding companies, is not expected to produce any final results. The New Hampshire left-wing Republican provided the Scriptural references at the hearing, while witnesses came in and without any challenges, sounded insinuations about the great evils they saw in the development of the holding company device.

As usual the Senate Banking Committee probably will put out a holding company regulation bill for the Senate to consider. It is possible that the Senate might pass the bill, although at this stage such a prospect appears doubtful. There is little objection anywhere in the government, and perhaps less in the banking world, to regulation of bank holding companies, if the time ever comes when the Reserve Board will tie itself down with precise definitions of the powers it wants, and is willing to forego asking for a broad grant of power with few strings tied thereto.

* * *

Despite the staging under the auspices of the Federal Communications Commission of tests of color television, the possibility of that revolution in visual transmission has appeared to have had NO harmful effect upon the sale of black and white receivers, it is reported. Production is going at a rate of 100,000 sets a week, over 5 million per year, but there will be a crimp in output, of course, because of the coal strike. This output is maintained despite the Commission's freeze on new stations. FCC probably will not announce before Summer what it will do about licensing color television.

* * *

When the majority of the Democratic members of the Congressional Joint Committee on the Economic Report come forth with their report, perhaps some time later this month, there is a possibility that they may OK the idea plugged by Senator Joseph C. O'Mahoney (D., Wyo.) the JEC Chairman. Senator O'Mahoney advocates that no industry be permitted to raise a price until after the Federal Trade Commission has approved it. Such a proposition, even if adopted by the Democrats on the JEC, will get nowhere this year.

* * *

While President Truman opposes the idea of a dollar down and a dollar a week for the private merchandising industry, having recommended restoration of consumer credit control powers, he does favor easy instalments on the cost of government, it was indicated.

Senator John L. McClellan, Chairman of the Expenditures Committee, released a report of the staff of the committee, worked out only after months of careful study, estimating the increase in the cost of the Federal Government on the basis of all the programs recommended by the President.

Thus, the initial cost of national health insurance would be $15 million the first year. The annual instalment after the program was in full swing, would amount to $7 billion, according to the Senator's figures. The term of a dollar down credit for a refrigerator might end in a year or so; the term of the instalment cost on health insurance, however, would be eternal.

Expansion of social security, as proposed by the President, would cost $250 million the first year. In full gear, the program would cost $6 billion.

Mr. Truman's ideas for commercial production of natural resources would require an initial down payment of $11 million; the permanent annual instalments would be $400 million. The National Science Foundation, after an initial cost of $25 millions, would cost $100 millions per year.

All in all, according to this study, the first year cost of Mr. Truman's specific programs would amount to $7,020 millions; the regular annual cost when the programs were in full swing, would amount to $25,187 million.

* * *

BUSINESS BUZZ

"Pardon me, but you have your thumb right on the net change of Consolidated Catsup!"

Probably the quickest explanation given as to why President Truman's dream of a "some day balanced budget" cannot be achieved, was written in a terse summary by Emerson P. Schmidt, Research Director of the U. S. Chamber of Commerce. The reasons, as summarized by Mr. Schmidt:

"We cannot be certain that the prewar rising trend of per capita production will be resumed.

"Our postwar prosperity was fed by a plethora of liquid assets and inflationary buoyancy.

"The cold war is almost certain to continue without substantial letup.

"Many doubt that Western Europe will become self-supporting.

"Governmental expenditures of virtually every variety are pressing for expansion at Federal, State and local levels. We have just embarked on public housing. Aid to education is being pushed.

"We are subsidizing important sectors of our economy. We are expanding the scope of non-revenue producing governmental activities.

"With the excessive pressure for tax revenue, it remains an open question whether we can expand our job-making facilities at an adequate rate.

"The syndicalistic policies of labor unions are to a considerable degree anti-productive. Their expanding encroachment on the freedom of management will thwart production.

"Even if we get the kind of economic expansion for which we hope, there is little reason to believe that governmental expenditures will constitute a reduced share of national income. The growth of the population and expansion of new regions will entail heavy public charges for a wide range of facilities and services."

Mr. Schmidt's final reason for anticipating no balanced budget is the entire effect of the "Welfare State" in depriving persons of incentive to produce and hence expand national income.

* * *

Senator Douglas is apparently isolated in his recommendation that the Treasury subordinate interest rates to Federal Reserve monetary policy. This was the recommendation which the Senator sparked as Chairman of the JEC Monetary Subcommittee.

Leon Keyserling, Acting Chairman of the President's Council of Economic Advisers, vigorously defended the Treasury's independence in debt management. Instead the CEA head argued, in a memorandum to the JEC, for higher reserve requirements so that the reserve system could fight inflation.

* * *

It may be taken for granted that the Rules Committee of the House WILL delay the $2 billion cooperative housing bill, forcing the Administration to bring it up under the 21-day rule, or on calendar Wednesday.

* * *

The oil industry hopes to persuade the Congress to wipe out the 6 cents-per-gallon tax on lubricating oil, which usually applies to the industrial as well as the motor user of lubricating oil.

(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.)

The American Opportunity Program

The American Opportunity Program is ready and waiting to help you tell the true story of our economic system to the people of America. The U. S. Chamber of Commerce and your local Chamber of Commerce will supply the following bulletins on request:

"How to Strengthen Employee Loyalty With Letters.

"How to Tell Your Business Story in Employee Meetings.

"Sixty-five Films for Your American Opportunity Program.

"Telling Your Business Story on Your Company Bulletin Board.

"How to Tell Your Business Story With Plant Tours.

"Radio and Your American Opportunity Program.

"How to Tell Your Business Story in Your Annual Report.

"How to Tell Your Business Story in Employees Publications."