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EDITORIAL

As We See It

"Free" Housing, Medical Care, and Much More

There will be those who object to the use of the word "free" in connection with much of the New Deal and Fair Deal program with which votes have for decades past been garnered in. We object to it ourselves. It was for that reason that we placed the word in quotation marks at the heading of this article. The Administration itself, of course, ordinarily avoids the use of such plain, straightforward terminology when presenting these proposals to the public. It doubtless avoids them because to do otherwise would be dubious "politics."

By and large, it is ordinarily better politics to suggest such "benefits" as long due the recipients, but up to now denied them by "greedy" men or the "interests." Such tactics can and ordinarily are varied by use of such terms as "taking the dollar sign off" social service, or "removing financial barriers to adequate medical care," and the like. So much for the politics of a matter which will bear much closer study.

The fact is that the Administration is undertaking to sell, and has for years been successful in selling, programs on the basis of offering many things free to many people. The truth is, too, that so far as the beneficiaries are concerned, or some of them, what is offered is really free, at least so long as the system actually operates as indicated and until sufficient time has elapsed for chickens to come home to roost. It would be well, accordingly, if each citizen of this great country of ours stopped to inquire into

Continued on page 30

Battlefronts of the Cold War

By HAROLD E. STASSEN*
President of the University of Pennsylvania

Asserting our country, due to cold war, has lost most of what it fought for so valiantly and victoriously in World War II, prominent Republican leader ascribes this to present policy of waging a cold war on defensive basis, together with failure of Administration to follow out bipartisan foreign policy program. Urges President promptly put foreign policy on bipartisan basis by calling conference of both Republican and Democratic leaders to consider battlefronts. Stresses need of reaching minds of people to counteract Red propaganda and says Truman must be willing to meet in peace conference.

We meet in the fifth year of the cold war. Beginning with the ending of the hot war with the Nazis of Germany and the militarists of Japan, this cold war with the Communist rulers in the Kremlin needs re-analysis in America today.

Harold E. Stassen

These facts stand out. The cold war is world-wide. It involves a fundamental clash of economic, social and political systems and a basic difference of philosophies between the people of America and rulers of Russia.

The cold war objectives of the rulers of Russia are these: Bring every nation under a national Communist dictatorship, with a centralized socialist economy, with a godless materialistic philosophy, and backed by a tommy-gun police force; keep each national dictator subject to the central control of Moscow; and above all, keep the Russian people under the same kind of dictatorship.

The cold war objectives of the people of America are these: Assist the peoples of every nation to live under representative governments of their own choice, with individual human rights, with economic freedom and im-

*An address by Mr. Stassen at the John Marshall Club, St. Louis, Mo., March 15, 1950.

Continued on page 39

The Fight for Economic Sanity in Europe

By DR. WILLIAM ROEPKE
Professor at the Graduate Institute of International Studies, Geneva

Dr. Roepke holds Europe's economic insanity continues because of fallacy in overlooking fact that basic problem is really national, not international. Asserts present national policies are following Hitler-Schacht pattern. Declares retention of exchange controls, rather than need for a Clearing Union, is crucial factor. Concludes voluntary European integration is incompatible with national collectivism, and instead requires the Market Economy.

GENEVA, SWITZERLAND — The disintegration of Europe into isolated and disequilibrated national economies is pitiful. Every effort must be made to overcome this wasteful and parochial system. But what is the reason why so little headway has been made so far in the fight for economic sanity in Europe? The reason is a fundamental and almost ineradicable fallacy frustrating all the efforts for European integration. The fallacy is to believe that the problem is primarily international, while in reality it is first of all a national one. As long as the different European countries pursue certain economic policies within their own frontiers they are bound to produce the disequilibria which lead to the famous "crisis of the balance of payments." Under these conditions, they are unable to lay down the external barriers and take part effectively and sincerely in an international effort of "integration." Once, however, they cease to pursue these isolating and dislocating policies, each country for itself and on its own responsibility, European "integration," or at least that degree of it which is simply indispensable today, will ensue automatically. As charity begins at home, European integration must begin where the

William Roepke

Continued on page 28

PUERTO RICO TO BE FEATURED IN NEXT WEEK'S ISSUE — The "Chronicle" of Thursday, March 23, will include a series of articles concerning various phases of Puerto Rico's growing economy and the prospects for further enhancement.

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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

Monarch Machine Tool—M. F. Beal, Peter P. McDermott & Co., New York City.

New York, Chicago and St. Louis—W. Everit Burnet, Partner, W. E. Burnet & Co., New York City.

Henry Holt & Co., Inc.—Washington Dodge, Partner, Roberts & Co., New York City.

Lion Oil Company—Norman S. Hill, Partner, Hill & Co., Cincinnati, Ohio.

Interprovincial Pipe Line Co.—T. M. Sterling, Partner, Watt & Watt, Toronto, Ontario.

M. F. BEAL

Analyst, Peter P. McDermott & Co., New York City

Members, New York Stock Exchange

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(Monarch Machine Tool)

My favorite stock is Monarch Machine Tool. It has all the good qualities, inherent and acquired, to number it among the aristocracy of equity investments. Combined with its investment qualities it has a previous price range which makes it decidedly interesting on speculative possibilities.

The machine tool industry is in a particularly favorable position because a considerable part of the machinery with which industry is equipped, is close to obsolescence. It must be replaced soon for competitive reasons. In part this obsolescence is due to limited depreciation. Relief from this limitation is not in immediate prospect but it is something to look forward to as an intangible bullish factor.

Coming to the real nub of the situation as regards the machine tool industry we must review briefly the reasons for past prosperity in the United States so far in excess of other countries. Prosperity here undoubtedly was greatly aided by protective tariffs. The tariff walls prevented imports of vast amounts of goods made by cheap labor, and the same protection brought to our shores great numbers of skilled mechanics. They helped build up the finest and largest markets for goods of all kinds. The markets were created under protective tariffs and not under free trade.

With the coming to power of the free traders, our good markets, envy of all foreign business, were slowly opened to our competitors through reciprocal trade treaties, followed by huge gifts to build up competitive business. Then, these steps not working fast enough to give away our heritage, devaluation of foreign currencies was engineered to make still more effective the attack on our industries, already staggering under prohibitive costs and contracting markets.

Now, to have any chance of retaining the domestic markets, it is absolutely essential that machinery be used here more efficiently and on an increased scale. These clearly evident circumstances make for tremendous demand for machine tools. There are not many machine tool companies and among them *Monarch* occupies a strong position. It is rich in cash, latest current assets position showing $5,051,103 including cash $2,-935,659, against current liabilities $242,186. It has no bonds or preferred stock, its sole capital obligation being 210,000 shares of common stock on which dividends have been paid without interruption since 1913.

Monarch's earnings are sufficiently in excess of payments to indicate reasonable dividend safety. It is selling at a price to show a yield approximating 8%. By every balance sheet ratio that can be invoked it is a beautifully solvent enterprise. Buy it!

W. EVERIT BURNET

Partner, W. E. Burnet & Co., New York City

(New York, Chicago and St. Louis)

The stock I like best is New York, Chicago and St. Louis RR. common.

From an operating standpoint Nickel Plate has long been accepted as one of the sound railroads of the country. It is virtually all main line and enjoys a relatively long haul on the bulk of its traffic. It does little passenger or L.C.L. freight business. In the east its lines extend only as far as Buffalo where a large volume of freight is interchanged with the Lackawanna and the Lehigh Valley. It is not itself saddled with the heavy terminal costs of the eastern seaboard. All of these factors contribute to a high degree of operating efficiency. Earning power under normal conditions is high. Earnings on the common over the past ten years averaged $20.57 per share, and last year amounted to $30.55.

W. Everit Burnet

The basic status of the company and its earning power has been substantially improved by the lease of the Wheeling and Lake Erie, which became effective on Dec. 1, 1949. Had this lease been in effect throughout 1948 and 1949 earnings per share on Nickel Plate common would have been $61.12 and $39.94, respectively.

Nickel Plate's past financial difficulties arose not from a lack of earning power, but were largely the result of an unwieldy debt structure which brought about continuing maturity problems. These maturities and the desire of the company to reduce its debt to a more conservative level were largely responsible for the prolonged preferred dividend drought. Further, the company was in need of cash for modernization of property and to purchase stock in the Wheeling and Lake Erie. These factors are now past history. Since 1937 funded debt has been reduced 24% and fixed charges by 53%. From here on cash requirements should be more modest.

Plans for a recapitalization to eliminate preferred dividend arrears were abandoned when it became obvious that large holders of Nickel Plate common would not accept any dilution of their equity, and the company has whittled away at arrears by payments of $14 above regular requirements in the past three years. In addition payments of $6.50 have been made so far in 1950. Giving effect to these, arrears now stand at $68.50 per preferred share.

It now seems probable a solution of the back dividend problem that will be satisfactory both to the preferred and common stockholders will be reached. With little dilution of the equity to be feared, the stock at its present level appears outstandingly attractive for those who are willing to assume a so-called "business-man's risk."

WASHINGTON DODGE

Partner, Roberts & Co., New York City

(Henry Holt & Co., Inc.)

Fortunately brokers, like Sultans, are not confined to one "Favorite." If such calamitous regimentary conditions arose that I should be confined to the perpetual ownership of but one single security, that one would be some fat cat like du Pont and not Henry Holt. But since we are still free to pick and choose, to buy and later to sell, I believe that Holt possesses much to attract the speculative eye.

Washington Dodge

Although the orthodox investor relies perforce upon such textbook data as past earnings, book value, etc., the prospector in search of capital gains usually must rely upon more nebulous guides. In my own experience, I have found that the vital ingredients of a good capital gains cocktail are: (1) Assured position in a basic business; (2) Small common capitalization; (3) Good management. All of these appear to be offered by Holt.

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Continued on page 22

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INDEX

Articles and News

Page

The Fight for Economic Sanity in Europe—William Roepke..Cover
Battlefronts of the Cold War—Harold E. Stassen..........Cover
A Test of Speculative Behavior—O. K. Burrell............ 3
Most Favorably Situated Railroads in 1950—Walter F. Hahn.. 4
Investment Planning for Women—George F. Shaskan.......... 4
Farm Surpluses Passing Their Peak—Julius and Edith Hirsch.. 6
More Risk Capital or Catastrophe!—Clem D. Johnston........ 10
Earning Power and Merger Trends of New York City Banks —Morris A. Schapiro............ 11
Buy $2 Billion Yearly From Europe and Save Marshall Plan —Leland Stowe............ 12
Pro and Con of Point IV Program—August Maffry............ 13
We Have the Best of Gold Standards—E. N. Bernstein........ 14
Status of Savings and Mortgage Business—J. R. Dunkerley... 15
The Choice Between Retirement Benefits or Superannuation Plans—Solomon Barkin............ 16
Some Economic Problems Arising From Expanded Pensions —Martin R. Gainsbrugh............ 18

* * *

Louisville Chamber of Commerce Registers Opposition to Frear Bill............ 5
Eisenhower Deplores Atom Bomb Fears............ 5
F. W. Dodge Corporation Reports January Building Rise...... 7
G. J. Stubner Says Aggressive Selling Will Revive Securities Industry............ 8
Otis & Co. Appeals NASD Suspension to SEC............ 10
Q. Forrest Walker Sees Retail Business Reverting to Normal This Year............ 15
Public Relations Roundup Discussions Series at New School... 16
Investment Association of New York Announces Speakers' Groups............ 19
"Time and Time Again?" When? (Boxed)............ 20
Preston Delano Reports Gains for National Banks in 1949.... 23
W. W. Townsend Sees Salesmanship Shaping Business...... 23
Output Per Man-Hour Lower Than 10 Years Ago, Says Tell Berna............ 27
Steinkraus Sees Government and Labor Outstripping Business in Public Relations............ 27
Reports Home Mortgage Debt at $38 Billion............ 29
NYSE to Review Trading Hours and Summer Closing........ 31

Regular Features

As We See It (Editorial)............Cover
Bank and Insurance Stocks............ 14
Business Man's Bookshelf............ 47
Canadian Securities............ 18
Coming Events in the Investment Field............ 8
Dealer-Broker Investment Recommendations............ 8
Einzig—"More Sterling Devaluation Talk"............ 7
From Washington Ahead of the News—Carlisle Bargeron.... 6
Indications of Business Activity............ 40
Mutual Funds............ 20
NSTA Notes............ 8
News About Banks and Bankers............ 20
Observations—A. Wilfred May............ 5
Our Reporter's Report............ 47
Our Reporter on Governments............ 16
Prospective Security Offerings............ 44
Public Utility Securities............ 22
Railroad Securities............ 26
Securities Salesman's Corner............ 23
Securities Now in Registration............ 42
The Security I Like Best............ 2
The State of Trade and Industry............ 5
Tomorrow's Markets (Walter Whyte Says)............ 38
Washington and You............ 48

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A Test of Speculative Behavior

By O. K. BURRELL*
Professor of Business Administration, University of Oregon

Prof. Burrell describes an experiment conducted with 40 students to measure and evaluate speculators' response to dividends, to price level, and to price changes of individual stocks. Concludes there is no evidence of preference for low-priced over high-priced stocks, but there is strong tendency to buy for dividends. Holds price paid for stock tends to establish its value in mind of buyer, who is inclined to let losses run and cut profits short. Says there does not appear to be inherent tendency toward speculative losses in trendless market.

This is a report of an experiment designed to throw some light on the nature and basis of investment and speculative decisions—on how men behave in the market. It is distinctly a "limited objective" experiment in that no attempt was made to measure response to all of the conceivable influences that serve to modify behavior. This is another way of saying that the experiment was directed at a very narrow phase of speculative behavior. In general the study attempted to measure and evaluate response to dividends and the dividend rate, to price level, and to price change. Probably the most valid feature of the study is the measurement of the impact of pure price change upon speculative behavior. It should be noted that the experiment provided for no choices based on security analysis or on evaluation of economic and political developments. It was accordingly possible to isolate the effect of the impact of pure price change on the mind of the investor-speculator.

O. K. Burrell

Hypotheses

The whole pattern of the experiment was designed to test certain hypotheses concerning human behavior in speculative situations. These hypotheses were first worked out and then the pattern of prices, dividends, and earnings developed in such a way as to permit a test of the hypotheses.

These hypotheses were not simply "dreamed up" but were based on either or both of the following considerations:

(1) beliefs concerning patterns of economic behavior held by men in the securities business.

(2) statistical studies of stock price behavior which appear to suggest clearly defined patterns of human behavior.

A formal statement of the hypotheses which form the basis for the study follows:

(1) That security buyers prefer low-priced stocks to high-priced stocks where other factors are constant. Other factors refer to dividend yield, earning rate, and general measures of quality.

(2) That there is a strong tendency to "buy for the dividend," i.e., to purchase stock when it is about to pay a dividend in order to receive the dividend. Such a tendency would seem to be entirely illogical in that the price of a stock normally falls by the amount of the dividend on the "ex-dividend" date. The purchase of a stock in order to receive an immediate dividend has the effect of converting capital into income and necessarily results in the payment of a higher income tax.

(3) That a dollar of earnings paid out in the form of dividends will be translated into a greater market value of stock than a dollar of earnings retained in surplus. Stated in another way, if two stocks are equal in earnings and general quality, stock buyers will prefer the one that pays the larger dividend.

(4) That the price paid for a stock tends to establish its value in the mind of the buyer and regardless of subsequent developments he is reluctant to modify that initial valuation. This general tendency has the following results:

(a) He tends to let losses run but cut profits short, i. e., when the price moves below his purchase cost he is not likely to sell but if the price moves even a little above his purchase cost he is likely to sell.

(b) When the price of a stock moves below the investor's cost, he is likely to buy more and even to sell other stocks which have not declined in order to obtain funds for increasing holdings of the stock which has declined.

(c) When the price of a stock moves below an investor's purchase cost, and remains below that cost for a prolonged period, and subsequently moves upward toward purchase cost, the investor is likely to sell when the prices approach purchase cost.

(d) When the price of a stock moves upward from an investor's purchase cost and the investor does in fact continue to hold the stock for a substantial rise, he will sell quickly in the event of a sharp break in the price provided the break does not carry the price below his average cost.

(e) Because of the above traits and reactions, the average investor or speculator is unable to show a profit in a market in which stocks are

Continued on page 36

*Condensation of study by Prof. Burrell to be published by Bureau of Business Research of the University of Oregon.

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Most Favorably Situated Railroads in 1950

By WALTER F. HAHN*
Railroad Analyst, Smith Barney & Co.
Members, New York Stock Exchange

After calling attention to developments which have affected railroad transportation in recent years, Mr. Hahn outlines favorable and unfavorable factors affecting individual railroads differently. Stresses importance of good management, along with traffic growth and reduced fixed charges, as favorable investment factors. Favors, as investment, shares of Atchison, Topeka & Santa Fe, Kansas City Southern and Seaboard Air Line, and gives comparison of debt and fixed charges of eight prominent railroads.

War and postwar developments in the general economy have caused tremendous changes in the field of transportation. These developments have had diverse affects upon our various railroads. Some of the formerly strongest railroads are today in a very much weakened position; some of the weakest and, in fact, bankrupt railroads of the 1930's are today among the strongest. Many different developments account for these changes.

Walter F. Hahn

The railroads that today are best situated to cope with the well advertised railroad problems are those that have benefitted most from major favorable developments of the late war years and postwar period, and have not been substantially hurt by other developments of an unfavorable nature. The favorable developments I have in mind include (1) greater than average growth of traffic resulting chiefly from greater than average population and industrial growth of certain areas, specifically the Pacific Coast, the Southwest and Florida; (2) inflation of wages and other operating costs and freight rates, the net effect of which has been to increase the earnings of low operating cost railroads; (3) large expenditures for additions and betterments, including diesel electric locomotives particularly, resulting in improved efficiency of operation; (4) better overall financial position produced by reduced debt and fixed charges and strengthened cash and working capital; (5) managerial changes productive of new leaders in the transportation field.

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

To be included in the most favorably situated group to be mentioned later, a railroad stock should, in addition, not be too substantially affected by certain unfavorable developments of recent years. Among these are (1) increased loss entailed in passenger service; (2) downward trend of coal consumption and production; (3) increased expense of terminal operation, particularly that involved in termination of a freight movement; (4) greater than average loss of traffic to trucks due to type of traffic or length of haul or rate structure.

Another important qualification—a good part, and if possible an increasing part of net income should belong to the stockholder—not the bondholder or the equipment manufacturer or the treasury.

Few railroads have benefitted from all of the foregoing favorable factors and not been harmed by any of the unfavorable factors mentioned. But those that have been doing well and that will do relatively well in the current year are benefitting from at least some of the favorable factors and not being hurt unduly by the unfavorable factors. The stocks of such may reasonably be considered aspirants for the title of Miss American Railroad of 1950—if a good part of the net belongs to the stockholders.

Time limitations prevent any detailed discussion of the various favorable and unfavorable factors just mentioned. A word or two about some of them will have to suffice. First, with respect to regional changes — during the period April 1, 1940 to July 1, 1948, population gains varied as follows: northeastern states up 9%, northcentral states up 9%, southern states up 7%, western states up 34%. New York gained only 7% and Pennsylvania 8%, but Florida gained 24%, Texas 13%, Arizona 33%, Utah 19%, Nevada 28%, Washington 43%, Oregon 49%, California 45%. Thus, we find that whereas 1949 revenues for the New York Central, Pennsylvania and Louisville & Nashville were about twice those averaged during the years 1935-1939, Santa Fe, Seaboard Air Line and Kansas City Southern had 1949 revenues about three times those averaged in the late 1930's. When one railroad gains twice as much revenues as another, there is bound to be a change in the relative positions of the two.

Not All Roads Affected Alike

Many people, according to my observation, have the impression that most, if not all, of the railroads were, on balance, hurt by the postwar inflation of wages and other costs, freight rates and passenger fares. You will appreciate that this is not true of the railroads anymore than it is true of any other industry whose component companies vary widely for any number of reasons in their costs of operation or production. Actually, it is demonstrable that during recent years, each time there was a wage increase and an offsetting freight rate increase, some of the low operating cost railroads were better off than before, from the standpoint of net income. The high cost operation roads, on the other hand, experienced a decrease in net income.

These inflation effects, plus the wide variation in revenue trends of individual railroad companies, together with other factors, including quite marked variations in managerial ability, go a long way to explain the recent wide differences in the earning power and credit positions of our railroads.

Environment plus management make a railroad. Some railroads, due to natural physical advantages or greater than average traffic growth or absence of passenger business, etc., have for years been able to operate on a lower cost basis than other railroads not so blessed. But natural advantages, or the other factors just mentioned, or the absence thereof, aren't by any means the whole story. Good earnings produced by some railroad companies under what are generally considered tough operating conditions are in an increasing number of cases the result of greater than average ability on the part of management. The more I study railroads the more I am inclined to stress this matter of managerial ability. It follows that I increasingly dislike to predict where any particular railroad will be five or ten years from now, since managements have a way of changing—for the better and also for the worse. Most recent changes appear to have been in the right direction. Unfortunately, there have not been enough of them.

Good Management Factor

Not long ago I was talking with one of the top officials of one of our large railroad equipment companies. This man knows railroad management as no one else. I asked his to define good railroad management. He said. "Some railroad managements expect a lot from their employees and get it. Other managements expect little—and get it. Employees live up to what management expects of them."

Not to be overlooked in any discussion of the current positions of our railroads are the wide variations in the amount of debt and fixed charge reductions accomplished through reorganization or otherwise during the past decade. The differences are very wide. Also wide differences exist in their cash and working capital positions. Where inadequacies exist, they cannot all be con-

Continued on page 26

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Investment Planning for Women

By GEORGE F. SHASKAN, JR.*
Partner, Shaskan & Co., Members N. Y. Stock Exchange

In opening lectures of investment series, Mr. Shaskan defines and describes the various categories of securities. Urges appraisal of specific issues on individual merit in lieu of general classification.

This is the first and second part in a series of 12 lectures entitled "Investment Planning for Women." I am George F. Shaskan, Jr. Together with our guest lecturers, we hope that you will find this series enjoyable, educational — and perhaps even profitable.

Geo. F. Shaskan, Jr.

It is interesting to note that although women are the principal spenders in the economy—they even buy more than two-thirds of all men's clothing—and although they are reported to own more than half of the total wealth of the country, that in the field of investments they have definitely let the men take over. I feel certain that this must be an oversight on your part and that over the coming years women will also take over this field from the male species. In recent months, a number of women have already gotten together to form the Federation of Women Stockholders which has been very active in attending company annual meetings, expressing there the woman's point of view, and even requesting representation on company boards of directors. Mrs. Wilma Soss, one of the guiding spirits in this "new look," will be with us at one of the later sessions.

We have limited the number attending this series so that we might keep it on an intimate basis. We hope that this will lead to a closer relationship between lecturer and listener—more of a discussion group than a lecture. We hope that you will feel free to ask questions without hesitation and to bring up problems which may be bothering you. Remember, the problem you may have may also be a problem for one of the other ladies and in answering your question we may clarify an issue for the entire group. In this connection, I should like to know each one of you and I should, therefore, appreciate it if you would raise your hand as I read off the names from these cards.

A few words about the course before we take up today's subject which is a discussion of the various types of securities. First, we will not have any assigned text but for those of you who wish to do reading outside of the course hours—which will certainly be helpful to you—I suggest that you secure a copy of the book entitled "Investment Analysis" by Professor John Prime of New York University. You can probably purchase it in most book shops and I believe it sells for $5. Professor Prime's book is the simplest text I know for a general review of the subject. It will provide much of the background material to acquaint you with the field and has the advantage of having been written recently so that it is relatively up to date. For a handy guide to investment practice, I believe that you will find the book by Benjamin Graham—"The Intelligent Investor"—helpful, amusing and possibly a money-saver should you actually become an investor. Professor Graham has long been one of the foremost investment specialists and his books in the investment field have generally been considered outstanding. For those of you who have little background in the field, you may first wish to acquaint yourself with the material in Professor Prime's book or wait until we have covered some of the groundwork in these lectures before turning to Mr. Graham's book which more or less presupposes this background. Mr. A. Wilfred May, Executive Editor of the "Commercial & Financial Chronicle," who shares Mr. Graham's investment principle in emphasizing value-appraisal of individual securities, will be with us as guest lecturer on March 28. As to work outside of the lecture there will be no definite assignments. However, I will recommend at the end of each session reading which will be helpful in reviewing the material discussed here at the session. A little further on, those who wish will also have the opportunity to work out practice problems which will be very helpful in preparing for actual investments they might come to make in the future. Outside the lecture period, we will also plan to visit the Stock Exchange and I am hopeful that we will be able to attend at least one company annual meeting to acquaint you with this phase of the field.

There will be no formal examinations or marks given. However, in order for me to know what items are proving particularly difficult I thought we might spend the first five minutes of each session answering the questions on the previous week's material. This will take the form of a few brief written questions which you can answer by a few words or in terms of true and false. So that you will not feel embarrassed if you make a mistake, I am not asking that you sign your name to the question paper. I have distributed a brief outline of the subjects which we will try to cover during these 12 lectures. You will note that this is broken down into three principal parts. Part One is concerned with the Nature of Investments — the kind of securities available for investment, the markets where such securities may be found, and how those securities may be acquired and disposed of. In Part Two we will take up how to analyze these securities. For this we will have to learn to understand balance sheets, income and loss statements and other financial data. In Part Three we

Continued o npage 24

*This is the transcript of the first two lectures of a series on "Investment Planning for Women," given under the auspices of Shaskan & Co., at the Hotel Barbizon, New York City. The subsequent sessions will similarly be published in the "Chronicle"—*Editor*.

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The State of Trade and Industry

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

No appreciable change was noted in total industrial production for the past week, notwithstanding the return of the soft coal miners to their jobs.

While country-wide output rose somewhat from the previous week's level, it held moderately under that for the comparable week of 1949. The condition of overall unemployment remained almost equal to that of the week preceding.

Improvement is looked for in steelmaking operations the current week with output expected to exceed 80% of capacity. According to "Steel," a national metalworking magazine, it will take at least two weeks from ending of the coal controversy for all strike-idled blast furnaces, coke ovens, open-hearths and bessemer converters to get back into full production.

Pressure from consumers shows signs of increasing in various directions and a marked rise in conversion ingot tonnage is reported as buyers seek stopgap supplies to assure sustained manufacturing schedules.

During February, steel production declined to 6,782,448 tons of ingots and steel for castings, or 14½% from 7,930,372 tons in January, largely as a result of the strike of coal miners, the American Iron and Steel Institute recently announced. In February, 1949, the output was 7,480,724 tons.

Steelmaking furnaces were operated at 88.9% of capacity in February, compared with 93.9% in January and 101.4% of capacity during February, 1949.

The immediate effects of higher operating costs of bituminous and anthracite coal operators stemming from wage increases and stepped-up royalties on each ton of coal mined was reflected this week in price advances in northern coal fields. In the case of the Pittsburgh Consolidation Coal Co. bituminous coal prices were raised from 10 cents to 25 cents a ton. Hard coal prices too, were increased by leading producers from 10 cents to 75 cents a ton at the mines.

* * *

Hopes of shippers for reduced freight rates were dimmed last week when Richard Mitchell, Interstate Commerce Commission head, shortly before being confirmed for a 17-year term, told the Senate Interstate Commerce Committee that the Commission will not cut railroad freight rates until the carriers' operating costs move down. At one point in his testimony he stated that in many instances costs have increased. Labor wage increases, Mr. Mitchell claimed, are the chief factors in continuing high costs. He added, some lower fuel costs were noticeable before the recent coal strike, but said he has no figures to show what effect this has had on earlier operating costs since the first of the year.

* * *

According to President Truman's Council of Economic Advisors, coal and auto strikes were responsible for industrial production falling close to 3% in February.

In a report to the congressional joint economic committee, the Council estimated that output declined from 183% of its 1935-39 average in January to 178% in February. The foregoing figures are based on the Federal Reserve Board's index.

An analysis of the Council's production figures indicates that the fall in output in durable goods and mining industries accounted for all of February's decline. In the soft goods line, output in February remained at the 179% mark registered in January. Overall output in January had been at the highest point since last March.

STEEL OUTPUT SCHEDULED THIS WEEK TO RISE 16.3 POINTS IN SHARP RECOVERY FROM RECENT COAL STRIKE

There is no chance of making up steel production lost because of the coal strike in the near future, according to "The Iron Age," national metalworking weekly, in its latest summary of the steel trade. This week mills are telling their customers that it will be two or three weeks before deliveries return to normal. And one of the hardest-hit mills is telling its customers to add at least 30 days to pre-strike delivery dates.

However, the industry is rapidly shaking off the effects of the coal strike on its production. This week ingot production is scheduled at 90% of capacity, up 17 points from last week. The efforts of the steelmakers are being spurred by unrelenting demand from their customers.

A tip-off that consumers are really serious about their need for steel is the tremendous pickup in alloy orders, this trade paper states. Some mills are comparing the current demand for alloy with that of 1948. Alloy order books of most companies are pretty

Continued on page 31

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Opposes Frear Bill

Board of Directors of Louisville Chamber of Commerce unanimously adopts resolution opposing measure as placing burden on many businesses.

On March 1, the Board of Directors of the Louisville (Ky.) Chamber of Commerce adopted unanimously the following resolution, copies of which were sent to all representatives of Kentucky in Congress:

"WHEREAS, Senate Bill 2408, the Frear Bill, would force virtually all corporations with $3 million in assets or 300 shareholders to file complicated, periodic returns with the Securities and Exchange Commission;

"WHERAS, such an Act would deny many businesses their nonlisted trading privileges and place an additional burden on them;

"IT IS HEREBY RESOLVED, that the Board of Directors of the Louisville Chamber of Commerce express its opposition to Senate Bill 2408 and request all Kentucky representatives in Congress to do likewise."

Eisenhower Deplores Atom Bomb Fears

Warns student journalists against defeatism and pessimism, and urges them to defend our freedoms, including "the right to work, keep what you earn and to make a profit."

General Dwight D. Eisenhower, now President of Columbia University, in addressing a luncheon meeting in New York City on March 11 of the Columbia Scholastic Press Association comprising about 3,500 student journalists, urged his listeners to free themselves of the fears and terror of the A or the H bombs. "Everyone seems to enjoy the terror we've generated for ourselves in the face of more and destructive weapons," the General proclaimed and added: "Don't get the idea that someone is going to come over here and drop a bomb on Mississippi and that the United States is going to disappear. Don't let newspapers make pessimists and defeatists out of you! No matter how strong may be that hydrogen bomb—which after all, remember is still just an idea—it can be produced for good or evil. It is up to us." Gen. Eisenhower advised the student journalists to defend the freedom of the press "with all your might," but added that they must remember also that a free press is inconceivable without the other freedoms, including "the right to work, to keep what you earn and to make a profit."

D. D. Eisenhower

With R. S. Dickson

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Arthur J. Perfler has been added to the staff of R. S. Dickson & Co., Inc., Wilder Building.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Howard M. Reid has been added to the staff of Walston, Hoffman & Goodwin, 550 South Spring Street.

Observations . . .

By A. WILFRED MAY

Company Reporting Over the Half-Century

The annual pamphlet (booklet) report of the large corporation today portrays many important phases of American finance. Additionally revealing are the drastic *changes* in this procedure which have occurred during the past half-century.

A. Wilfred May

Highlighting such general transition is this week's new exhibit of corporation annual reports over the past half-century, at the New York University's School of Commerce, Accounts, and Finance, as a feature of its Golden Anniversary celebration. Comparing the current and past reports of 200 companies, much light is shed on the progress of stockholder-management relations, on stockholder attitudes and on the public relations experts' estimation of what those stockholder attitudes are and should be.

Two Distinct Periods of Change

The somewhat surprising conclusion one gets from the NYU exhibit as well as from collateral examination of the reporting process, is that the major historical changes have occurred in two distinct stages: (1) from the turn of the century to the mid-1930s; and (2) between the 1930s and the late 1940s.

Horse-and-Buggy Method Lasted Through 1920s

Even many of us who were around to witness the speculatively steaming 1920s have not realized that those years saw little change in the giving of company information to the public stockholder from what had been done during the preceding generation. Thus the National Cash Register report of 1926 was not much different from the sensationally meagre scraps given to the stockholder in the last century. The whole pamphlet occupied only six pages, with the total income information embodied in seven brief lines.

Even by 1928 the Fox Film company had not abandoned the "wilderness days" technique. The first page of that year's report was the accountants' certificate, with the rest of the pamphlet's three pages entirely devoted to balance sheet and income figures—the income figures consisting of an eight-line statement tagged on to the end of the surplus account, like the antiques of 1910. In fact (because of the supervisory bodies of the time), much more complete information had customarily been disclosed back in the 1880s by the railroads and public utilities. And back in 1914, for example, the Baldwin Locomotive report, whose board included the likes of J. P. Morgan and Edward Stotesbury, was quite ample. It contained a frank statement by President Alba Johnson regarding the past and imminent effects of railroad rate reductions on customers' equipment purchases, and general observations on the company's operations. Baldwin even then showed a consolidated as well as unconsolidated balance sheet. But in line with the *income* statement's inadequacy universally ruling during the entire first third of the century, the earnings information in this report by Baldwin lumped in one line and with the following legend, the deductions from the gross income figure:

"Manufacturing, maintenance, administrative expenses, depreciation, agencies, commissions, etc."

Of course, the absence of an income tax before 1913 always saved a line of space in addition to stockholder pain.

Similarly by 1924 the Pepperell Company's reporting showed

Continued on page 38

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Farm Surpluses Passing Their Peak

By JULIUS and EDITH HIRSCH
Members of the Faculty of the New School for Social Research

Asserting farm production is on way to better adjustment, authors point to increased livestock as enlarged market for 1949 feed grain crops. Foresee relaxation of corn acreage allotments and contend there will be no shift of government parity payments to livestock products. Predict egg surplus will take care of itself, and look for Brannan Plan to be applied first to potatoes and dairy products. Recommend waiting a year before plan is put into effect.

We wonder whether we have not been over-pessimistic about our agricultural surpluses. Following the high demand of the war and postwar period, the decrease in demand had caught the country unprepared. High support prices had caused farm production to go on at full speed without regard for the improvement in the world food situation. Thus, high productivity on the farms, due to research, to the increased use of fertilizer, and to further farm mechanization in the wake of the farmers' improved financial situation, had made for terrific surpluses in 1949 and for a few commodities even earlier. Three things have happened to relieve the situation in the not so distant future:

Julius Hirsch Mrs. Edith J. Hirsch

First—Animal numbers, which had been cut down in the postwar years due to insufficient feed supplies, started to rise again in 1949. As soon as this happened, our feed supplies did not seem to be too large any more.

Second—Controls for farm production and marketing, which were contained in all the agricultural acts since 1935, were put into effect, first for minor products such as peanuts, and this year for such important crops as wheat and cotton. They are likely to decrease production.

Third—Some agricultural prices which had been completely out of line with actual costs and had therefore tended to increase production far beyond all needs, have been cut. This was the case for flaxseed and eggs. In the case of flaxseed, we saw the results already last year. For eggs, where lower support prices became effective just two months ago, prices have come down and the effects on consumption and production are expected to become visible in the second half of the year.

The Farm Income—How to Compare It

Farmers' cash receipts from farming were in 1949 10% below those of 1948 and 1947. Farmers' net income went down more than cash receipts, because farm prices receded more than the goods and services which the farmers had to buy. We don't think, however, that the 1947 net income can be taken as a normal basis. Farm prices had gone up sharply in 1947 because of the—no doubt somewhat exaggerated — news about world food shortages and the relative shortage of meat in this country. In 1950 the rate of decrease of the farmers' income is likely to slow down, though still to continue. While the volume of farm marketing will probably decrease, due to acreage restrictions and marketing quotas, prices may not decrease much further because of the government price support. For the efficient farmers in the greater part of the United States, 1950 is still expected to be a profitable year.

Increased Livestock Numbers to Utilize Most of the 1949 Feedgrain Crops

Most encouraging are two statistical reports which the Bureau of Agricultural Economics has just published: "Stocks of Grains, Jan. 1, 1950" and "Animals on Farms, Jan. 1, 1950." They have changed our ideas about too large feed grain supplies.

In the 1948/49 crop year about 440 million bushels of corn were finally put under government ownership and in addition about 100 million bushels of other feed grains. Of the record 1948 corn crop of 3,650 million bushels, less than 3,000 million were actually used. 700 million had gone into stocks. Because the 1949 corn crop was again large—amounting to 3,378 million bushels—we were deluded into believing that our corn crop would be permanently too large. Acreage restrictions of 19.7% in the commercial corn area for the 1950 crop were ordered by the Department of Agriculture. Nobody thought two months ago that they were not needed. But in the meantime, the figures for the consumption of corn in October-December 1949, the first quarter of the 1950 corn crop year, have become known. They show that much more corn was used for feeding purposes than had been expected. The reason can be seen from a look at the government report, "Animals on Farms, Jan. 1, 1950." More hogs, more poultry and more beef on the farms and a high rate of feeding because of good prices have accounted for the high disappearance. Though the 1949 corn crop was just a few bushels below the second highest on record, it now seems that our larger animal herds and a good export demand will use up all the corn produced in 1949, or in any case leave relatively little to be added to the carry-over of 825 million bushels. These stocks, nearly all acquired in 1948, will be a blessing rather than a curse. After all, we cannot expect the exceptionally good weather in 1948 and 1949 to be repeated year after year. Export demand, which in 1949/50 will probably be as high as 150 million bushels, may remain high in 1950/51 because of a good demand for Europe's replenished livestock herds and the failure of the Argentine corn crop, which will show up partly in our new crop year.

Will the 1949 Corn Acreage Allocation Be Relaxed?

Under these conditions we expect the Secretary of Agriculture to proclaim in the near future that corn acreage allotments for 1950 will be relaxed. Cuts in acreage will probably be not inconsiderably smaller than originally intended. The announced quotas call for a crop of 2.6 to 2.7 billion bushels. This would be about sufficient, though definitely uncomfortable, if the carryover were only 825 million bushels. But the weather is a very uncertain factor, especially for the corn crop, and if there should be a drought, the Secretary of Agriculture would be blamed. A relaxation of

Continued on page 32

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From Washington Ahead of the News

By CARLISLE BARGERON

The helplessness of a people in the hands of Big Government is accentuated by their utter inability to grasp or to keep up with what is going on. One of the strategies of the early New Deal was to maintain so much activity that the costly mistakes were immediately blanketed by new and more daring enterprises. It would be utterly impossible now for the Republicans to draw up a thorough indictment against our rulers of the past 17 years. They must content themselves with hit or miss charges, with shooting all over the place. They can't very well go through with a sustained attack on any one point because before they have scarcely moved, a hundred and one other avenues have opened up and they find themselves lost in a wilderness. If they were to stick to one scandal or outrage it would soon seem commonplace before they could come anywhere near to developing it.

Carlisle Bargeron

With Vandenberg's none too good health, or maybe it is just his indisposition, the Republicans have been moving more and more boldly against the Administration's conduct of our foreign affairs, something that has been sorely needed for many years. They are reflecting, or certainly think they are reflecting, the increasing dissatisfaction in the country against the pouring of money into Europe to "contain Communism" and to a lesser extent, the squeals of American business interests that foreign imports, subsidized by American generosity, are beginning to hurt. They can't be hurting more than a fraction of what they will hurt in a few years under the present plans of our Master Planners, of course, but they are hurting some, nevertheless.

So we have a new propaganda barrage coming up from the State Department and one that conceivably can have more purpose than saving the Department's conduct of foreign affairs.

First gun in this new barrage is Dean Acheson's call, not to arms, but to "total diplomacy." In this all-out struggle which he is to lead, we must be prepared, he says, to make sacrifices possibly as great as those necessitated in war. Ours is not to reason why, ours is but to do and die, in the sphere of diplomacy, of course.

We do not yet know the full extent of the sacrifices we are to be called upon to make. They very probably are to be developed one by one, by the Secretary himself, and the propagandists, during the next few months.

But we have this inkling from what the Secretary has recently been saying privately to various groups. He has been telling his private audiences that the sacrifices may involve considerable economic readjustment. For example, in order to "contain Communism" we've got to take the imports of Europe regardless of what this does to our own economy. We've got to do this so we will be in the economic orbit of the European nations instead of Russia.

Then, we must provide relief, presumably something on the order of the potato subsidy plan, for the distressed industries which the increasing imports bring about; for the industries and the displaced workers.

ECA's Paul Hoffman, pointed it up a little more graphically before a Senate committee a short while ago. We must appropriate funds, he said, to reeducate the displaced workers to new skills and to provide unemployment relief for those who can't be re-educated.

All of this is to be done to a high patriotic pitch and anyone who demurs will be looked upon as unpatriotic and, I assume, dealt with accordingly.

Old Cordell Hull, now living in contemplative retirement, must be amazed—I understand his mind is still fairly keen—at the evolution of his free trade idea which he harped upon in Congress for a good 20 years and then succeeded in foisting upon the country after the advent of the New Deal. He never foresaw that it would some day be used to "contain Communism." Indeed, in his day he never gave Communism a thought.

It was simply his contention that it was enlightened economics. Foreign trade, he held, was essential to our national well-being—foreign trade constituted 7 or 10% of our economy and spelled the difference between depression and prosperity—and other nations could not buy from us unless we bought from them.

So loud did this refrain become among our "intellectuals" that the Conservatives, the just plain manufacturers, the tariff-protectionists, gave up the ghost long ago. Undoubtedly they would not have been so silent these many years had the Hull plan been given an opportunity to work. Abnormal world conditions prevented the test.

After the war it turned out, of course, that the European nations had nothing to sell us. But our "intellectuals" and planners were not to be outdone. They devised means of giving the European nations money with which they could get goods to export to us. But now, this "foreign trade" is not necessarily enlightened economics or to maintain our national well-being, but to "contain Communism."

And as I said before, we do not know what other "sacrifices" are involved in this "total diplomacy." It looks very much as if the Administration, on the defensive in its conduct of foreign affairs, is coming up with an offensive in the way of another emergency. We can expect shortly to hear the waitress paraphrasing the famous war bromide and asking, "Dontcha know there's a total diplomacy on?"

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More Sterling Devaluation Talk

By PAUL EINZIG

Dr. Einzig deplores talk in U. S. of further devaluation of sterling as preventing restoration of confidence in British currency. Denies costs and prices have substantially increased in Britain since last devaluation, and ascribes absence of increase in British exports to dollar area to U. S. price declines.

LONDON, ENG.—The statement made by Mr. W. John Kenney, head of the ECA mission in Britain, in the course of his evidence before the Senate Foreign Relations Committee, concerning the possibility of another devaluation of sterling, is causing much concern in London. And Mr. Churchill's more recent statement in Parliament on the same topic has been no less disconcerting. Although nobody doubts that Mr. Kenney's statement was made with the best possible intentions, it is criticized on the ground that it opens possibilities for misinterpretation causing unwarranted distrust in sterling. The passage concerned reads as follows:

Dr. Paul Einzig

"If costs and prices [in Britain] are permitted to rise—and one of the disadvantages of British goods in dollar markets has been too high costs — the maladjustment will reassert itself and the trading advantage gained by devaluation will have been lost. Any inflationary increase in costs could very quickly recreate the situation which required devaluation. Therefore, adequate steps were and are required of the British Government to prevent a recurrence of these conditions. The necessary corrective measures complementary to devaluation must be accomplished or else the British economy may proceed periodically from crisis to expedient and then back to crisis."

It is, of course, an incontestable truism that if costs rise the trading advantages derived from devaluation will have been lost, and the sterling-dollar price-parity will return to its pre-devaluation level. But the circumstances in which this statement was made conveys the assumption that there is at present in Britain an inflationary increase in costs, and that it is sufficiently considerable to make it necessary to envisage the possibility of an increase of the British price level by something like 30% to 40%. In reality, this is far from being the case. Not only is there no inflationary increase, or even the threat of it, but the natural upward adjustment of prices resulting from devaluation have so far been very moderate. The British Budget has once more a revenue surplus, and up to the time of writing it has been possible to resist demands for large and widespread increases of wages.

Mr. Kenny is, of course, right in pressing the need for further safety measures by the British Government. In this respect his over-pessimistic statement should go a long way towards offsetting the frequently over-optimistic statements of his chief, Mr. Paul Hoffman, whose handsome compliments tend unintentionally to encourage the government in avoiding or deferring some necessary but unpopular measures. Nevertheless, while the complacency bred by Mr. Hoffman's statements is liable to be harmful to the British economic effort at home, the pessimism bred by Mr. Kenney's recent statement is apt to damage the international aspects of the British economic effort.

To realize this it is necessary to bear in mind that the devaluation of sterling last year was not made necessary by the high level of costs in Britain, but by the widespread anticipation of a devaluation abroad. Generally speaking, British prices were not unduly high, though they tended to be somewhat high after the fall in American prices during the first half of 1949. And the cut of the dollar value of sterling by full 30% has failed to improve the British trade balance in relation to the dollar area, because the increase in the volume of exports was offset by the decline of the yield due to the lower dollar proceeds of the same volume of exports. Up to now the sole benefit derived by Britain through the devaluation of sterling has been due to the elimination of fears of devaluation. Payments and purchases deferred in anticipation of the devaluation have been gradually effected since Sept. 18. It remains to be seen whether, once this temporary factor has spent its force, Britain will be in a substantially better position than she was, say in 1948, before devaluation fears began to cause a drain on her gold reserve.

It is not so much an inflationary increase of costs that threatens Britain as a recurrence of devaluation talk which, by undermining confidence in sterling, might conceivably recreate the situation which required devaluation. Britain was driven to devaluation, not by high costs but by devaluation talk. History might easily repeat itself unless those in responsible position take good care not to provide, even unintentionally, material for devaluationary rumor-mongering.

Having said all this, one must heartily endorse Mr. Kenny's exhortation of the British Government to complete the necessary corrective measures complementary to devaluation. What is not realized is that, had such measures been carried out a year ago, there might have been no need for devaluation. They might have saved Britain of the need for the painful operation, not so much through their material effect as through their favorable psychological effect. What mattered then, and what matters now, is not so much a reduction in costs or a prevention of a moderate rise as a restoration of confidence in sterling. The measures required to ensure the success of the devaluation are exactly the same which could have obviated the need for a devaluation and which would now obviate the need for a second devaluation.

It is to be hoped that Americans in responsible positions will be able to strike a happy medium between eulogy and defeatism in their public statements on Britain's economic position and prospects. While they render a great public service in spurring on the British Government and people to intensified efforts, they should take care to avoid encouraging devaluation talk. Although to say that an inflationary increase of costs might eventually make devaluation inevitable is merely stating the obvious, a frequent repetition of such statements by Americans in authority might easily create an atmosphere in which a second devaluation would become necessary even in the complete absence of such an inflationary increase.

F. W. Dodge Reports January Building Rise

Contracts awarded for building and heavy engineering works in the 37 states east of the Rocky Mountains last month totaled $779,530,000, showing an increase of 7% over January, 1950, and a 37% rise over February, 1949, it was reported by the F. W. Dodge Corporation, fact-finding organization for the construction industry. All classifications, residential, nonresidential and heavy construction, were greater last month than in the preceding month. Only heavy construction fell behind in February compared with the corresponding month in 1949.

The two months' construction total for this year was $1,510,385,000, an increase of 44% over the February aggregate. total for the 1949 January and

Oglesby With Hays

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — David E. Oglesby is now with R. S. Hays & Co., Inc., 111 Corcoran Street. Mr. Oglesby was formerly Kinston representative for Griffin & Vaden, Inc.

New Issues

$13,500,000
Harris County, Texas
2¼% and 2% Bonds

Dated April 10, 1950. Principal and semi-annual interest (April 10 and October 10) payable in Houston, Texas, or New York, N. Y. Coupon Bonds in denomination of $1,000.

Interest Exempt from Federal Income Taxes Under Existing Statutes and Decisions

In our Opinion, the 2¼% Road Bonds are Eligible as Legal Investments for Savings Banks and Trust Funds in New York State

AMOUNTS, MATURITIES, AND YIELDS OR PRICES

$6,000,000 2¼% Road Bonds due $200,000 each April 10, 1951-80, inclusive; payable from unlimited ad valorem taxes.

7,500,000 2% Courthouse, Jail and Hospital Bonds due $250,000 each April 10, 1951-80, inclusive, subject to redemption after ten years from date of issuance, at 100% and interest; payable from ad valorem taxes which may be levied within the limitations prescribed by law.

Due	Yields or Prices 2¼% Bonds	2% Bonds	Due	Yields or Prices 2¼% Bonds	2% Bonds	
1951	.85%	.85%	1966	1.90%	99½	2.03%†
1952	.95	.95	1967	1.95	99½	2.03†
1953	1.05	1.05	1968	1.95	99	2.06†
1954	1.15	1.15	1969	2.00	99	2.06†
1955	1.25	1.25	1970	2.00	98	2.12†
1956	1.30	1.35	1971	2.05	98	2.12†
1957	1.35	1.45	1972	2.10	97	2.17†
1958	1.45	1.55	1973	2.10	97	2.17†
1959	1.55	1.65	1974	2.15	96	2.21†
1960	1.60	1.70	1975	2.15	95½	2.23†
1961	1.70	1.80*	1976	2.20	95	2.25†
1962	1.75	1.90*	1977	2.20	94½	2.27†
1963	1.80	1.95*	1978	100	94	2.28†
1964	1.85	100	1979	100	93½	2.31†
1965	1.90	100	1980	100	93½	2.30†

(Accrued interest to be added)

*Yields to ten-year call date †Approximate yields to maturity

The above Bonds are offered, subject to prior sale, for delivery when, as and if issued and received by us and subject to the approval of legality by Messrs. Vandewater, Sykes, Heckler and Galloway, Attorneys, New York City.

The National City Bank of New York — Halsey, Stuart & Co. Inc.

Blair, Rollins & Co. Incorporated — Kidder, Peabody & Co. — Union Securities Corporation

Equitable Securities Corporation — Braun, Bosworth & Co. Incorporated — Harris, Hall & Company (Incorporated)

First Southwest Company — Hornblower & Weeks — Underwood, Neuhaus & Co.

Trust Company of Georgia — R. S. Dickson & Company Incorporated — Roosevelt & Cross Incorporated

Weeden & Co. Incorporated — Provident Savings Bank & Trust Company

Geo. B. Gibbons & Company Incorporated — Francis I. duPont & Co. — Wood, Gundy & Co. Incorporated

Moroney, Beissner & Co. — Fahey, Clark & Co. — Lyons & Shafto Incorporated

Dittmar & Company — Robert Winthrop & Co. — Laird & Company — Fridley & Hess

Seasongood & Mayer — Breed & Harrison, Inc. — Ellis & Co. — Newhard, Cook & Co.

A. G. Edwards & Sons — The Weil, Roth & Irving Co. — Freeman & Company

March 10, 1950.

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LETTER TO THE EDITOR:

Looks to Aggressive Selling To Revive Securities Industry

C. J. Stubner, of Stubner & Co. of Pittsburgh, Pa., points out many successful businesses have obtained initial capital through merchandising of their securities by salesmen. Recommends stock exchanges share commissions with dealers who bring in business.

Editor, Commercial and Financial Chronicle:

When I entered the investment business, which was prior to the Liberty Loan campaigns of World War I, it was estimated that less than a million people in the United States owned securities of any kind. Today a single great corporation has almost as many stockholders. The Liberty Loan campaigns furnished a vital impetus to the investment business in introducing the idea of securities to new investors. As always, Wall Street pitched in, and under the zone leadership of the late A. B. Leach intensive canvassing was carried out. Mr. Leach himself was not averse to taking the stump on the steps of the Sub-Treasury in New York and haranguing the multitude, and with surprising warmth and eloquence for a then important New York investment banker.

In spite of the admitted excesses committed in the public utilities industry on the holding company level, the so-called customer ownership campaigns took up where the Liberty Loan campaigns left off, and made an indispensable contribution toward expanding the public ownership of securities. The meter reader and lineman went out soliciting business in the operating company preferred stocks, with no professional experience and oftentimes in dubious grammar, armed only by their confidence in their company and with of course the good old-fashioned American profit motive. Doubtless many of these new investors later became cannon fodder in the "wonderful nonsense" of the late 1920's for the very professionals who may have looked askance at the crudity of this pioneer work in securities distribution. But the securities placed in these campaigns, if they have not been called and are still outstanding, are even today regarded as among the choicest investments extant.

The branch of the investment business that has most consistently stayed on the path that from a meagre beginning led directly to the present widespread public ownership of securities and that kept the beacon lit is the over-the-counter branch. This path is of course the path of merchandising.

At one time the insurance business was considered the last refuge of broken down salesmen and was infested with part-time activities. Today the business is manned by alert and aggressive men who have a consciousness of a mission, and a pride in their calling. They approach the business with a counsellor viewpoint. And in many ways they have moved into the vacuum created by the inertia of the investment business. Beyond the province of insurance for protection, or in short death insurance, the desirability of which is beyond dispute, and which also happens to be the most economical form of insurance from the standpoint of cash outlay, the investment men have a story to tell in furtherance of the sale of conservative securities. And significantly enough, the whole structure of the insurance business rests upon the man who goes out and systematically makes calls on the public. Of course his profit motive has to be adequately satisfied by the percentage which the insurance companies can allot to the agent as his share in the growth that he is in such large measure creating.

The success of the Investors Diversified Services, which bids fair to become the biggest group of mutual funds of them all, is at once a challenge to the rest of the investment trust industry and to the investment business as a whole, because it is based on the merchandising efforts of retail men, operating oftentimes in areas remote from financial centers.

A vast mass field of potential new investors now as in the past can only be reached by the merchandisers and therefore it might be deemed expedient and good business, as has been suggested many times before, for the New York Stock Exchange to consider cutting in dealers who can hand them business. This would have the effect as well of unifying the investment business and be a tonic throughout. An important exchange like the San Francisco Stock Exchange has found it desirable to enter into arrangements with non-members.

In entering many homes, the average undertaker has more professional standing than the average securities salesmen. Upon the entrance of the United States into World War II, many older and highly experienced investment men apparently found more income security in the war effort than in continuing in the investment business, laying aside the question of patriotism. And it was not uncommon to find men simultaneously holding down jobs in the investment business and in war plants. The investment business found itself still in a slump following the 1937 depreciation of security prices, whereas the whole national economy was booming, so that investment men appeared to be in a backwater. In a poll conducted by a university of the vocational preference of the graduates, as recently reported in the press, the

Continued on page 29

NSTA Notes

THE CINCINNATI STOCK & BOND CLUB, INC.

A large group from the Cincinnati Stock and Bond Club on Washington's Birthday, Feb. 22, made an all-day inspection tour of the Armco Steel Plant and Laboratory at Middletown, Ohio.

After dinner at the Manchester Hotel in Middletown, Mr. Hook, Chairman of the Board of Armco Steel, and Mr. Sebald, President, addressed the group of visitors. It was a very interesting and educational trip and the members were most enthusiastic about the company's management and personnel.

Seated at the speakers' table are (left to right): F. D. Danford, Treasurer of Armco Steel Corp.; Fred H. Becker, Field, Richards & Co.; W. W. Sebald, President of Armco Steel Corp.; Joseph H. Vasey, Geo. Eustis & Co.; Charles R. Hook, Chairman of the Board of Armco Steel; Harry C. Vonderhaar, Westheimer & Co.; H. H. Tullis, Vice-President and Comptroller, Armco Steel; Harry J. Hudepohl, Westheimer & Co.; Hugh Wright, Public Relations Director, Armco Steel, standing.

The Club on March 21 will meet the official family of the Cincinnati Gas and Electric Co. at the Queen City Club, Cincinnati, for a preview of their 1949 annual statement. Next month an inspection trip through the Lawrenceberg, Indiana, plant and laboratory of Schenley Industries Co. is planned.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Reservations for the 14th annual dinner and entertainment, April 21, of the Security Traders Association of New York Inc., at the Waldorf-Astoria Hotel, may be made with Daniel G. Mullin, Tucker, Anthony & Co.; James V. Torpie, Torpie & Saltzman, or C. O'B. Murphy, Merrill Lynch, Pierce, Fenner & Beane, Chairman of the Committee.

TWIN CITIES SECURITY TRADERS ASSOCIATION

The Twin City Security Traders Association will again hold their summer party, "Operation Fishbite," at Grandview Lodge on Gull Lake near Brainerd, Minn., the weekend of June 16, 17 and 18.

A large group of out-of-town traders is expected at the party.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$15,000,000

New Jersey Bell Telephone Company

Forty Year 2¾% Debentures

Dated March 15, 1950 — Due March 15, 1990

Price 102.457% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

OTIS & CO. (INCORPORATED) **BURR & COMPANY, INC.** **WM. E. POLLOCK & CO., INC.**

THE ROBINSON-HUMPHREY COMPANY **THOMAS & COMPANY**

MULLANEY, WELLS & COMPANY **CLAYTON SECURITIES CORPORATION**

E. M. NEWTON & COMPANY **PATTERSON, COPELAND & KENDALL, INC.**

JULIUS A. RIPPEL, INC. **HAROLD E. WOOD & COMPANY**

March 15, 1950.

Dealer-Broker Investment Recommendations and Literature

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

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.

Steel—Review of trends in the industry—Francis I. du Pont & Co., 1 Wall Street, New York 5, New York.

Also available is a leaflet of switch suggestions.

* * *

Aerovox Corp.—Circular—Wm. J. Mericka & Co., 150 Broadway, New York 5, N. Y.

American Mercury Insurance Co.—Report—Peter P. McDermott & Co., 44 Wall Street, New York 5, New York.

American Telephone & Telegraph—Analysis—E. F. Hutton & Co., 61 Broadway, New York 6, New York.

American Trust Co. — Circular —William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Arkansas Natural Gas Corp.—Circular — Mabon & Co., 115 Broadway, New York 6, N. Y.

Cenco Corp. — Circular — Sills, Fairman & Harris, Inc., 209 South La Salle Street, Chicago 4, Ill.

Central Public Utility Corp.—Memorandum—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Central Public Utility Corp.—Card memorandum—F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill.

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

Allen B. DuMont Laboratories, Inc.—Special report—Tyson & Co., Inc., Lewis Tower, Philadelphia 2, Pennsylvania.

Electric Bond & Share Co.—Analysis—Gruntal & Co., 25 Broad Street, New York 4, N. Y.

Emery Air Freight Corp.—Circular—Reynolds & Co., 120 Broadway, New York 5, N. Y.

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Fedders Quigan Corp.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Globe-Union, Inc. — Circular — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Also available is a circular on **Johns-Manville Corp.**

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

Iowa Illinois Gas & Electric Co. —Research bulletin discussing the outlook—Dept. C, White, Weld & Co., 40 Wall Street, New York 5, New York.

Iowa Power & Light—Circular —Shields & Co., 44 Wall Street, New York 5, N. Y.

Also available is a circular on **Electric Bond & Share Corp.**

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.

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Mid Continent Airlines — Brochure—White & Co., Mississippi Valley Trust Building, St. Louis 1, Missouri.

Minneapolis & St. Louis—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet of current developments in **Railroads.**

National Bank of Detroit—Analytical study—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Also available is a circular on **American Box Board Co.**

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

Paramount Pictures Corp.—Study—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Phillips Petroleum—Memorandum—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

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

Southern Pacific Co.—Study—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available is a circular on **Minnesota Power & Light Co.**

Talon, Inc.—Memorandum—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Also available is a circular on **Southern Colorado Power Co.**

United Gas Improvement Co.—Leaflet—Colonial Associates, Inc., 49 Federal Street, Boston 10, Mass.

Westinghouse Electric Corp.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N.Y.

Albert Frank Elects Kyle and Cullinan

The election of Milton T. Kyle as a director and Richard A. Cullinan as Executive Vice-President of Albert Frank-Guenther Law, Inc., advertising agency, was announced by Emmett Corrigan, Chairman. Mr. Kyle, Vice-President in charge of the firm's Philadelphia office, has been with the agency since 1935. Mr. Cullinan, a director, has been with the firm since 1929.

COMING EVENTS

In Investment Field

March 29-30, 1950 (Chicago, Ill.)
Central States Group of Investment Bankers Association of America annual conference at The Drake.

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.

L. G. Leslie With C. F. Cassell Co.

CHARLOTTESVILLE, VA. — L. G. Leslie, formerly Manager of the Charlottesville, Va., and Martinsville, Va., offices of Abbott, Proctor & Paine, is now associated with C. F. Cassell & Co., Inc., 114 Third Street, N. E., in charge of their Customers' Board Room.

Chase Bank Appoints Jackson D. Breaks

Jackson D. Breaks has been appointed a Second Vice-President of the Chase National Bank and will be associated with the group of officers handling the bank's commercial business in the New York State-New Jersey district.

During recent years, Mr. Breaks has been active in the field of long-term business loans for the Penn Mutual Life Insurance Co. and served as Financial Secretary of that company. His experience covers a period of more than 20 years in institutional investment and lending.

Mr. Breaks is a graduate of Phillips Exeter Academy and the Wharton School of Business and Finance at the University of Pennsylvania (1926). He is a native of Crawfordsville, Ind.

ADVERTISEMENT ADVERTISEMENT ADVERTISEMENT

ROYSTONE SAYS: NEVER BUY STOCKS TO HEDGE AGAINST INFLATION

The experience of half a century has convinced us there is a scientific formula for fortune building. Success over many years has also proved psychological interpretations most fundamental. It is far better to know the time to sell to the optimists and the time to buy from the pessimists than it is to be familiar with economic statistics.

Years of accuracy have built us pre-eminent recognition for long-term market reliability. That is why worried investors write from many parts of America to get the "Stock Market Appraisements" we formerly syndicated nationally on financial pages under the heading, "ROYSTONE SAYS."

Our newspaper followers realized that when and what to buy and sell is about all one needs to know about the stock market. No wonder Wall Street is so anxious to keep in contact with our analyses.

This demand from everywhere for reliable guidance on when and what to buy forced us to publish our comments in inexpensive weekly bulletins.

To buy with the "good buying" and sell with the "good selling" largely eliminates the hazards of speculation. Now, thanks to the discovery, made while evaluating fundamental psychological factors found in the Roystone Heavy Industry Formula, we are enabled to detect the difference between distribution and accumulation, to tell the correct time to buy and sell. We follow market making fundamentals, not the public that buys during distribution and sells during periods of accumulation.

Without such "insight" the average investor never has a fair chance. See how few make a profit in the long run. Unfortunately, investors and traders are equally victims of psychological distortions. Following popular sentiment, they too often are forced to buy when they should sell and sell when they should buy. To protect clients against these errors, we developed our 27 Safety Rules for Investors and Traders.

Today, we realize we have reached a condition in our economy that puts too many investments under shrinkage pressure and so have no growth futures. Investors should not seek "inflation hedges" at the expense of fortune-building growth values.

Often, before the fifty-point break in 1946, we warned against a drastic decline. We advised getting into cash to buy special situations, long-term growth possibilities independent of general conditions. Anticipating such breaks to buy bargain bottoms makes all the difference between failure and fortune-building.

Naturally, the long trend turning points are absolutely essential to the investor. Knowing a "bull market" from a "bear market" is the one guarantee of security. Waiting and watching has built most of the large fortunes made in Wall Street. It would require pages of space to reprint the hundreds of letters of appreciation from longstanding clients now in our files.

There are thousands of smaller investors, intelligently accumulating fortunes, who welcome technical data and a diagnosis of growth prospects in special situations such as those we have selected to buy at the next bargain bottom. While they await opportunities they need instruction to protect them from the dangers of popular misconceptions such as the universal mistake in forecasting the 1948 election.

W. H. ROYSTONE
INVESTMENT ANALYST
Who, from devoting many years protecting investors from danger, wrote "America Tomorrow," called "the most far-seeing economic guide for the future," sent free to his personal clients with his "27 Safety Rules" for investors and traders.

STOCKS POOR INFLATION HEDGE

Statistics covering the recorded history of modern industry show equities have never been an effective hedge against the financial ravages of monetary inflation, especially when such stocks are bought during the time the public is inflation minded. This fact applies with equal force to the purchase of gold stocks.

Regardless of the current popular discussion of inflation, the U. S. Dollar represents the Country that has the best credit. No currency in the world has intrinsic worth other than its credit value. Therefore, the Dollar, for the present, is the most desired currency. It was the quest for Dollars that inspired the recent devaluations.

Thinking from fundamentals, we must conclude that currently the Dollar is in a bull market and that tangible assets, including equities, are in a bear market. This means there could soon be a flight from equities and other "things" now being artificially supported by government, gentlemen's agreements, fair trade measures and temporary scarcities.

The only true hedge against inflation is to be found in fund enhancement. That alone will offset higher costs. That, and fortune-building requirements, calls for at least a fifty per cent fund gain each year. Instead, the great majority of investors see their cash values shrink each year.

Read what the Press Service that syndicated his "Comments" said:

"What 'Roystone Says . . .' is respected by the best in Wall Street, from the small speculator to the largest investment trusts.

"One thing is certain: Roystone knows the stock market. With a truly remarkable record in earlier years, since he has been writing for this service he has foreseen all the important market changes.

"Followers all over America look upon Roystone as the most reliable long-term market diagnostician among the many good Wall Street technicians."

We cannot take our first step in fortune building until we appreciate that error is preponderant in human effort. We might go so far as to say that if there is a wrong way, human beings are prone to follow that way. That is why we earnestly believe there is a tremendous need for honest investment and business guidance. Such assistance can be derived only from factually appraising future investment values in the light of political and social trends. It was such factual appraisement that enabled us correctly to foresee the 1948 election result and the resultant market break. Without such guidance, there is small hope for the individual in his quest for financial independence.

Now, to help you in your personal problems, we have created our special protective and instructive Contact Service to replace our newspaper comments. The fee (for 52 weeks) *for the present,* is only twenty-five dollars, or five dollars for advice covering the next seven weeks of the current critical period.

These same weekly bulletins that cost you only five dollars for seven weeks, go to thousands of clients from coast to coast, including those paying one hundred dollars a year for personal guidance and to banks and big business.

What the Weekly Bulletin Said at Market Top, May 31, 1946, before the 50 point drop

"The market is now in the zone of distribution, positively dangerous.

"In 1940, when the averages were 138 and Wall Street was wild-eyed over inflation, we alone were positive the averages would go down to 96. They did. Now that prices are again at a dangerous level, everybody is most confident."

Remember, knowing when and what to buy is the secret of safety and success in fortune building in Wall Street. When you send check for $5.00 or $25.00, be sure to ask for "America Tomorrow" and those famous 27 Safety Rules for Investors and Traders. W. H. ROYSTONE, Forest Hills 10, Long Island, N. Y. (Instituted 1931). Mid-town consultation appointment $25.

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More Risk Capital or Catastrophe!

By CLEM D. JOHNSTON*

President, Roanoke Public Warehouse, Roanoke, Va.

U. S. Chamber of Commerce Director, asserting emotionally we are living in expectation of a catastrophe that impairs planning and progress, attributes situation to lack of incentives for risk taking. Denounces government loans and guarantees to business as sapping strength of our economic system, and points out corrective function of price reductions and depressions. Pictures a creeping Socialism engulfing nation.

A thumb-nail summation of our situation might be expressed this way: (a) The short-term outlook is good; (b) The long-term outlook is characterized by uncertainty and indecision; (c) Emotionally we seem to be living as in expectation of a catastrophe, with a resultant impairment of planning and progress.

Clem D. Johnston

Someone has well said: "Make no little plans—they have no magic to stir men's blood."

Today in the field of Service Industries I find few plans of blood-stirring proportions.

Commendable progress I do find—worn equipment is being replaced by new and modern equipment, buildings are being renovated, new additions are being built, methods and techniques are being improved, personnel turnovers are less and the individual knows his job better and is more efficient at it.

But in general this progress is an "inching forward"—not a bold leap into new fields and new conditions.

This condition is a logical outcome of the anti-business attitude of many in government, and of the inordinately high rates of corporate and individual taxation which discourage venture capital and lessen incentives for risk-taking.

So before one can properly answer the question "What of Today's Market for the Service Industry," we must first have the answers to some other questions:

Are the sources of Venture Capital drying up?

Will tax rates on business profits go up or go down?

Will tomorrow's Business Climate be favorable or unfavorable to the formation of new or expanded enterprise?

It is a hard but inescapable fact that, because of deaths, retirements, dissolutions, failures and the increasing population American Business requires $100,000,000 per week of new venture capital to keep on an even keel. We need more than that if we are to expand.

Can our American Economy, accustomed to surge forward by great and daring leaps, now adapt itself to this new process of inching forward, feeding on increasingly meagre rations of undistributed profits when it grew up on the raw meat and heady wine of speculative investment and great risks in prospect of great returns in the event of success?

With Soviet opposition and with world conditions as they are, it is questionable whether we can effectively demonstrate the superiority of our American system unless we continue to provide these periodic and life-giving infusions of great bodies of risk capital that is fully prepared to chance the rough-and-tumble of the market place. That just won't come unless tax rates are reduced in the appropriate brackets and the rewards for risk are increased.

Government Substitutes Sapping Economy

Today's substitutes — Government loans, government guarantees, government subsidies weaken rather than strengthen our system. They are at best mere palliatives that becloud the real issues and postpone the day of reckoning.

And we have found in our service industry of warehousing that government competition, even a mere 3 or 5% of the whole, when accompanied by the threat or possibility of still more government ownership and operation, can effectively paralyze whole areas of potential new and expanded enterprise.

I hope that I don't sound badtempered or unduly contentious in trying to point out this situation, but facts that are not frankly faced have a way of stabbing you in the back. I think that many have been trying to side-step or obscure some unpleasant facts rather than meet them.

Lord Halifax once said that the best qualification of a prophet is to have a good memory.

Let's substitute history for a good memory and we will immediately have brought home to us that since the dawn of history any and all governments or nations which lessened the incentives for risk-taking and sought to substitute government guarantees or government subsidies have notoriously pursued monotonously identical courses. This governmental action always takes place in four stages:

(1) It beguiles with promises.

(2) It paralyzes with tax burdens.

(3) It stifles individual thinking.

(4) It suppresses the right of protest.

Then comes the inevitable collapse.

Are we with our vaunted Twentieth Century civilization so different from those which preceded us?

We have been enjoying a postwar boom. Despite the efforts to convince us that these are "normal" times on a new and higher plateau of our economy, we see too many unmistakable signs of "boom" to call it by any other name. It is easier to recognize the boom than to appraise its dimensions or to estimate its probable duration. It is a safe assumption that with our grossly overswollen size and cost of Federal Government, whatever Administration is in power is going to use every effort to extend and expand the "boom" cycle.

Therein lies our danger.

The "boom"-"bust" cycles are a sort of rhythmic pulsations, the one a natural and proper corrective for the other. In moderation they are healthy attributes to an ever-expanding economy. I'm not recommending or arguing for "boom"-"bust." I do take judicial notice of it as a sort of natural phenomena, an indispensable attribute of a free market economy.

A decline in the price of a commodity or a service is normally an indication of lessened cost of production somewhere along the line

Continued on page 34

*An address by Mr. Johnston at the National Marketing Conference sponsored by Chamber of Commerce of the U. S., Detroit, Mich., March 1, 1950.

Missouri Brevities

According to a registration statement filed with the SEC on March 3, **United Light & Rys. Co.** will offer its common stockholders of record March 22, 1950, the privilege of subscribing for 1,904,003 shares of **Kansas City Power & Light Co.** common stock at $12 per share on the basis of three shares of **Kansas City** stock for each five shares of **United** common stock held. Rights are to expire on April 19, 1950. No underwriting is involved.

* * *

Missouri Pacific RR. on March 6 sold to a group of underwriters $3,000,000 of 2⅝% equipment trust certificates, series NN, dated April 1, 1950, and maturing annually April 1, 1951 to 1965. On the following date, **International Great Northern RR. and St. Louis, Brownsville & Mexico Ry.** sold to another group $900,000 and $975,000, respectively, of 2⅝% equipment trust certificates, series DD, also dated April 1, 1950, and due annually each year to 1965.

* * *

Monsanto Chemical Co. will redeem on April 7, next, at $103 per share and accrued dividends, all of its outstanding cumulative preference stock, series A, which will be convertible up to and including April 6. Redemption will be made at the Guaranty Trust Co. of New York. Consolidated net sales of **Monsanto Chemical Co.**, exclusive of those of the British and Australian subsidiaries, for the year ended Dec. 31, 1949, totaled $165,924,700, as compared with $161,609,441 for the preceding calendar year. Net income after taxes amounted to $17,236,422, or $3.74 per common share, for the 12 months of 1949, as against $18,042,473, or $3.95 per share, for 1948. Working capital at Dec. 31, 1949, was $59,947,779, an increase of $7,998,140 over that of Dec. 31, 1948.

* * *

The annual report of **Edison Brothers Stores, Inc.**, operating 213 women's shoe stores from coast to coast, shows consolidated net income of $2,081,053 for the year 1949, equal to $2.14 per share on the 846,197 common shares outstanding at the year-end. This compares with $2,526,307 for the previous year, or $2.67 per share on 843,247 shares then outstanding.

* * *

The volume of sales of **Consolidated Retail Stores, Inc.**, and its subsidiaries, for the year ended Dec. 31, 1949, was $31,512,640, a decrease of 11.6% from 1948. The company was not able to maintain its usual profit margin during the last half of the year owing to a rapid decline in merchandise values, with a resultant decrease of net earnings from $3.73 per share in 1948 to $2.05 per share in 1949.

* * *

The directors of **Missouri-Kansas-Texas RR.** on March 2 authorized the payment on April 1, next, of one coupon on the adjustment mortgage bonds. This coupon, No. 41, bears the date of April 1, 1943, and represents interest at 5% per annum for the six months ended Dec. 31, 1942. The board also authorized the purchase of 500 box cars to cost approximately $2,500,000.

* * *

Pet Milk Co. for the year 1949 reported consolidated sales of $142,105,705 and net earnings, after income taxes, of $3,238,018, equal to $6.34 per common share. This compares with sales of $153,513,696, and net income of $2,397,275, or $4.55 per common share in 1948. The chief reason for the higher earnings per share in 1949 as against 1948 was that a loss of approximately $700,000 was sustained in the first quarter of 1948 whereas the operations for the first quarter of 1949 resulted in net earnings of about $300,000.

* * *

Wagner Electric Corp., St. Louis, for the calendar year 1949 reported net sales of $65,940,766, a decrease of $7,464,410, or 10.1% from the preceding year. Net income, after taxes and overhead reserves, amounted to $3,010,336, or 4.57% of the total sales, as compared with $3,807,081 net income for 1948. Of the net profit for 1949, which was equivalent to $6.03 per share on the 499,016 shares outstanding at the end of the year, $1,496,095 was declared and paid out in cash dividends. Current liabilities were reduced $1,962,612 during 1949, the largest item being the payment of notes due in the amount of $1,364,800. Working capital increased $298,504.

* * *

For the fiscal year ended Nov. 30, 1949, **Johnson, Stephens & Shinkle Shoe Co., St. Louis**, reported net income, after taxes, of $226,213, equal to $1.04 per common share, which compares with $320,458, or $1.55 per common share for the preceding fiscal year. Net sales for the 1949 year were $7,917,271, against $10,118,694 for the year ended Nov. 30, 1948.

* * *

The stockholders of **Shenandoah-Dives Mining Co., Kansas City**, on March 6 approved a resolution permitting the directors to issue $225,000 of 6% first mortgage bonds to mature Dec. 1, 1955, in the event the present issue which matures Dec. 1, 1950, is not paid off or extended. The operating loss for 1949 was $81,781, compared with an operating profit of $74,793 for the preceding year. The net loss, after depletion and depreciation reserves, was $158,901, against $12,287 in 1948. Concentrates produced totaled $1,236,300, compared with $1,425,314.

* * *

Profit of **Allied Laboratories, Inc.**, and its subsidiary, for the year ended Dec. 31, 1949, before taxes amounted to $1,773,913, compared with the 1948 figure of $1,249,478, and net after tax provision and all expenses increased to $1,100,959 from $778,478 in the prior year, an increase of 41%. Earnings were equal to $4.21 per share on 261,290 shares currently outstanding, compared to $2.98 on the same number of shares in 1948. These earnings were the second best in the company's history and only five cents per share less than the record year of 1947. Ratio of current assets to current liabilities was 4.47-to-1.

* * *

General Bottlers, Inc., parent of **Pepsi-Cola Bottling Co. of Kansas City**, reported for 1949, net earnings of $100,445, or 26 cents per share, compared with a net loss of $8,272 in 1948. Sales were $4,147,518, against $4,058,392.

* * *

Union Wire Rope Corp., St. Louis, resports that net income for 1949 was $230,269, equal to 92 cents per share on the common stock, compared with $289,499, or $1.15 a share for the previous year. Sales were $4,759,368, compared with $5,562,194. Working capital at the close of 1949 was $1,920,262, against $1,873,157 a year earlier. The current ratio was 6.31-to-1 against 4.42-to-1 a year earlier. Bank notes were reduced by $100,000, leaving a balance of $233,334.

* * *

Net income of **Velvet Freeze, Inc., St. Louis**, in 1949 amounted to $262,847, equivalent to 83 cents per common share, compared with $177,557, or 56 cents per common share in 1948. Sales were $3,578,075, against $3,291,294.

Otis Appeals NASD Suspension to SEC

Attorneys for Otis & Co., Cleveland investment banking firm, on March 14th requested a review by the Securities and Exchange Commission of the recent ruling of the National Association of Securities Dealers, whereby the firm was to be suspended for a two-year period for failure to disclose information requested regarding the withdrawal of Otis & Co. from a contract to underwrite a common stock issue of the Kaiser-Fraser Corporation. The attorneys also asked the SEC to postpone its own proceedings against Otis & Co. growing out of the same transaction, pending its action on the NASD's ruling.

Louis E. Corrington is With L. F. Rothschild

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Louis E. Corrington has become associated with L. F. Rothschild & Co., 231 South La Salle Street. He was formerly with Otis & Co. and Straus Securities Corp.

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Earning Power and Merger Trend Of New York City Banks

By MORRIS A. SCHAPIRO*
President, M. A. Schapiro & Co., Inc., New York City

Bank stock analyst, noting comparatively lower ratio of earnings to capital funds of New York City banks, ascribes this to: (1) slower growth of deposits in relation to capital; (2) greater competition, and (3) higher reserve requirements. Sees realignment of banks resulting from mergers and counsels creation of larger reserves as cushion against shocks and adjustments in bad times.

The New York City banks with 25% of the country's banking capital are earning an average of 5¾% on stockholders' money; banks outside New York, 9%. Why? The question is answered differently in different places. You hear it said that New York banks are run by habit and tradition rather than by today's realities; that prestige is more important than profit; and that the stockholder's interest is often not of decisive importance in determining questions of economy, expansion and change; and that the interests of management and stockholders are not always parallel. In the banks themselves there is a different story. There, one hears that government restrictions limit their profits by impounding bank assets through required reserves, and by keeping interest rates too low and taxes too high. None of these provides a satisfactory explanation. Let us examine the problem.

Morris A. Schapiro

Combined net current operating earnings of New York City banks in 1949 were about $135 million or at the rate of 5¾% on their $2,340 million total capital accounts. Cash dividends in 1950, using current rates, are estimated at $85 million, a rate of 3.60% on stockholders' equity. The retention or net addition from operating earnings is $50 million or 2.15% on the combined book value. These figures are before losses and charge-offs, profits and recoveries, reserves and other capital transactions.

Earning power of the New York City member bank group at 5¾% is low compared with 9% for member banks outside this area. Why do banks outside New York City have about 50% greater earning power on stockholders' equity?

Country's Deposit Growth Greater

First, deposits are high in relation to capital. The deposit-capital ratio is 14 to 1 compared to only 10 to 1 in New York City. This fact is not new. It has been developing since 1933. There has been a vast and continuing diffusion through the economy of liquid assets, resulting from deficit financing and heavy Government spending. Decentralization, new manufacturing plants, shift of industry and population, are factors. Deposit insurance has helped the deposit trend of small banks. Banks in important centers throughout the country have experienced a growth greater than in New York and have succeeded in accumulating large banking capital, placing them in active competition with banks in the New York area.

The higher deposit-capital ratio of 14 to 1 means that outside banks have 40% more deposits per dollar of stockholders' equity than have the banks in New York City, while at the same time, these banks are subject to lower reserve requiremnts than prevail in the New York area. They do more retail business, get better rates on loans and receive more adequate compensation for their general services.

New York City is the country's financial center. Banks here have correspondent and banking relations with financial institutions throughout the land, but their own reserve requirements are higher. New York banks must always maintain a greater degree of liquidity. As a group they are more dependent on big business at low rates than are the outside banks. Earning power here is more adversely affected by the refunding policies of the Treasury since the war. Thus, when called or maturing Treasury obligations are refunded at lower and fully taxable rates, the impact is greater on these banks with their relatively limited deposits.

Highly Competitive

The difficult and destructive competition in which these banks are engaged is another reason for low earnings power in New York City. The banks here compete for deposits with others and with one another. The higher rate paid by the mutual savings banks for thrift accounts has attracted funds away from commercial banks, impelling one leading bank this year to raise its rate on savings. Others are bound to follow. This condition, however, is not general outside New York City. It was demonstrated after Deposit Insurance was originally introduced that large depositors, including national corporations, increased their deposits in accounts with smaller local institutions. The current proposal to raise the coverage to $10,000 will intensify this trend.

Large banks are also in competition with government in rates and in services, and New York City banks in their dealings with large national concerns are also in competition for loans with nonbank lenders, such as insurance companies and others, as well as the investment markets. In the small loan field, all banks are competing with finance and factoring companies. Then too, all banks in this area compete with large banks in other principal centers for every important available loan. Finally, the banks within New York City compete with one another. Banking in New York is no monopoly. It is intensely competitive. As a matter of fact, there is a general fear among bankers that they will be accused by the Justice Department of operating a monopoly if they even discuss interest rates together. The result has been a continuous price war. Stockholders suffer. Competition is so destructive that the condition can only be described as jungle business.

Meanwhile, the difficult earnings situation is aggravated by increased operating expenses resulting from costly installations and duplication of facilities which thus far scarcely seem to have been supported by the results achieved. No matter how one looks at the overall situation here in New York City, it is evident that business is being transacted and services rendered for inadequate compensation. Bankers in their competitive fervor "to get the business," even though it is not immediately profitable, have usually had some indirect advantage in mind. But too often this has proved to be "pie in the sky."

Low Earnings in Good Times

The fact is that banks and banking services in New York City are essential and are being used by individuals, partnerships and corporations throughout the country, as well as by States, Municipalities and the Federal Government, but it is equally true that in these years of activity and high prosperity, the earning power on stockholders' equity is too low to justify their investment. This condition is reflected in the discount from book value at which their shares are quoted.

The significance of a low earning rate on stockholders' money should be clear to us all. If a bank's recurring operating earnings are $5 per share or 5% on its book value of $100, it follows that in order for the quotation to equal book value the market must appraise these earnings at 20 times. Such an earnings ratio is plainly too high under current conditions in the market for equities. The prevailing ratio for New York City bank stocks is actually but 15. Bank shares have been at a discount because of their low earning power. In the last two years, several of the smaller New York banks were sold by their stockholders, the business going to surviving banks. In each of these cases, the value of the bank was far in excess of the previously quoted price for the bank stock, and stockholders realized the full benefit in cash. Stockholders are naturally attracted to such proposals because in addition to the immediate gain to individuals, trustees are enabled to conserve assets for their beneficiaries.

Banks at a discount ultimately mean banks out of business. Bank managements have an obligation to find adequate earnings on stockholders' investment. Conversely, stockholders of banks whose shares are quoted at a premium are not likely to consider proposals for liquidation. In New York City, of course, such banks are the exception. The obligation of bank managements to provide earnings for stockholders is, there-

Continued on page 35

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

DISTRIBUTION OF NEW YORK CITY CLEARING HOUSE DEPOSITS

Showing Percentage of Each Bank to Total of All Clearing House Banks Based on Average Net Demand and Time Deposits (Including U. S. Government Deposits)

	1940	1941	1945	1949
Average Total Deposits (000)	*$15,122,275*	*$16,757,052*	*$25,810,914*	*$21,881,587*
Chase National	19.82%	19.98%	17.73%	17.60%
National City	16.70	16.82	16.42	19.44
Guaranty Trust	14.70	13.99	12.18	9.90
Bankers Trust	7.80	7.66	6.26	5.41
Central Hanover	7.61	7.40	6.54	5.63
Manufacturers	5.15	5.31	7.53	8.67
Chemical Bank	4.56	5.14	4.89	5.56
Irving Trust	4.61	4.46	4.20	4.42
First National	4.89	4.89	3.71	2.55
Manhattan	3.95	4.00	4.07	4.39
†J. P. Morgan & Co.	---	---	2.74	2.56
New York Trust	3.00	3.03	2.75	2.42
Corn Exchange	2.18	2.20	2.72	3.18
Bank of New York	1.53	1.51	1.37	1.50
Public National	0.93	0.92	1.39	2.08
Marine Midland Trust	0.86	0.89	1.08	1.21
Commercial National	0.77	0.86	0.92	0.73
†Brooklyn Trust	---	---	0.89	0.92
§*Continental Bank*	0.43	0.45	0.66	---
†U. S. Trust	---	---	0.50	0.54
¶*Fifth Avenue*	0.39	0.38	0.41	---
†Lawyers Trust	---	---	0.28	0.31
Title Guarantee & Tr.	0.12	0.11	0.15	0.22
‡Grace National Bank	---	---	0.31	0.40
*City Bank Farmers	---	---	---	0.36
Totals	100.00%	100.00%	100.00%	100.00%

*Clearing nonmember, joined in 1946. †Joined in 1943. ‡Joined in 1944. §Absorbed by Chemical. ¶Merged with Bank of New York.

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March 14, 1950

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Buy $2 Billion Yearly From Europe and Save Marshall Plan

By LELAND STOWE*

European Editor, "The Reporter" Magazine

Holding Marshall Plan aid is only a blood transfusion, Mr. Stowe contends, if cut off in 1952, it may cause dangerous collapse. Blames present world economic crisis on "too much production and too few customers," and advocates increase of our annual imports from Western Europe by $2 billion. Says we have got to discover how to create consumers with cash and favors more U. S. foreign investment.

Once again, I do not speak as an advocate of any party, government, or anybody; no committee in Washington has ever honored me by asking me my opinion. They prefer people like General Chennault, who have several millions at stake, to tell them what are really the facts in China. Usually, people who have several millions at stake are not exactly objective.

Leland Stowe

Nobody ever asked a newspaper man to go down and say anything to one of these committees. So, nobody has ever asked my opinion down there, and that is all right. But I am saying, as an independent observer in Europe, one is bound to say, "What is going to happen in Europe, if we do slash the Marshall Plan very considerably?"

And, then looking close, it becomes very obvious, as it was when I spent nearly three weeks investigating the unions in France, that the Communists, although they are checked, have very strong comeback possibilities in the future. And I believe that we do not begin to understand this at home yet, because the obvious success has been so publicized and the fundamental dangers have been so ignored. You talk to European officials, as well as our own ECA administrators around Western Europe, as well as do you own looking, and you discover very quickly the Marshall Plan has been a success within its original intentions. It has restored production, but you discover with equal speed what we needed to have known and understood much more clearly at the beginning, that the Marshall Plan is only a blood transfusion, and nothing more. It is only a blood transfusion.

And we know that a blood transfusion can restore a semblance of health, but sometimes, if you cut it off, you can have a very dangerous relapse.

A French deputy said, words which unfortunately we have not heard over here; he said, "The Marshall Plan is not to solve our problems, but to give us time to solve our problems."

Now we have just a little more time and the solving part of the problem has scarcely been attacked. In Geneva, talking to some of the most qualified economists anywhere in the world, members of the Gunnar Myrdal's Economic Committee for Europe, one of them said to me, "You have saved the Old World, but you have not built a new one." That is exactly what has happened. It is saved for the moment, but nothing fundamentally new has yet been built. And our billions that we still must spend, however we spend them, will either be thrown away in large measure, or they will be made constructive, if we know what we intend to build and we proceed to demand that we shall build it.

We are just coming to this great dividing line; second phase of the Marshall Plan which will be marked by a revision in its administrative attitude, a revision in Washington's and the American public's ideas and conceptions of what we are after; which will mark a complete change in strategy and tactics if we are to really save Western Europe from Communism.

Why is this so? Let's look at the crisis of the western world. It is not just Western Europe. Our whole western world is in a very profound crisis. We have infinitely too much production and too few customers. That is one simple way of stating it. In the western world we will not have either prosperity or stability until we bring the ratio of customers up to somewhere near the ratio of what we can produce and are producing. That is where you come in, everyone in this room, because since the First World War there has been a terrific shrinkage in the markets of the world, while we were creating the machines to produce more and more. Now there are certain aspects of that shrinkage which I think have escaped most of us, just as in some respects they had escaped me until I went back to Europe this last time.

One, we talk about the Iron Curtain. But there is a curtain far bigger than that. There is a Red curtain, shutting out free trade from Vienna to Vladivostok, and from northern Siberia to Canton, China. Nearly one-third of the surface of the world is curtained off from the normal process of free trade, and that area contains more than one-third of the peoples of the earth.

Now there has been a second equally tremendous revolutionary change. We here in America have created, just by the necessity of war, this second one. Since 1938 the productive capacity of the United States has been doubled in 11 years—doubled. What does that do to the shrinking markets of the world? What does it do to our chances of earning enough profits, selling enough, making our standard of living persist where it is, let alone rise? A very profound and upsetting thing, to double our capacity in 10 short years.

Finally, there is a third enormous factor for uncertainty, as yet profoundly disabling to our whole economic existence, until it becomes disciplined and channelized, and that is the fact that the United States is not yet acting as the only great creditor nation in the world, and we are *it*. We are sitting on billions of dollars that are not working for our own welfare, let alone mankind's. And we cannot sit on these billions and the gold at Fort Knox for many more years without finding ourselves steadily more impoverished. And that, too, is one of the major problems which we face. Do you read much about it in the papers? Do you hear much about it on the radio? Do you talk about it in your meetings? Gentlemen, it is time that we did.

For we have got to discover how to create consumers with cash. And our system can't produce and maintain prosperity nor can any other until we discover an entirely new way how to create consumers who have got cash with which to buy. Now I have said all of this in a very condensed, and much too simplified, perhaps, manner. It is a part of the great crisis of the western world, Europe's and ours combined. We have had, just recently, a minor manifestation of this greater crisis in the British crisis of the dollar shortage and the devaluation which followed. And I think most of us here at home think of their devaluation, "That is fine; I guess that solves that problem." But the fact is that the real crisis of Britain and the whole sterling area is ahead of us and it is coming next spring or next summer, but before next autumn anyway, and that crisis when it comes, is going to be tremendous. It is going to knock an awful lot of props out from under our assumptions of solutions already reached. Because devaluation in Britain at best is only a shot in the arm, and that is all it could be. And the shot in the arm is going to wear off in a few months. Britain's fundamental dollar gap will remain very great, and then the great crisis will come. That is not going to be easy to handle.

Already it seems that the London government has not taken advantage of the shot in the arm to do some of the things that are very imperative that it should do. And that adds to the likelihood to the certainty of a much more serious crisis next year, 1950. In the meantime, consider the reduced standards of living of the British people—and to go back to London after having known it in the war, is to be filled with a profound sense of the unjustice of life and the tragedy of man. Never have I felt sorrier for people than I have for the British people, the way they have to live, the little they have to do it with, the prospects of so little to come after this magnificent courage of 10 long years.

But the British standard of living is going down still farther. I would ask those American friends who are very antagonistic to Britain's Labor Government—and you can make arguments against it in many respects, it is true. But if we think that the British Socialists are dangerous—I would ask them, "How would you like to have a Communist Party of two or three million people in the British Isles, and where do you think we would be then?"

I don't know what the steadily falling standard of living of Britain will do to the political thinking of the British people. But it seems to me inevitable, if it goes very much farther, it is going to make them more radical than Englishmen have ever been in the past several hundreds of years, right wing or left wing. So the real showdown on Britain's fate is ahead, somewhere in '50. It will affect our whole relations with the rest of the world, our business prospects, many, many things.

The decisive years, as I see it, are straight ahead of us—the most difficult, perhaps the most dangerous. Pumping in the blood of the Marshall Plan did not require very much forethought; in fact, it did not get much. It did not require very much cleverness; most any dope could figure that one out. Almost any dope can give away money, as a matter of fact. Ever noticed it? So, we cannot pat ourselves on the back that we have yet displayed any great amount of perception. No. The necessity for perception comes now, because now we are

Continued on page 34

*An address by Mr. Stowe at a luncheon under the joint auspices of the International Trade Section and the Transportation Section of the New York Board of Trade, Inc., Feb. 23, 1950.

Connecticut Brevities

Southern New England Telephone Co. has applied to the State Public Utilities Commission for permission to issue an additional 400,000 shares of its $25 par common stock. The proceeds would be used to pay off notes incurred in the company's construction program and to finance additional construction. There are presently outstanding 2,800,000 shares of common stock on which the quarterly dividend rate was recently raised from $0.40 to $0.45.

* * *

Stockholders of **Colt's Manufacturing Co.** will meet on March 29 to vote on a proposal of the directors that the company invite tenders of its own stock at not more than $53 a share. A maximum of $7,000,000 would be spent to buy in stock. There are presently outstanding 195,900 shares. At $53 a share, 132,075 shares could be purchased.

* * *

The 1949 annual report of **The Stanley Works** reveals that sales for the year were $60,018,390, about 10% below 1948, and earnings were equal to $8.27 a share on the common compared to $9.30 the previous year. During the past three years the company has followed the conservative practice of charging against earnings a reserve for depreciation in excess of the amounts allowed for Federal tax purposes. In addition to the allowable deduction of $1,050,358 in 1949, the company appropriated an extra $675,855. The budget for 1950 includes expenditures of $3,000,000 for plant improvements, largely for the Hand Tool and Steel Divisions. Of this total about half will be available from depreciation charges and the remainder must come from earnings or new capital.

* * *

In 1949 **Marlin-Rockwell Corp.** earned $7.75 a common share, down from $9.82 the previous year due to moderately lower sales volume and increasing costs. During the year dividends of $5.50 a share were paid. The balance sheet at the year-end shows cash and government securities equal to $28.38 a share and a book value of $40.82.

* * *

Bigelow-Sanford Carpet Co. has announced its intention to produce a line of carpets made with synthetic fibers. The company has been experimenting with acetate, vinyon, nylon, protein fibers, and a number of other synthetics.

* * *

At their annual meeting on March 8, stockholders of **Torrington Manufacturing Co.** voted to approve production in the authorized capital stock by cancelling the authority to issue 4,000 shares of $25 preferred. The only presently authorized stock consists of 120,000 shares of $6.25 par common.

* * *

The **Connecticut Power Co.** reported earnings for the year 1949 of $2.31 per common share. The improvement in earnings was largely due to lower operating expenses and an increase in revenue resulting from rate changes early in the year. During the year about $2,500,000 was spent for new construction and $3,300,000 is budgeted for 1950, of which $1,000,000 will be available from the year's depreciation accrual and the remaining from excess working capital.

* * *

The Hartford Electric Light Co.'s earnings for 1949 were equal to $2.86 a share on the common stock. Capitalization at the year-end consisted of 34% long-term debt, 15% preferred stock and 51% common stock and surplus. Of the total revenues 25.5% was derived from domestic, 23.5% from commercial and 24.7% from industrial customers. The average annual domestic consumption was 1,935 kwh and the average domestic rate per kwh was 2.85 cents.

* * *

The annual report of **New Britain Machine Co. for 1949** shows that despite a 7% drop in sales the net earnings increased from $0.33 to $1.28 a share. The financial position of the company continues to be strong, with cash governments equal to $12.51 a share and a book value of $60.40 a share. The sole capitalization consists of 140,000 shares of no par common stock.

Peter Milholland With Delafield & Delafield

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, have announced the association of Peter Milholland with the firm's investment advisory department. Mr. Milholland previously had been associated with Gude, Winmill & Co. since 1946.

Midwest Exch. Members

CHICAGO, ILL.—The Executive Committee of the Midwest Stock Exchange has elected to membership: Royal E. Peterson, New York City; and Ralph Owen, Equitable Securities Corp., Nashville, Tennessee.

J. B. Duffy Co. Formed

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Pro and Con of Point IV Program

By AUGUST MAFFRY*
Vice-President, Irving Trust Co., New York City

Commenting on vague and confused notions of Point IV Program, Mr. Maffry points out problems facing both public and private capital in its implementation. Says roles of Export-Import Bank and World Bank in this field are controversial, and holds loans rather than equity capital is wrong method of financing and is prejudicial to private capital. Reviews such elements in program: as (1) technical assistance; (2) investment guarantees; (3) tax concession; (4) bilateral investment treaties; and (5) private foreign investment. Says it would be mistake for government to replace private investment.

Someone has aptly said that President Truman "hit the jackpot of the world's political emotions" when he announced the Point Four Program in his inaugural address in January, 1949. Since then there has been a flood of written and spoken words on Point Four, most of them devoted to saying what the Program ought to be. Now, a year after the President's original announcement, it is time to take stock and find out where Point Four actually stands and where it seems to be going.

August Maffry

The variety of reactions to Point Four at home and abroad is to be explained by the breadth and vagueness of the concept. Point Four envisages a many-sided cooperative program between the United States and friendly foreign countries designed to facilitate the spread of American scientific technology and the flow of American capital to the underdeveloped areas of the world. It is possible for almost any group to find in this formulation a clue to what it is seeking in its own interest or thinks should be done to improve the state of the world in general.

First of all, there are the humanitarians, who welcome Point Four because of the promise that it will be an organized effort to carry American knowledge and American wealth to the underprivileged peoples of the earth. They think of it in terms of relieving hunger, eradicating disease, and raising levels of living. Neither government nor business should dismiss this humanitarian approach as mere do-goodism and hence of no importance. On the contrary, the missionary spirit of the American people is not only noble; it is a potent force in the international relations of the United States. However, I do not propose to dwell on the humanitarian aspect of the Point Four Program.

"Another Government Prop"

Then there are the exporters both of goods and technical services, some of whom see in Point Four another government prop for the present high level of United States exports. As I shall later indicate, there is a good deal of wishful thinking in this appraisal of Point Four induced no doubt by the current pinch of a declining supply of dollars available to foreign countries and by the prospect of a further decline as ECA appropriations are progressively reduced.

The professional and amateur strategists in the cold war between the Western Powers and Russia also welcomed Point Four. They find in it a promise that at long last the United States is turning from essentially defensive measures against the spread of Communism, such as the Marshall Plan and the North Atlantic Pact, to positive measures for improving the lot of the underdeveloped countries and thus giving them a tangible alternative to the blandishments of Communism. This is the point of view which emphasizes the political objectives of Point Four.

In foreign countries there are many who, like some of our own exporters, conceive that Point Four will open up a new source of United States Government funds to finance large-scale development programs and the purchase of the required American goods and services. Some have been able to persuade themselves that Point Four will be the successor to the Marshall Plan and a means of filling the dollar gap which has been filled mainly by ECA funds during the past two years.

Vague and Confused Notions

These varied reactions are enough to indicate the vague and often confused notions about Point Four. I am continually amazed to hear people speaking of Point Four as if it were a program in being with definite scope and purpose. I am also embarrassed, as I am sure many of you have been, to have people ask me whether I am in favor of Point Four. It is easy, but contributes nothing, to say that one is in favor of the application of American technology and the employment of American capital in underdeveloped countries. In order to go further, however, one must know where Point Four actually stands today and where it appears to be headed.

In terms of legislative proposals under consideration by the Congress, Point Four consists of two pending measures. One of these would authorize the President to extend technical assistance to foreign countries through agencies of the United States Government or, wherever practicable, through agencies of the United Nations and private agencies and persons. The second would amend the Export-Import Bank Act of 1945 to empower the bank to guarantee private investments in foreign countries against the risks of (1) inconvertibility of foreign currency derived from an investment and (2) loss resulting from expropriation, confiscation, or seizure by action of public authority. In his recent tax message to Congress, the President also proposed certain tax concessions to American corporations operating abroad and to Americans residing abroad. I shall return to these legislative proposals in a few minutes.

Creating a Favorable Climate

Aside from legislation, Point Four consists of bilateral investment treaties between the United States and foreign countries giving formal assurances of fair treatment of American investments. These treaties are thus intended to help create a favorable climate for private investment in foreign countries and consequently to induce an increased flow of private United States capital to them for permanent investment. This objective goes to the real substance and essence of Point Four, which is the stimulation of private enterprise and private investment in underdeveloped areas. Point Four calls for American business to go on doing what it has been doing ever since American capital and know-how began going abroad about the turn of the century—only now on a grander scale.

Now I realize that there are some observers in government and out who do not believe that private capital can be induced to go abroad in sufficient volume and that eventually public capital will have to be provided to carry out the purposes of Point Four. Some of those who hold this view are quite sincere and objective. They are well aware of the present obstacles to increased private foreign investment and have genuine doubts that these obstacles will be removed. Others, I am sorry to say, are completely cynical in their attitude and have no desire to see private enterprise do the job because they believe for one reason or another that it ought to be done by government.

However, all who discount the role of private investment are prone ot make assumptions which prejudice the issue. The most common of these is the assumption that private capital must be forthcoming on a scale sufficient to close the present dollar gap of approximately $5 billion and that, if it doesn't do so, some other means will have to be found. In this view, the present level of exports, and hence the existing dollar gap, become fixed points of reference. It is rarely suggested that it may not be possible to maintain the present level of exports without employing undesirable and imprudent financial expedients.

Another, and I think erroneous assumption is that underdeveloped areas can absorb foreign capital at a multi-billion-dollar annual rate. The lack of mature, economically feasible projects would alone rule out new investment on any such scale, not to mention equally important and even more stubborn political, social, and cultural limitations.

Roles of Export-Import Bank and World Bank

The issue of private versus public capital in carrying out Point Four brings into question also the current and future roles of the Export-Import Bank and the International Bank in making loans to foreign countries. The current operations of these institutions are on a relatively small scale. During 1949, the Export-Import Bank authorized new loans of $241 million, of which the principal commitments were those to Israel, Afghanistan, Yugoslavia, and to certain Latin American countries. With the exception of a credit to Chile to assist that country in meeting an acute shortage of dollars, the bank's new commitments in 1949 were for development purposes, broadly speaking, although in certain instances with strong political overtones.

Loans committed by the International Bank during 1949 amounted to approximately $235 million, also for development purposes in a broad sense. Accordingly, the Export-Import Bank and the International Bank together made new commitments during the year of somewhat less than $500 million. This was less than half of the amount of private United States capital invested in foreign countries during 1949. It cannot be said, therefore, either that loans by governmental and inter-governmental agencies are now being made on an extraordinarily heavy scale or that they predominate in new dollar investments abroad.

Controversial Role

The role of these two institutions in Point Four is controversial. There are those who would proscribe further loans by the Export-Import Bank to foreign governments or their agencies on the ground that such loans are bad in principle and prejudice the investment of private capital in several ways. The chief argument is that foreign countries will feel no compulsion to create or maintain conditions attractive to private capital so long as public capital is available to them on easy terms. Another is that public capital, which is made available exclusively on a loan basis, ties up the exchange resources of borrowing countries and thus reduces their capacity to attract and service private investment. A related contention is that public investment creates a preferred claim on foreign countries to the detriment, in times of exchange stringency, of service on private investment. Still another is that loans out of public funds are used to create facilities which compete with existing private facilities or to establish government monopolies to the exclusion of private undertakings.

These observations are made to apply particularly to operations of the Export-Import Bank and in smaller degree to the operations of the International Bank because the latter must now obtain additional funds from private investors in the United States rather than as previously in large part from the United States Treasury. However, so far as this distinction is concerned, the International Bank operates no less than the Export-Import Bank on the credit of the United States Government.

Current Loanable Funds

The fact remains that the Export-Import Bank and the International Bank are at present the only sources of public or quasi-public funds for foreign economic development. They have between them approximately $1 billion of loanable funds. They are undoubtedly destined to play a role in Point Four, the only question being how important a role. I would agree that, under some circumstances and beyond certain limits, loans by the Export-Import Bank and the International Bank to foreign countries are prejudicial to both existing and new private investment abroad. I am unable to agree that this is the inevitable result under any or all circumstances. Indeed, loans by these institutions can under some circumstances both improve the position of existing private investments and open the way to new investments. It is a question of where, to whom, for what purposes, and under what conditions, express and implied, the loans are made. The issue should not be agitated as if it were all black or all white. Actually, it is all grey.

Furthermore, in the absence of public capital for investment abroad, some of the key problems of foreign economic development would be insoluble, and some of them may defy solution even if public investment is forthcoming. There are certain prerequisites to economic development such as sanitation, transportation, water control, and electric power. With the possible exception of power, no one supposes that these facilities will be provided by private investment; nor in most instances is it realistic to suppose that they will be financed except in small part by underdeveloped countries themselves. Hence, if the facilities are to be created, they must be created primarily by public capital provided directly or indirectly by the United States.

One of the big difficulties in this connection is the very great aggregate cost of the basic facilities of economic development.

Continued on page 33

*An address by Mr. Maffry before Chicago World Trade Conference, Chicago, Feb. 27, 1950.

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We Have the Best Of Gold Standards

By E. M. BERNSTEIN*

Research Director, International Monetary Fund

International Monetary Fund expert maintains United States not only has a gold standard, but the best kind of gold standard. Denies gold standard prevents misuse of monetary system, and stresses need of a wise policy in monetary administration. Cites gold drain on Federal Reserve Banks in 1933 and contends gold coin standard is not required to maintain gold as international standard. Holds solvent banking system more essential than gold coin standard.

I hold that we have a gold standard at $35 an ounce and that it is excellent for our trade. My big difference with Professor Leland Rex Robinson is that he regards what we have as not a gold standard. I regard it as a gold standard and the best of all gold standards.

E. M. Bernstein

There is very little I have to disagree with in what Professor Robinson has said—very little. I think, myself, that the differences between us come from the fact that he is a little older and a little more nostalgic for the things that are passed and that seem so bright now in the troubled times we have.

Let us make no mistake about what we mean by a gold standard, why we want it, and what it does. A gold standard is a device for two purposes: First, to limit the creation of money internally; second, it is a device when other countries pursue the same standard, for securing stability in international exchange rates. That is what a gold standard is.

When you say that a gold standard must be my kind of gold standard or his kind of gold standard, or her kind of gold standard it is to take a bit of substance and put a frill on it and say unless it has the frill, it is no good. We know that the quality of a lamb chop is in the quality of the meat and the cooking, and not the lace panties by which the diner will hold it.

These two points: We need a gold standard, because it provides a limitation upon the creation of money within a country. Do we have that today? I think we do. We have a gold standard today that provides a limitation upon the creation of money. The creation of money in the United States, insofar as gold can limit its creation, is dependent upon an inflow of gold or the acquisition of gold by the Treasury and the Federal Reserve System—the issue of money on the basis of that gold, and a secondary expansion of credit where the monetary authorities are prepared to permit it—all on the basis of that gold.

No matter what kind of gold standard you would have had if you had the gold coin standard that Professor Robinson has suggested, we would have no more—not one whit more — limitation upon the creation of money domestically.

Now, I regard our country as having a gold standard because any central bank in the world can acquire all the dollars it wishes by selling gold to our Treasury. Any central bank in the world. if it has dollars, can convert those dollars into gold. So far as I can see, that provides sufficient restraint in the creation of money through the gold standard; so far as I can see, it is adequate for the purpose of giving us a gold standard. And as you can see from what I have said, it is really the second aspect of the gold standard which I emphasize.

Now, if I believed in fact that the gold standard is as good as some of our more enthusiastic disciples of the gold standard think it is, I would, myself, be quite happy with the monetary system we have. But unfortunately, I am a skeptic. I do not believe that you get the right monetary system, the right monetary mechanism for a community, by adopting techniques. To my mind, what is far more important than techniques, far more important, is wisdom and good sense in policy.

Whether you have a gold standard or not, unfortunately you are not freed from the greater burden of choosing a wise policy. And if you choose a wise policy, I am content to say that the gold standard we have and ought to have is adequate for our purpose.

Gold Standard Does Not Prevent Misuse of Monetary System

Let me emphasize this question of policy. A gold standard will not prevent misuse of a monetary system. We have had misuse of the monetary system with the gold standard during wartimes, and we have had a collapse with the gold standard during a world depression, despite the fact that the country was in the hands of people who believed in the gold standard. It is not, so far as I can see, any mechanical concept of a gold standard that gives you the monetary system you want. The monetary system you want starts with the gold standard. It never ends there. It starts with good, wise policy on top of the gold standard.

As I said, I believe we have the gold standard. I believe what we need is a wise policy—a wise policy by the Treasury, wise policy by the Federal Reserve System, wise policy by the commercial banks, wise policy by the businessmen. Or maybe I better start in the other direction and say that fundamentally the gold standard will give you a good monetary system, if businessmen act with restraint and intelligence, if the Federal Reserve System acts with restraint and intelligence, and if the Treasury acts with restraint and intelligence. But you can have the most detailed type, the most, if you wish, old-fashioned type of gold standard that your minds can conceive, and without good sense, without wisdom and restraint in policy on the part of businessmen, bankers, central banks and treasuries, you will get nowhere and I refuse to surrender the concept that it is the policy that counts and not the trimmings on the standard that count. It is the policy that counts.

I would, myself, be disturbed to find the American people prepared to trust so simple a device as giving the public coins as a substitute for a good policy. And I would, myself, be disturbed to find the intelligent people, witty people, people who understand money and the economy, prepared to put so much trust in the use of gold coins as to believe that in any way it would do other than harm a wise policy.

I spoke on this question to the financial writers of New York a couple of months ago—just before the election. And I told them that I know it is easy to say "After all, he is only a professor." But this is something in which I am not at a handicap debating with Mr. Robinson. I am a professor—but so is he. We are not at that disadvantage. I am a Democrat and a New Dealer and all that sort of thing. But don't underestimate my views on money or on gold. I do not regard myself as a nut on the question of gold. I think the biggest trouble with gold is that too many people think it is too important. We have had a gold standard of the type that Professor Robinson has asked for, and it nearly brought us disaster. It nearly brought us disaster because—I am going to give you a rule: When you have a gold standard, you have added to the monetary system another source of instability and volatility—I should say a gold coin standard. When you do that, you have added to the economy a new, additional source of instability and volatility.

In technical terms, every time the public converts a dollar deposit into a gold coin, it has engaged in open market transactions contrary to the will of the monetary authorities. It has undone what they have done.

The Gold Drain of 1933

If, for example, as in 1933 did happen, the public draws out a billion dollars in gold coin from the banks, it means the banks will be pressed for monetary reserves. It means that the Federal Reserve Banks will be pressed for gold reserves. Do you realize how near the Federal Reserve Bank of New York was to being below the statutory minimum of gold reserves in 1933, and because the public withdrew gold coins? They had to go to the Federal Reserve Bank of Chicago and attempt to borrow a $100 million.

The people who worked in the Federal Reserve System in 1933 used to sit up every night hoping that when they totaled the banks and set down what the liabilities of the Federal Reserve System were and its assets in gold—the hope would be for some leeway in the ratio of gold to liabilities, so that they would not have to worry whether some one stands in line in the morning to get a $1 million worth of gold.

Frankly, I think it is no accident that Mr. Allan Sproul, the President of the Federal Reserve Bank of New York, thinks that this is a vicious addition to the gold standard we have. I don't think it is an accident. I think it comes from experience and good sense. I think it is no accident that Russell Leffingwell, the Chairman of J. P. Morgan and Co., thinks that this is a totally mistaken addition to the gold standard we have. As Mr. Leffingwell said, "The place for gold is in the Federal Reserve Banks and not in the pockets of our people." But I want you to see why it is that it is vicious. It is because every time some nut takes it into his head that he must get a couple of thousand dollars of gold for a couple thousand dollars' worth of deposits, he threatens the whole stability of the Banking System and the monetary system, and I think we have no right to submit our monetary system to such a threat.

Now, don't think I believe, because I don't want gold coins, that we do not need a gold standard. And don't think that I think it means that everybody can be reckless. On the contrary, I think that the way we can prevent reckless behaviour is by alerting our businessmen and alerting our bankers and our monetary authorities to the real problem in hand

Continued on page 35

*Stenographic report of an address by Dr. Bernstein at luncheon meeting of the Export Managers Club, New York City, Feb. 21, 1950.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The market action of New York City bank shares for the past few months has been favorable. During this period bank stocks have acted better than most groups of industrials and many of the issues have succeeded in reaching the highest levels attained in over three years.

While a part of this better-than-average performance can be attributed to the general improvement in investment demand for quality equities, there are a number of other factors which have contributed to the better demand for bank shares.

The outlook for continued stability in earnings is one consideration that has been attracting investors' attention. Although general economic conditions will exert a determining influence on banking operations, earnings should be well maintained even in the event of a decline in business. At present, profits are believed to be running slightly ahead of a year ago. Of course there will be variations by individual banks, but, in general, earnings for 1950 should be near those of the year just ended.

The possibility of an adjustment in Federal Deposit Insurance assessments is another consideration which has favored the outlook for bank shares. Legislation is currently being considered in Congress and the prospects are that a reduction in present rates, in some form, will result. This could add from 5%-8% to the level of operating earnings reported last year.

Sometime back one of the leading economists on banking in New York called the attention of a group of bank trust officers to the desirability of investing a portion of trust funds in high quality equities, such as bank stocks. This had an almost immediate effect upon the market and New York City bank shares seemed to move up in response to this statement.

At the end of last year Bankers Trust raised the annual payment to a $2.00 rate from $1.80; Guaranty Trust paid an extra of $2.00, bringing total payments to $14.00 as against $12.00 paid in the previous year; Public National declared a stock dividend of 10%, and Irving Trust declared an extra of 10 cents a share increasing the total payment from 80 cents to 90 cents. National City, by paying 20 cents extra at the year-end, increased the 1949 payment to $1.80 a share, compared with $1.60 in 1948. Later the stock was put on a quarterly basis of 45 cents as compared with the former semi-annual payment of $1.30. Recently Corn Exchange raised its quarterly rate from 70 cents to 75 cents.

These factors have been important in increasing the interest of investors in the shares of New York City banks. The current position of the different shares, showing the present price, indicated dividend, market price range so far in 1950 and for 1949, is presented below.

	Current Bid Price	Indicated Div.	Yield %	Price Range —1950— High	Low	Price Range —1949— High	Low
Bk. of Manhattan	$27⅛	$1.30	4.79	$27⅜	$25½	$27⅞	$21¼
Bankers Trust	48¼	2.00	4.15	48½	44¼	45½	36¾
Brooklyn Trust	150	5.00	3.33	155	139	152	97½
Central Hanover	101¾	4.00	3.93	103¾	95	101½	82½
Chase National	38⅜	1.60	4.17	38¾	35½	36¾	32½
Chemical Bank	43½	1.80	4.14	44¾	41½	44¼	37¾
Commercial Natl.	54	2.00	3.70	52¾	49¾	51	38
Corn Exchange	66	3.00	4.55	67	56¾	57	49½
Empire Trust	107	3.00	2.80	107	101	102	82
First National	1250	80.00	6.40	1255	1185	1300	1145
Guaranty Trust	304	14.00	4.61	309	287	295	252
Irving Trust	19¼	0.90	4.68	19½	17⅜	17⅝	14⅞
Manufacturers Tr.	59	2.40	4.07	59¾	52½	54⅛	47
Morgan, J. P.	270	10.00	3.70	272	240	243	199
National City	47¼	1.80	3.81	47⅞	42	45	37¼
New York Trust	92¾	4.00	4.31	93½	85	90½	80
Public National	43½	*2.00	4.60	45¼	39½	44½	37
U. S. Trust	655	35.00	5.34	670	625	650	540

*Plus stock.

While the above considerations have been important in the general rise of bank stocks, there is another development, peculiar to New York, which has also been a factor in the market action and current price of some of the shares. This is the merger trend.

The banks in New York City for the past few years have not earned a sufficient rate of return to support the shares of the various institutions at book value. As a result bank stocks have been quoted at discounts of as much as 25% to 50% from asset values. Because of the nature of the banking business, mergers, consolidations, liquidations or sale of assets can be accomplished without too much difficulty. These methods become the means of shareholders realizing the book value or a price for their shares substantially above the market price. At the same time the institution acquiring the business is able to expand its earnings base because of the added deposits and accounts it obtains.

Because of these factors it seems likely that the trend towards larger banks through mergers will continue. Possibly the high prices of some of the smaller institutions in the above list gives evidence of such a possibility.

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Economist Sees Retail Business Reverting to Normal This Year

Q. Forrest Walker reviews merchandising situation resulting from 1949 readjustments, and holds easy selling and rapidly expanding sales have ended.

Speaking at the Annual Retail Sales Training Conference at the State Teachers' College at Bloomsburg, Pa., on March 9, Q. Forrest Walker, Economist of R. H. Macy & Co., Inc., New York City, expressed the view that retailing has returned to prewar normal competitive conditions and the easy selling situation, combined with rapidly expanding sales, has come to an end.

Q. Forrest Walker

Concerning the first quarter business of 1950 and the immediate outlook, Mr. Walker stated:

"We are now close to the end of the first quarter of 1950. It has been characterized by unseasonably warm weather, acute labor troubles and somewhat greater uneasiness about the future. Industrial production has recovered sharply since last October and in the last two months it has been only moderately below the same months of one year ago. The March figure is likely to show a substantial decline on account of the coal strike. During most of the quarter, production of automobiles, steel, textiles and many other products has been maintained at high rates. Construction activity continues at a high level.

"There has been some increase in unemployment, partly seasonal and partly assignable to labor troubles. Personal income payments for the current quarter, however, are likely to be close to the aggregate in the first quarter of last year. Wholesale commodity prices have been fairly firm and farm products and foods have averaged a little higher in recent weeks. During the current quarter, wholesale prices have averaged about 5% below the corresponding period of last year.

"Total retail trade, including automobile sales, has been running only slightly below a year ago, but soft lines have been adversely affected in some sections by unseasonable weather. It is probable that the physical volume of goods sold will be a little larger than in the same period last year. Except for the coal strike, the confidence expressed by the year-end forecasts will have been justified."

Approaching Inventory Balance

"As we look back now to the business readjustment of 1949," Mr. Walker added, "it is evident that it was largely an inventory and price readjustment. Stocks became depleted during the summer months and the situation in hard lines was aggravated by the steel strike. Rapid increases in production in the last few months are rapidly restoring inventory balance. There is never perfect adjustment of production, inventories and sales and we need not be alarmed if, here and there, we later find that moderate cutbacks in production have become necessary. Indeed, we should welcome such evidence of our increasing ability to keep output properly adjusted to current sales. These cutbacks prevent excessive accumulation of stocks and the costly readjustments that are necessary before production can be resumed.

"In the great boom years after the war, we have had large windfall gains. They made us too complacent about our selling techniques. Perhaps we can obtain a little better perspective if we consider the changing ratios of retail sales to the disposable income of the country. Normally, these ratios do not change greatly from year to year. However, at the close of war, consumer inventories were at very low levels, replacement needs and the requirements of new families created an abnormal demand for all types of merchandise. As a result, the percentages of disposable income spent in retail stores rose very rapidly to new high levels. As the more urgent needs were satisfied, the spending ratios started to decline. Moreover, as income rose, more money could be saved, or used for the purchase of new homes, services and various other purposes and such expenditures are not directly reflected in retail sales. These spending ratios are now moving back to normal.

Durable and Nondurable Spending Ratios

"If we examine the figures a little more closely, we find that the percentages of disposable income spent in stores of the nondurable category are fast approaching the prewar levels. On the other hand, sales of stores in the durable grouping which includes automobiles, have been absorbing higher percentages of disposable income since 1944. In the nondurable goods classification, sales of department stores have returned to the prewar ratios to disposable income; apparel stores sales are quite close to the normal ratios; sales of drug stores, general merchandise stores and filling stations are below the prewar percentages; and sales of eating and drinking establishments are still running higher than in prewar years. Among the durable goods stores, sales of jewelry stores represent the only subgroup which has moved back to the old relationship.

Increased Competition Ahead

"The practical significance of these changing ratios of retail sales to disposable income is that merchants of hard lines, with some exceptions, are now securing higher percentages of consumer income than they can reasonably hope to maintain for any considerable period; that merchants who are predominantly sellers of soft goods must work harder if they are to maintain and improve their relative position; and that the competition of both types of stores for the consumer dollar is likely to become much keener.

Better Selling and Prosperity

"The long period of easy selling and rapidly expanding sales ended in 1948. Merchandise no longer sells itself. But sales can be maintained and improved if we make the extra effort that present conditions require. We have the broadest and richest market for the output of farm and factory that the world has ever known. Our public is able and willing to buy if we offer the kinds of goods it wants at prices it deems attractive. We are confronted with a situation where markets must be cultivated by greatly intensified selling efforts. If we run into difficulties in the latter part of 1950, it will not be because we have lacked abundance of good merchandise, or because purchasing power is not available. It will be because we have failed to do the kind of pricing and selling that keeps goods moving. Better selling is vital to the continuance of good times."

Status of Savings and Mortgage Business

By J. R. DUNKERLEY*

Deputy Manager and Secretary, Savings and Mortgage Division American Bankers Association

Mr. Dunkerley reviews the rapid expansion in recent years of savings and mortgage loan business, and points out if banks are to maintain leadership in this field they must do a better merchandising job. Notes more rapid growth of business of mortgage institutions and reports better relations of banks with other savings and loan associations.

The year 1950 is highly competitive with respect to both savings and mortgages. Hence, it would be well to take a look at where we are and where we are likely to be at the end of the year.

J. R. Dunkerley

As of Dec. 31, 1949, savings deposits in savings banks and in the commercial banks in the United States were $55.1 billion, an increase of $900 million, or approximately 1.6% over the previous year. These $55 billion of savings deposits are more than double the $26.4 billion of savings deposits in 1940.

During 1949 the share capital in savings and loan associations increased from $10.9 billion to $12.4 billion, an increase of $1.5 billion, or approximately 13.8% over the previous year. Since 1940, these funds have grown nearly three times.

During the year, the savings in life insurance, as represented by net funds accumulated behind life insurance policies, grew from $48.1 billion to $51.0 billion, an increase of approximately $3 billion, exceeding in dollars the combined growth for the year of savings deposits in banks and shares in savings and loan associations. Percentagewise, insurance companies gained 6.0% over their 1948 year-end figures. Since 1940, their net funds have more than doubled.

It is estimated that 60,000,000 people have savings accounts in banks. The average savings account is approximately $900. There are approximately 10,000,000 shareholders in savings and loan associations, but their average investment is about $1,300. The present number of policyholders in legal reserve life insurance companies is estimated at 80,000,000, or more than half of the population.

Banks have always maintained a leadership among our thrift institutions. They still hold the largest block of savings, unless you compare with the billions of savings now invested in the savings bonds of the United States Government.

Seventeen thousand of the nineteen thousand banking offices scattered throughout the country furnish savings facilities. The general welfare of the country depends to a large extent upon the encouragement of thrift by the services provided by banks to take care of their savings.

Banks Must Do Better Merchandising Job

If the banks of the country are to maintain their leadership in this field, it will be necessary to do a better merchandising job than we are doing. Many do not seem to realize that in a highly competitive period such as this one it is necessary to exert considerable effort and to spend sizable sums of money in advertising and promoting the business.

The United States Savings and Loan League considers ¼ of 1% of share funds as a minimum appropriation for the promotion of savings. That means that a $10 million institution would spend $25,000 a year in advertising and promotion. Have you ever heard of a $10 million savings bank spending $25,000 a year, or have you ever heard of a commercial bank with $10 million of savings spending anything like $25,000 a year to promote its savings functions? It probably would not be necessary to spend as much as ¼ of 1% of our savings deposits, but we shall certainly have to spend more money and give more attention to this phase of our business if we are to maintain our position.

A survey just completed by the ABA shows that the general trend of interest on savings is slightly upward. A great many of the mutual savings banks have increased their rate as much as one-half of 1%, so that many are now paying 2%, and a few an even higher rate. While the vast majority of all commercial banks throughout the country are still paying 1%, many are paying that rate on a higher amount. Where they paid 1% up to $1,000, many are now paying 1% up to $2,500 or $5,000; and some are paying 1% on all savings.

In New England and on the West Coast, some commercial banks are paying 1¼% and 1½%; and in some of the Rocky Mountain states, a few are paying 2%.

Employment of Savings Funds

Now let us consider the employment of savings funds. In the case of banks and insurance companies, the investment in bonds is important; but real estate loans are their largest revenue producers. Nearly all of the employable funds in savings and loan associations are invested in real estate loans.

We compared the savings growth of these institutions between 1940 and 1949. What about their real estate loan portfolios during that same period? Mortgages in all banks increased from $9.38 billion to $18.0 billion, or

Continued on page 41

*An address by Mr. Dunkerley before the Annual Savings and Mortgage Conference, American Bankers Association, New York City, March 13, 1950.

This announcement is not, and is not to be construed as, an offer to sell, or a solicitation of an offer to buy, any of this Common Stock.

March 16, 1950

277,978 Shares

Commercial Credit Company

Common Stock

($10 Par Value)

The Company has called for redemption all outstanding shares of its 3.60% Cumulative Preferred Stock, each share of which is convertible into 1¾ shares of Common Stock. The Underwriters named in the Prospectus have severally agreed, subject to certain conditions, to purchase such of the above shares (which have been reserved for issuance upon such conversion) as are not so issued prior to the expiration of the conversion privilege on April 4, 1950.

Prior to and after the expiration of the conversion privilege of the 3.60% Cumulative Preferred Stock, the several Underwriters may offer and sell Common Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

The First Boston Corporation Kidder, Peabody & Co.

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The Choice Between Retirement Benefits or Superannuation Plans

By SOLOMON BARKIN*
Director of Research, Textile Workers Union of America, CIO

Asserting there is no constructive approach in current handling of old age pensions and retirement benefits in collective bargaining, Mr. Barkin describes present Federal old age security system as inadequate and obsolete and ascribes present pension movement as due to deficiencies in program. Contends current private pension plans are designed as superannuation benefits to take care of old workers, and advocates Federal Government should provide mechanism whereby annuity credits may be acquired through trust funds. Says plans should be made for more extensive employment of older persons.

The current handling of our problem of old age pensions highlights the great deficiencies in our basic collective bargaining machinery. There is no provision for careful definition of issues and constructive planning for the handling of basic labor demands. The controversies are thrown into a cauldron. The management stubbornly resists making any concessions and smugly retires to its remote towers hoping that the wind will blow over, but knowing full well that it will not. They will have to concede and work out an answer. The conflicting parties participate in the sparring until a pattern is molded by the negotiations with one important employer. This pattern is then necessarily blanketed widely as the essential characteristic of American employment conditions. Thus there has been (both before unionization and particularly since the extension of unionization) a tendency toward uniformity.

Solomon Barkin

The deficiency of this procedure is most manifest in the handling of the problem of old age pensions. A program for retirement must be integrated with a governmental system and with a scheme applicable to all industry. Moreover private systems can have varying objectives such as supplementary retirement benefits for its own superannuated workers or the establishment of supplementary retirement claims by all workers. These can be developed maturely only through careful negotiations, associated with an agreement on the details of a Federal plan. But the employers resisted stubbornly. They were forced to take their first step by a Federal court which established the issue as a proper subject for collective bargaining. They would not work out freely the details of a plan even when its outlines were indicated by a Federal fact finding board. They attacked it in the genre of speech of our time as welfare-statism.

The absence of a constructive approach to the inevitable demands of the time bespeaks the lack of imagination among the key men framing industrial relations policy for American industry. They work on expedients and do not frankly seek to perceive the lines of future developments in collective bargaining. In this atmosphere it is essential to have national machinery which can provide a place for more deliberate discussion of economic controversies between labor and management. At such a national bargaining table, they can develop the overall guides to detailed collective bargaining throughout the economy. The present haphazard system of relying upon the exigencies of the negotiations in single industries and companies will produce solutions which will not always happily meet our needs.

The second fact which the current negotiations have highlighted is that the disparities in the basic articles of employment among manual and salaried workers and between the latter groups and executives are rapidly disappearing. One definite guidepost for future collective bargaining must be the complete removal of the differences which now exist. The establishment of pensions is a critical step in this direction. Pensions were most popular before and during the war for the higher-paid executive and administrative personnel. Now it is being extended as a right for all employees. All industrial relations, personnel benefits and economic policies must be built upon the assumption of uniform treatment for all classes of employees. One significant field is that of guaranteed employment either on a weekly, term or annual basis. If we could develop guideposts for such negotiations we would be moving toward an era of smoother and more constructive collective bargaining.

Liberal Federal Legislation

With respect to the issue of old age persions, there are two significant issues on which there is quite general agreement. The first is that the Federal Old Age Security law should be immediately liberalized. It is probable that most groups will agree that it should be the nation's number one domestic issue on the Congressional calendar. One by-product of the recent union negotiations has been the conversion of many large employers to support of the Federal program. They no longer fear this Federal activity since it will relieve them of tremendous liabilities and shift part of the burden to the community. The "welfare state" is not abhorrent to them. The American people will remain indebted to the labor movement and particularly to the personal sacrifices of the steel workers for converting the employers, effecting such unanimity and contributing so much to the advancement of the general pension movement.

This drive for a liberalized old age pension system has gained support from many diverse groups. We have mentioned the employers. Older people are of course among the most significant adherents. There has been agitation for liberal old age pensions for many years. The drive gained momentum during the last year despite the high levels of employment. The surges in economic activity and the subsequent recessions and the current forward movement are the types of variations which spread fear and uncertainty among older persons. When they are released, they find getting a new job more difficult. Technological changes are rapidly

Continued on page 41

*An address by Mr. Barkin before the Industrial Relations Research Association, Dec. 29, 1949.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Federal has taken quotations of the restricted obligations down to levels where non-bank owners are starting to buy them with the proceeds from the sale of higher-coupon eligibles. Accordingly, there seems to be no reason for an immediate lifting of the pressure on the tap bonds, because it is believed the powers that be, want more of the eligibles to come into the market so as to keep quotations of the bank issues from getting out of line. Keeping the restricted bonds attractive to those who can buy them, it is believed, means only very minor price changes from prevailing levels.

Although the market is in the process of digesting the recent financing, and is trying to guess what issues will be used in the deficit financing, there has been good buying of the higher-income bank issues. The uncertainty over how far down Federal might push quotations of the ineligibles seems to be subsiding and this has resulted in yield buying of the Vics and other restricted issues mainly through switches. Market leadership continues to be furnished by the longest bank 2½s and the 1956s. The restricted 2¼s and the Vics hold the spotlight in the ineligible list.

SWITCHING PROMINENT MARKET FEATURE

Spread switching or swapping seems to be coming into its own again in the government bond market. That is, many holders of Treasury obligations, particularly the longer-term issues, are now inclined to move from one bond into the other because of the large price spread, which now exists between these various obligations. In other words holders of the eligible 2½s of 1967/72 are being enticed by the substantial price differential between this obligation and the Victory Loan 2½s to dispose of the bank issue and to put the proceeds into the longest tap bond. Yield is increased, while some premium reduction also takes place. Likewise, swaps are now being reversed, that is, holders of the eligible 2¼s of 1956/59 are selling this security and with the available funds are buying the restricted 2¼s due 1959/62. This is the opposite of what was being done by many institutions not so long ago.

Even within the restricted issues themselves there is considerable switching because of the price spread between them. The 2¼s, which have been under a great deal of pressure, are currently being bought by institutions that are sellers of other tap bonds. The price spread appears to be substantial enough in favor of the shortest ineligible issue with the result that many holders of the longer restricted bonds are taking advantage of current price differentials to acquire the 2¼s from the proceeds of the sale of certain other ineligible securities.

FEDERAL BEHIND THE SCENE

It has been evident that Federal wanted to bring about switching in the government security market and it appears as though prices of many issues have reached levels which are resulting in these swaps being made. It seems as though the primary purpose of these switches was to bring eligible bonds into the market because the authorities evidently are short of these securities. This is what is taking place in not too large amounts and the results so far have been to broaden the eligible market, especially in the 1956 and 1967 maturities.

No doubt Federal will keep the pressure on the restricted issues so they will continue to be attractive for switching purposes. However, will there be enough eligibles come into the market from these swaps to meet the demand of the deposit banks for higher yielding issues, which seems to be quite strong, despite the many uncertainties?

NEW FINANCING AWAITED

Many money market followers are expecting an announcement about the first of next month, embodying the terms of an offering of securities which will be used to finance the deficit. There seems to be rather general agreement in most quarters that there will not be any long-term ineligibles (at this time) in the deficit financing. On the other hand, it appears as though the securities that will be used to finance the deficit will go mainly to commercial banks, despite the mild deflationary pressure of the monetary authorities on the money markets. An increase in Treasury bills would not be unexpected and an offering of certificates seems to have plenty of followers.

A longer maturity such as a note would not be surprising, while a few in the financial district are looking for a 1¾% obligation. As far as the latter issue is concerned there are not very many who are predicting the use of 1¾% or higher coupons except for refunding purposes. This would seem to mean none of the higher-coupon obligations until at least early fall.

WORLD BANK BONDS

Termination of the syndicate, which bought the World Bank serial obligations resulted in yields of these securities being brought down to levels (about .20 under original yields) which are in line with current money market conditions. Considerable interest has been in evidence for most maturities with the greatest activity in the longer-terms. The smaller commercial banks reportedly have been the most prominent buyers of the longer maturities.

Andrew J. Raymond Dominion Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Andrew J. Raymond has become associated with Dominion Securities Corp. of New York City. He was formerly with Carver & Co., Inc. and in the past was Boston manager for Schoellkopf, Hutton & Pomeroy, Inc.

With R. G. Mills Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Walter A. Stay has become associated with R. G. Mills & Co., 314 North Broadway. He was formerly for a number or years with Dempsey-Tegeler & Co. and Eckhardt, Petersen & Co.

Public Relations Round-Up Discussion Series at New School

Six of America's leading public relations counsels will speak in a new six weeks series, "Public Relations and the American Scene" opening at the New School for Social Research, 66 West Twelfth Street, New York, on Wednesday, March 29, 8.30 p.m.

Speakers in the course include Edward L. Bernays, Public Relations Counsel and Adjunct Professor at New York University, who will lead off the series on March 29; Benjamin Sonnenberg, President of Publicity Consultants, Inc., who will speak on April 5; Earl Newsom, senior partner, Earl Newsom & Co., who speaks on April 12; Carl Byoir, Chairman of the Board, Carl Byoir & Associates, Inc., April 19; Howard Chase, Director of Public Relations, General Foods Corp., April 26; Thomas J. Ross, senior partner, Ivy Lee and T. J. Ross, who winds up the course on May 3.

Benjamin Fine, education editor of The New York "Times," is Chairman of the series.

This course is one of 14 in publicity and public relations offered by the New School this spring which provide professional training for persons wishing to enter the field or for those who are already in it. Students wishing to do so may work for a B.A. degree in public relations, or may earn a certificate, upon meeting necessary requirements.

Braga a Director

J. Henry Schroder Banking Corp. and Schroder Trust Co., New York City, announced the election of George A. Braga as a director. Mr. Braga is Vice-President and director of Czarnikow-Rionda Company, President of Manati Sugar Company, and a director of various other companies.

David H. Bangs Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — David H. Bangs is engaging in a securities business from offices at 53 State Street. He was previously with Trusteed Funds, Inc.

Named Directors

Guy de Simone of Security Adjustment Corp. and David Pelley have been elected directors of the South West Penn Gas Corp.

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From the Annual Report of READING COMPANY 1949

—Due to work stoppages in the coal and steel industries, as well as mild weather affecting coal demand, revenues were reduced 15% as compared with 1948.

—Operating expenses were reduced $10,637,766 under 1948, despite wage increases and changes in working conditions.

—Notwithstanding increased costs and reduced traffic, basic operating factors were maintained at a high level as the result of road improvements and the increased use of diesel locomotives.

—Taxes charged to railway operations were $8,900,159, or 8.11 cents out of each dollar of revenue.

—Dividends paid to stockholders totalled $5,596,290, making the forty-fourth consecutive year in which Reading has paid dividends on all classes of stock.

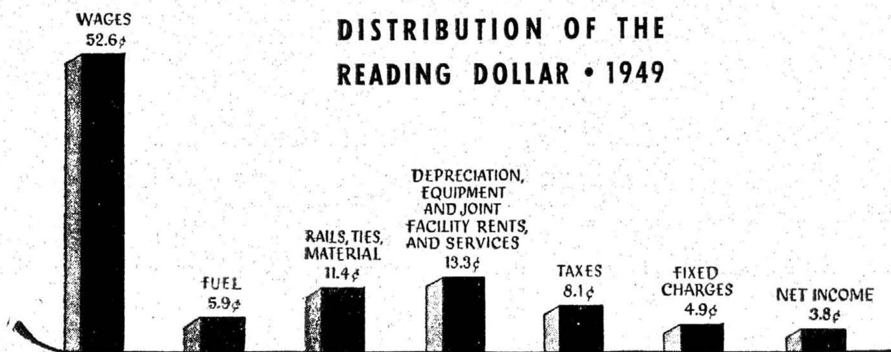
—Fifteen 1,000-hp. diesel switching locomotives, 750 all-steel hopper cars, and 6 multiple unit passenger cars with 6 trailers were acquired.

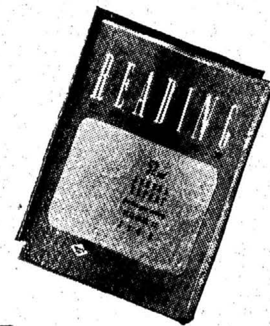
R W Brown
President

REVENUES, EXPENSES and EARNINGS for 1949

	December 31		Increase or Decrease
	1949	*1948* •	
Revenues from Operation—Transportation of freight, passengers, mail, express, and all other	$109,717,175	$129,316,400	$19,569,225–D
Expenses of Operation—Cost of transportation service, maintenance and depreciation of road facilities and equipment and solicitation of traffic	91,266,297	101,901,063	10,637,766–D
Leaving as Net Revenue from Operations	$ 18,480,878	$ 27,412,337	$ 8,931,459–D
Tax Accruals—Federal and state income, railroad retirement, unemployment insurance, and other taxes applicable to railway operations	$ 8,900,159	$ 13,282,669	$ 4,382,510–D
Net Payments for Rent of Equipment and Jointly Used Railroad Facilities	202,166	524,761	322,595–D
Net Railway Operating Income	$ 9,378,553	$ 13,601,907	$ 4,226,354–D
Other Income—Dividends, interest and rentals, less miscellaneous deductions	$ 1,932,286	$ 1,812,436	$ 119,850–I
Gross Income Available for Fixed Charges	$ 11,310,839	$ 15,417,343	$ 4,106,504–D
Fixed Charges—Interest on funded and unfunded debt, rent for leased roads, and amortization of discount on funded debt	5,121,784	5,323,555	98,229–I
Net Income Available for Dividends, Capital Expenditures and Other Corporate Purposes	$ 5,889,055	$ 10,093,788	$ 4,204,733–D

DISTRIBUTION OF THE READING DOLLAR • 1949





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Some Economic Problems Arising From Expanded Pensions

By MARTIN R. GAINSBRUGH*
Chief Economist, National Industrial Conference Board

Economist pleading for change in reserve policy, states "jet-propelled" rise in programs has preceded proper analysis. Maintains expanded public or private pensions must be restrained in 1950's in view of our already-existing vast national welfare commitments. Warns interference with free economic expansion would prevent tomorrow's generation making good on today's promises.

Three aspects of the current drive for expanded pensions, in my opinion, require far more exploration and intensive study than they have thus far received. Pensions, whether privately or publicly financed, are more frequently viewed from the benefit than from the cost side. Numerous estimates have been developed, it is true, of the foreseeable costs entailed in broadening and deepening public pensions for the aged; some estimates have been hazarded, too, of the additional costs of private plans, were the prevailing pattern in steel or the Ford Motor Company to become universal. I do not propose to add another set of estimates but rather to relate such cost figures as we already have to our current wage-price situation and to speculate about the impact of expanded pensions upon our future cost-wage-price structure.

Martin R. Gainsbrugh

The second area that requires further economic exploration is the investment problem arising from the growth of private plans. The jet-propelled rise of such programs has preceded rather than followed careful, orderly analysis of the manner in which the resulting reserves are to be invested. Even our more mature public program now appears to require a significant change in reserve policy, both conceptually as well as quantitatively.

Joint Consideration Required

Finally, expanded pensions—again, whether public or private—must be viewed jointly with other welfare commitments we as a nation have made or have in prospect. During the present fiscal year, the Federal Government alone will distribute to individuals about $12 billion in the form of transfer payments (transfer payments are monetary payments to individuals by the government for which no productive services are currently rendered, e.g., social security benefits, veterans pensions, and so on). In addition, state and local governments will make similar payments of perhaps $1.5 billion or more. Thus, fully a fourth of all government receipts are already siphoned off for transfer purposes, even under the public welfare programs as currently constituted. With so heavy a cost burden already, should we not as a nation, examine the various compounds of domestic social welfare, including private pensions, as a whole, rather than view the components as independent or discrete entities?

In this connection, rising welfare costs for our domestic population have been accompanied by a marked expansion in expenditures for national defense and for foreign aid. Can we absorb all three of these levies upon national output and still achieve the same, if not greater, rate of economic expansion and social progress of the past 10 or 20 decades? At what point does social overhead become oppressive to expansion, if not to our way of life? The answer to these questions as they are subsequently entered by economic historians will determine the fate of tomorrow's pensioners far more than any existing legal agreement on pensions, no matter how ironclad or binding it may seem today.

*An address by Mr. Gainsbrugh before a Pension Forum of the Chamber of Commerce of the State of New York, Feb. 16, 1950.

Impact on Labor Costs

Turning first to the question of pensions and labor costs, the current drive for pensions must be viewed against the already swollen unit labor cost position in which this nation currently finds itself. Even after the recent price corrections of the past year, wholesale and retail prices alike remain in the stratosphere. Wholesale prices of manufactured goods (excluding farm products and foods) are 80% higher than prewar, while all wholesale prices are double their prewar counterpart. The price correction of the recession produced no more than a 10% correction in wholesale prices and left the general price level about as high as it has ever been in any past postwar inflation. Living costs (retail prices) currently are still 15-20% above the zenith of the 1920 inflation. Historically, then, we still appear to be walking on price stilts at the very period when further substantial increases in labor costs, and inevitably in the cost of production, are being made or demanded.

Expanded contributions by employers, whether to government or private pensions, enter directly into the cost of production. Pension contributions are treated by employers as they are in our national accounts. Employer contributions for all forms of social insurance, including old-age insurance, as well as employer contributions to private pension and welfare funds, are entered in our national income estimates as compensation of employees.

These indirect or supplementary forms of compensation have become an increasingly important item in the wage bill of industry. By 1948, such supplements were already equivalent to about 4% of all direct wage and salary payments. Industry's total bill for indirect compensation was in excess of $5 billion last year, as compared with about $2 billion in 1939 and $0.6 billion in 1929. It will show a further rise in 1950 under the joint influence of an increase of 0.5% in employer contributions to social insurance (estimated total about $500 million) as well as expanded contributions by employers to private pension plans.

It is interesting to note in this connection that labor's share of the income originating in private corporate enterprise has remained relatively unchanged, despite the marked rise in indirect compensation over the past two decades. Employees in 1948, for example, received $73.40 of every $100 of income produced by corporations. Although the payments by corporations for welfare purposes were sharply expanded—rising by nearly $1.5 billion—the total percentage of income paid out to employees directly and indirectly was no greater than in 1929 (73.8%), a comparable period in terms of high level business activity. Our national accounts, in fact, reveal surprising stability in the proportion of income allocated to labor, no matter what new techniques of payment are devised. Such fluctuations as do appear in labor's share stem primarily from cyclical variations in the dimensions of profit. But the long-term or secular pattern of distribution has remained relatively unaltered.

This reinforces my earlier conclusion that employers must necessarily compute their labor costs on the basis of all payments to labor, whether they be paid directly to employees or indirectly through payments made to the government or private agencies on labor's behalf.

Offset in Direct Payments

The larger share of indirect payments to labor has been accomplished by a corresponding offset in direct payments. The compound of direct and indirect payments is relatively unaltered. Employee contributions are, therefore, not to be regarded as a new mechanism, automatically assuring a higher return for labor. The change is more a matter of form and time of payment than of substance.

Employers' contributions for welfare purposes vary widely by industries. In 1948, the national average of such payments for all manufacturing was about 4%. But in the telephone and telegraph companies, supplementary compensation amounted to about 8½% of payrolls, and similar ratios were also reached in that year by the petroleum, railroad and coal industries. The target of the current drive for expanded private pension plans would appear to be to raise the employer contributions in the industries with below average or average ratios to peak rate of payment in the industries with above average ratios. Each additional 1% expansion in employer contributions on the basis of prevailing payrolls would mean a rise of about $1 billion in labor costs; if contributions were raised in all industries with average or below average employer contribution currently, the total annual increase in labor costs would be about $4 billion to $5 billion.

As in the case of direct wage increases since the war's end, the recent drive for expanded pensions bears little relationship to the the increase in productivity. Over the long term, productivity or output per man-hour for all industry in general has increased at no more than about 2% per annum. There is considerable dispute as to whether this long-term rate was approached during the forties. Meanwhile, hourly earnings were more than doubled over that decade. This far more rapid rise in wage than in productivity has been reflected in higher unit costs and in turn higher prices for goods and services. Hourly earnings over the decade have been increased by about 10% annually, or five times as fast as the historic rate of increase in productivity.

By the year's end, the average factory worker was earning about $1.40 per hour. Were wage increases tied to normal productivity gains, the full extent of a rise in earnings on a par with productivity would be no more than three to four cents per hour. If all of this went into employers' contributions for pension plans, there would be nothing left for direct wage increases. In contrast, the demands for expanded private pensions, as well as the recent wage targets for 1950 already announced by some of the labor groups, are two to three times in

Continued on page 30

Canadian Securities

By WILLIAM J. McKAY

Canada's preeminence in the field of aerial jet-propulsion was amply demonstrated on the occasion of the recent test at Rockcliffe Airport of Avro Canada's CF-100 fighter plane and its new 50-passenger Jetliner. Observers from a dozen countries witnessed the spectacular performance of these two planes that have been evolved as a result of Anglo-Canadian initiative and cooperation in this modern phase of aviation development. Especially as shown in the case of the Avro Jetliner Canada is now well in the lead of other countries, with the possible exception of Britain, in this branch of air-transport, which is constantly assuming greater importance within the scope of the revolutionary air age of the future.

In the related field of gas-turbines the Dominion likewise is well to the fore in advanced experimentation. The National Research Council is now vigorously exploring the possibilities of the adaptation of the gas-turbine for the propulsion of locomotives heavy trucks, bulldozers and automobiles. As in the case of aerial jet-propulsion the Dominion is admirably situated to exploit this new branch of transport development. In addition to the invaluable technical assistance provided by British experts, who were the pioneers in this field, Canada is one of the world's leading sources of supply of the rare light-metals that are indispensable in the production of jet-motors, gas-turbines, and the advanced form of air-frame. Fuel also is available in unlimited quantities following the recent spectacular oil-discoveries in Alberta, and the vast area of the Dominion provides a strong incentive for the development of this newest, fastest, and most economical means of propulsion over long distances.

Looking still further ahead to the time when atomic energy will be harnessed to provide the motive power for land, sea, and aircraft Canada is again in an unrivalled position to exploit this ultimate form of power. Already a leading supplier of uranium Canada would uncover still further important deposits of this invaluable metal in the event of the raising of its present arbitrarily fixed price. In view of its scarcity and its present indispensability in the production of atomic weapons the value of uranium is almost priceless. It is difficult to conceive therefore why the price of uranium ore was arbitrarily fixed at such a fantastically low level especially when comparison is made with the prices of other rare metals whose uses and functions are by no means vital. The entire matter is also all the more a mystery when consideration is given to the fact that pitchblende is also the source of the extremely high-priced metal, radium. However as a consequence of current U. S.-Belgian negotiations it is almost certain that a higher valuation will be assigned to uranium. In this event the Dominion Government and various independent Canadian producers, the Belgian company, Union Miniere de Haut-Katanga (producer of 60% of the world's uranium) and the British company, Tanganyika Concessions, Ltd., will be the principal beneficiaries.

It is somewhat surprising however that the many advantages possessed by Britain and Canada in these new vital fields are not turned to better account. In order to exploit this situation to a fuller degree it is first necessary to dispense with the manifold controls and restrictions that now militate against efficient Anglo-Canadian economic cooperation. Lack of vision both in Ottawa and London is responsible for the failure to take full advantage of the tremendous opportunities offered to bring about another British industrial revolution. Freed from the shackles of foreign exchange controls and restrictions on trade that operate even between Britain and her senior Dominion, British private enterprise is deprived of its chance to achieve an historic recovery.

As a result also of current Canadian and British financial restrictions the once world-powerful "City" of London is incapable of playing any influential role in the development of the most promising territory within the British Commonwealth. British investment in Canada is virtually frozen in its prewar channels. Consequently the normal participation of British private capital in the many spectacular postwar economic developments in the Dominion has been shortsightedly blocked by autocratic officialdom in London and Ottawa. Given a freer hand, British private enterprise that has left its mark on economic progress throughout the world for many centuries, would have a glorious opportunity to repeat in the new age of jet-propulsion and atomic energy, the triumphs of the 19th Century steam-age. This in turn would correct the chronic imbalance of world trade and thus relieve this country of the responsibility of avoiding world economic chaos by means of endless loans, hand-outs, and complicated uneconomic schemes for the steady dissipation of the natural resources of this country.

During the week the external section of the bond market continued to mark time in anticipation of the forthcoming $61 million Alberta refunding issue. The internals were fractionally firmer at 12¼%-11¾%, but the corporate-arbitrage rate eased to 15%-14¼%. Free funds remained steady and virtually unchanged in the neighborhood of 9¾%. Stocks on the Toronto board moved irregularly. Industrials and Western oils were mostly lower but mining issues were active and higher. Kirkland Lake golds were the most heavily traded group and attention was centered particularly on Macassa Mines, Teck-Hughes, and Upper Canada. The base-metals led by Consolidated Smelters and Quemont were also active and higher following the recent decline in this section.

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Lincoln Caffall With Wainwright, Ramsey

Wainwright, Ramsey & Lancaster, 70 Pine Street, New York City, consultants on municipal finance, announced on March 15, the association with them of Lincoln E. Caffall, who for several years was the Manager of the Municipal Department of Standard & Poor's Corp.

Lincoln E. Caffall

At Standard & Poor's, Mr. Caffall supervised the production of the recently announced municipal bond rating system. For nearly four years, Mr. Caffall has also been a weekly contributor to the municipal section of the "Investment Dealers' Digest." Mr. Caffall is a member of the Municipal Analysts Group and The Municipal Forum of New York.

Prior to joining the Standard & Poor's organization in 1941, Mr. Caffall served with the British Purchasing Commission, where he installed the statistical system employed by the Small Arms Purchasing Division. After leaving Dartmouth in 1936, Mr. Caffall was associated with Moody's Investors Service as a municipal bond analyst. During the war years, he was a member of the Air Transport Command stationed at Washington, D. C., and made numerous trips overseas.

The firm of Wainwright, Ramsey & Lancaster specializes as consultants to States and municipalities as fiscal advisors. Recently, the debt structure of Montgomery, Alabama, was reorganized in connection with the competitive sale of $2,200,000 revenue bonds by the Water Works Board. A special study of the affairs of the Washington Suburban Sanitary District was recently completed. Among the numerous programs on which the firm is now engaged in various parts of the United States, is making a survey for the State of Tennessee of a long-range program for the elimination of pollution of its rivers and streams affecting about 400 cities, towns and sewerage districts, which eventually will involve an expenditure estimated between $150,000,000 to $200,000,000.

N. Y. Inv. Ass'n Forms New Speakers' Group

Formation of a new speakers' group by the Investment Association of New York to provide speakers for organizations in the metropolitan area, as a further contribution of that association to current efforts toward improved public relations for the securities business, was formally announced by Blancke Noyes of Hemphill, Noyes, Graham, Parsons & Co., President of the association.

Better than 35 members of the association, which is comprised of some 200 of the younger men in upwards of 80 investment banking and brokerage houses in Wall Street, have offered their services as speakers and will participate in the program. They will be available through Edward F. Swenson, Jr., of Clark, Dodge & Co., 61 Wall Street, to address social organizations, educational institutions, clubs and other groups. Mr. Swenson is chairman of the association's education committee and heads the speakers' bureau.

Well qualified by education and experience to discuss the securities business, the speakers have held a series of meetings to formulate the material to be presented to the public. The aim of the association in setting up the bureau, according to Mr. Swenson, is to convey to the public a clearer undertsanding of the essential services performed by the securities industry in the nation's economy.

Speakers will use the motion picture, "Money at Work," produced by March of Time for the New York Stock Exchange, to present the functions of the securities markets in our free enterprise system. They will also be prepared to conduct question and answer periods about the securities business.

The Investment Association was formed in 1947 as the Junior Investment Bankers and Brokers Association, with many of its members veterans who entered the securities business after the recent war.

Celanese Corporation of America Marks its 25th Year of Operations

(FROM THE 1949 ANNUAL REPORT TO STOCKHOLDERS)

From the Chairman

The report for 1949 marks the completion of twenty-five years of successful operations. Some measure of the growth and development of our Company may be had by referring to the Company's report for the year 1925, the first full year of cellulose acetate yarn production at our Amcelle plant.

	As of December 31, 1925	As of December 31, 1949
Total Assets	$9,823,713	$254,885,948
Sales	1,642,126	171,292,005
Net Profit	305,360	20,640,826

In reviewing the year's operations in 1925 for our shareholders, I took the occasion to write:

"The Company's products, 'CELANESE' Brand Yarn, Fabrics, etc., have met with increased demand by the trade from day to day, and with the new uses in which they have found a market, it is expected that the Company will have a very prosperous future and no difficulty will be experienced in readily disposing of the entire production of the Company's plant and the increase from its present production should be readily absorbed by the trade."

These words bear reaffirmation today as we look forward to another quarter century of operation which should prove to be equally productive of progress and growth.

CHAIRMAN

From the President

EARNINGS: The earnings per share of Common Stock in 1949, after providing for Preferred Stock dividends, were $3.19.

DIVIDENDS: The dividends on the Common Stock totaled $2.40 per share represented by four quarterly dividends of 60¢ per share, which dividend has been in effect from the second quarter of 1948. The total dividends paid on the 5,514,107½ shares of Common Stock outstanding amounted to $13,233,649. The dividends on the Preferred Stocks amounted to $3,032,344. The total payment for dividends in 1949 was $16,265,993.

TAXES: While the earnings amounted to $3.19 per share of the Common Stock and the dividends $2.40 per share on the Common Stock, the total direct taxes paid by the Company to Federal, State, and Municipal governments were equal to $2.96 per share of Common Stock.

FINANCIAL POSITION: The Company continues to be in a strong financial position, with net current assets at the end of the year of $69,339,823 of which $43,970,546 was represented by cash. Inventories are at a low level for the volume of business being done. During the year the Company redeemed $2,437,000 of its funded debt.

PLANT EXPANSION: During 1949 all departments of the Celriver plant were brought into operation. Initial operations were commenced at this plant late in 1948. No further large expansions in the United States have been authorized in the meantime, but plans are being considered for future expansions in the event that general economic conditions justify such steps.

MARKET TRENDS: The most significant trend of the year was the development of the summer-weight suitings for both men's and women's apparel. This was pioneered by several of our yarn customers who took the leadership in the styling and technological development of entirely new classes of fabrics combining acetate filament yarn and staple fiber with other chemical yarns and fibers. Through their efforts the summer-weight suit business achieved a sound and profitable foundation.

OUTLOOK FOR 1950: The high level of textile operations in the last quarter of 1949 is currently being maintained.

So far as can be foreseen, the Company's operations give promise of continuing at a high rate of productivity for some time. Depending upon psychological factors affecting consumer purchasing, general economic conditions and governmental action on taxes, we anticipate a year of satisfactory results.

PRESIDENT

A copy of the annual report for 1949 will be sent without charge on request. Please address Dept. 153

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

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The Keystone Company of Boston
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Mutual Funds

By ROBERT R. RICH

E. W. Axe & Co. to Manage Republic Investors Fund

The stockholders of Republic Investors Fund, Inc., one of the existing mutual funds with leverage, which was formed in 1932, voted on March 9 to retain E. W. Axe & Co., Inc., as investment managers, and Leffler Corporation as general distributors.

E. W. Axe & Co., Inc., is a nationally known investment counsel and research organization. Since 1938 this firm has managed Axe-Houghton Fund, Inc., and Axe-Houghton Fund B, Inc., two balanced mutual investment funds.

Mr. Bull, President, states that the officers and directors of Republic Investors Fund, Inc., have for a period of several months endeavored to find a satisfactory solution to the problems of a more permanent overall management and especially portfolio supervision for the Fund. After careful investigation of several proposals the Fund's directors recommended E. W. Axe & Co., Inc., to the shareholders because this management firm has a national reputation, ample resources and has an established record of investment company portfolio management. In addition to being able to provide the Fund with particularly well suited management facilities, E. W. Axe & Co., Inc., could offer the services of an established national distribution organization through an affiliate, Leffler Corporation.

Keynotes Notes It's Not Hard to Be Wrong

Investors cannot always be sure of picking the right issues out of the best of stocks even during rising markets, according to the latest issue of Keynotes, made public by the Keystone Company of Boston. Keynotes points out that while the Dow-Jones Industrial Average showed a gain of 13% in 1949, a period of generally rising prices, five of the thirty individual stocks comprising it showed losses—one as much as 7½%.

The publication also shows how the thirty individual stocks ranked as to gain in 1948 compared with 1949 to further emphasize that investors can only be assured of participating in general market rises and still achieve their investment objective through proper diversification.

The five of the thirty Dow-Jones Industrial stocks which showed losses in 1949, even though market prices in general rose, were Bethlehem Steel with a minus 1.2%; American Telephone & Telegraph, minus 2.5%; Standard Oil of California, minus 3.3%; International Nickel, minus 6.2%; and Standard Oil of New Jersey, minus 7.5%. Of the five showing the most gain, DuPont lead the list with a plus 33.6% followed by Procter & Gamble with a plus 31.0%; American Can, plus 30.5%; Westinghouse Electric, plus 29.8%; and Johns-Manville, plus 29.5%.

The way the top five and bottom five ranked in 1948 compared to 1949 showed another pattern of variation. DuPont moved from 11th place in 1948 to 1st in 1949. Procter & Gamble, from 20th place to 2nd; American Can, from 8th place to 3rd; Westinghouse Electric, from 28th to 4; and Johns-Manville, from 18th to 5th. As to the five at the bottom of the list, Bethlehem Steel went from 19th place in 1948 to 26th last year; American Telephone & Telegraph, from 10th to 27; Standard Oil of California, from 6th to 28; International Nickel, from number two spot at the top of the list, way down next to the bottom, to 29th; and Standard Oil of New Jersey, from 22nd to 30th.

Keynotes adds that "It is relatively easy to choose the proper segment of the market to gain a characteristic speed of move: one that moves faster, or about the same, or more slowly than the market." However, it says, "It is also easy to choose individual issues, even from the right class of securities, and find that they move uncharacteristically — perhaps even in the wrong direction."

Texas Fund Appoints Pacific Coast Distributor

Bradschamp & Co., sponsors of Texas Fund, Inc., a mutual investment fund with headquarters in Houston, Texas, announce the appointment on March 16 of Victor Troendle & Company as its wholesale distributors on the West Coast. Shares of the Fund have already been qualified for sale in California and Washington.

The policy of the Fund is to make its investments in the rapidly growing industrial area of the Southwest. Among its holdings are electric utilities, gas transmission and gas distribution companies, oil and natural gas producers; chemicals, banks and insurance companies, and general industries. The directors of its management company are; Dillon Anderson, Thomas D. Anderson, John H. Blaffer, Rorick Cravens, Victor Dykes, Edward Rotan and Chas. A. Perlitz of Houston, Robert K. Hutchings of Galveston, and Ernest T. Skinner of Boston.

Northeast Investors Files

Northeast Investors Trust, Boston, Mass., filed March 2, 100,000 shares of interest. There will be no underwriter. Northeast is a diversified, open-end investment trust.

Counselors Fund Files

Counselors Investment Fund, Inc. (formerly Pan American Investment Fund, Inc.) of Los Angeles, Calif., filed March 8, 85,000 shares of capital stock (par $1). Counselors Fund is a diversified open-end investment company. Underwriter is Pasadena Corp., Pasadena, Calif.

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"The Home Owners Loan Corporation was successful in terms of dollars and cents. But, much more important, it was successful in terms of human values—in helping hundreds of thousands of families to maintain themselves as self-reliant home owners, secure in their hard-earned property, and free of the threat of eviction through no fault of their own.

President Truman

"We should all be proud of this demonstration of bold and constructive Government action for the good of the whole country."

* * *

"The record of the Home Owners Loan Corporation illustrates a lesson that has been proved time and time again in recent years. It is that by wise use of its powers, the Government can engage in broad programs of social benefit—and conduct them efficiently and without waste of public funds."—President Harry S. Truman.

Possibly—and we say POSSIBLY; only a full audit of confused accounts would bring full assurance—this particular corporation has a record of the kind the President gives it.

But, if so, it stands almost if not quite alone.

Nothing of the sort the President speaks of "has been proved time and time again in recent years." Of that we may be sure.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The **Irving Trust Co. of New York**, with its annual Quarter Century Club Dinner at the Ritz Carlton Hotel, on March 9 honored 422 men and women who had been with the company for 25 years or more. Included in this number were 34 new members, who became eligible this year, as well as 58 who are retired from the company. New officers elected this year at a meeting prior to the dinner were: President, George Delker; Vice-President, Frank E. Fay; Treasurer, Lester L. Allen; Secretary, Miss Edna A. Adwin. Named to succeed Raymond B. Beach and George J. DeNike on the Board of Governors, under the club's rotation plan, were: Edgerton A. Pattison and Karl W. Olson.

* * *

The Peninsula National Bank of Cedarhurst, Long Island, N. Y., has increased its capital from $300,000 to $350,000 through the sale of $50,000 of new stock. The capital was increased to the $350,000 figure as of Feb. 28. An earlier increase in the capital of the bank was made this year, viz. on Jan. 17, as the result of a stock dividend of $100,000, whereby the amount was enlarged from $200,000 to $300,000, it is learned from the weekly bulletin of the Office of the Comptroller of the Currency.

* * *

Roy L. Robeson has been elected Treasurer of the **Manufacturers & Traders Trust Co. of Buffalo, N. Y.,** succeeding the late Albert E. J. Krauss. Mr. Robeson had previously been an Assistant Secretary.

* * *

Agreement to purchase the **Charter Bank of Philadelphia,** formerly **The Morris Plan Bank,** by the **Central-Penn National Bank of Philadelphia** was announced on March 13 by Casimir A. Sienkiewicz, Central-Penn President. The purchase agreement has been approved by the boards of both banks, subject to the approval of the stockholders of the Charter Bank and of the supervisory authorities. Under the purchase plan the Central-Penn National acquires the assets and assumes the deposit liabilities of the Charter Bank. Upon completion of the program the Central-Penn will have two additional offices, bringing the total to six. Ralph W. Pitman, former President of the Charter Bank, will join the Central-Penn as Vice-President. The Central-Penn is one of the oldest banks in the city. It dates back to 1828 when The Penn National was first chartered as the Bank of Penn Township. The Central National Bank was organized in 1864. These two financial organizations were merged in 1930 after the Central National had absorbed the American Bank and Trust Co. the previous year. Completion of the purchase of the Charter Bank will increase total assets of Central-Penn to approximately $140,000,000. Capital funds are $14,415,000 and total deposits will exceed $120,000,000.

* * *

John R. Preston was recently elected President of the **Citizens National Bank of New Castle, Pa.,** succeeding the late George R. Balph. At the same time John J. Maher was promoted from the post of Cashier to that of Executive Vice-President, and William B. Howe was elected a Vice-President. Harry C. Dinsmore was named Cashier and Alfred Owens Assistant Cashier. Special advices from New Castle Feb. 24 to the Pittsburgh "Post-Gazette" reporting this stated that Mr. Preston is the third generation of his family to serve the bank in an official capacity; his grandfather, John H. Preston, was one of the original stockholders and directors, and his father, Harry G. Preston, was

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a stockholder and director before his death.

* * *

The directors of the **Maryland Trust Co. of Baltimore, Md.,** on March 7 elected Christopher A. Rupp an Assistant Vice-President, according to the Baltimore "Sun" which states that Mr. Rupp was previously Assistant Secretary and Assistant Treasurer of the trust company.

* * *

The **Suburban National Bank of Silver Spring, Md.,** has increased its capital from $600,000 to $700,000 through the sale of $100,000 of new stock authorized by the stockholders on Jan. 10. The new capital became effective Feb. 28.

* * *

W. Porter Grace has been elected an Assistant Vice-President of the **Union Planters National Bank & Trust Co. of Memphis, Tenn.,** effective April 1. Mr. Grace has been Director of the Industrial Department of the Memphis Chamber of Commerce since December, 1945, it was stated by Robert Talley in the Memphis "Commercial Appeal" of March 10; the advices in that paper added that Mr. Grace will be associated with the bank's Public Relations and Business Development Department, according to Vance J. Alexander, President. It was further stated:

"Caffey Robertson, President of the Chamber of Commerce, announced the appointment of Lloyd V. Hancock, assistant to Mr. Grace, as Acting Director of the Industrial Department.

"Mr. Hancock was an Assistant Auditor for the Memphis Branch of the Federal Reserve Bank before joining the Chamber of Commerce as Assistant Director of the Industrial Department."

* * *

The American Trust Co. of Charlotte, N. C., recently issued invitations to the opening of its new North Tyron Street Branch, on March 14, when it planned to unveil a mural of "The Story of Gold in Old Mecklenburg," adorning one of the walls of the new branch.

* * *

The Board of Governors of the Federal Reserve System announces that effective Feb. 27 the **Citizens Bank & Trust Co. of Savannah, Ga.,** was merged into the **Savannah Bank & Trust Co. of Savannah,** both State members, under the title and charter of the latter institution. As a result of the merger a branch was established in the former location of the Citizens Bank & Trust Co.

* * *

Announcement is made of the resignation of Ellis C. Huggins as Chairman of the Board of the **Empire State Bank of Dallas, Texas.** He will, however, it is stated, remain as a director. Mr. Huggins, one of the organizers of the bank which began business in September, 1948, served as President until January of this year, according to the Dallas "Times-Herald," when he was elected Board Chairman. Michaux Nash is now President of the bank.

* * *

The capital of the **Corpus Christi National Bank of Corpus Christi, Texas,** has been increased from $300,000 to $750,000; a stock dividend of $300,000 brought the amount up to $600,000, while the sale of new stock to the amount of $150,000 made possible the new capital of $750,000 effective on March 1.

* * *

Continuing a 44-year tradition, George W. Hall, Vice-President in charge of the Oakland office of **Crocker First National Bank of San Francisco** has been named Secretary of the Oakland Clearing House Association, it was announced on March 1. Mr. Hall replaces Frank C. Martens, Vice-President of Crocker First National Bank, retired, who has served the Association as Secretary since 1941. Mr. Martens, in turn, succeeded George S. Meredith of Farmers and Merchants Savings Bank, predecessor bank in Oakland, to Crocker First National, who had been Secretary since the organization of the Association in 1906. Mr. Hall joined Crocker First National Bank in 1915 and became a Vice-President in 1941. In 1947, following the merger with Farmers and Merchants Savings Bank of Oakland he was named head of the Oakland office.

H. C. Shallcross Mgr. Of Parrish Co. Dept.

Parrish & Co., members of New York Stock and Curb Exchanges, announce that H. Clifford Shallcross has been appointed Manager of the firm's Investment Planning Department.

Mr. Shallcross has been in the investment business for 25 years. He was a founder and President of several mutual funds and for several years was connected with the Securities and Exchange Commission, specializing in mutual funds. During World War II he served four years in the Renegotiation Branch, Headquarters, Army Service Forces, attaining the rank of Lieutenant-Colonel.

Life Ins. Ass'n in New Quarters

The Life Insurance Association of America moved into its new offices at 488 Madison Avenue, in New York City, on March 11, occupying all of the eighth floor and part of the ninth, while the Institute of Life Insurance, which is to occupy the seventh floor of the same building, will move into its new quarters March 24.

Facilities to be shared by the Association and the Institute, include a director's room and a series of three conference rooms, with removable partitions which will enable a large meeting room to be set up. These will be on the seventh floor, where the executive offices and departments of the Institute will be located.

Bache Adds Three

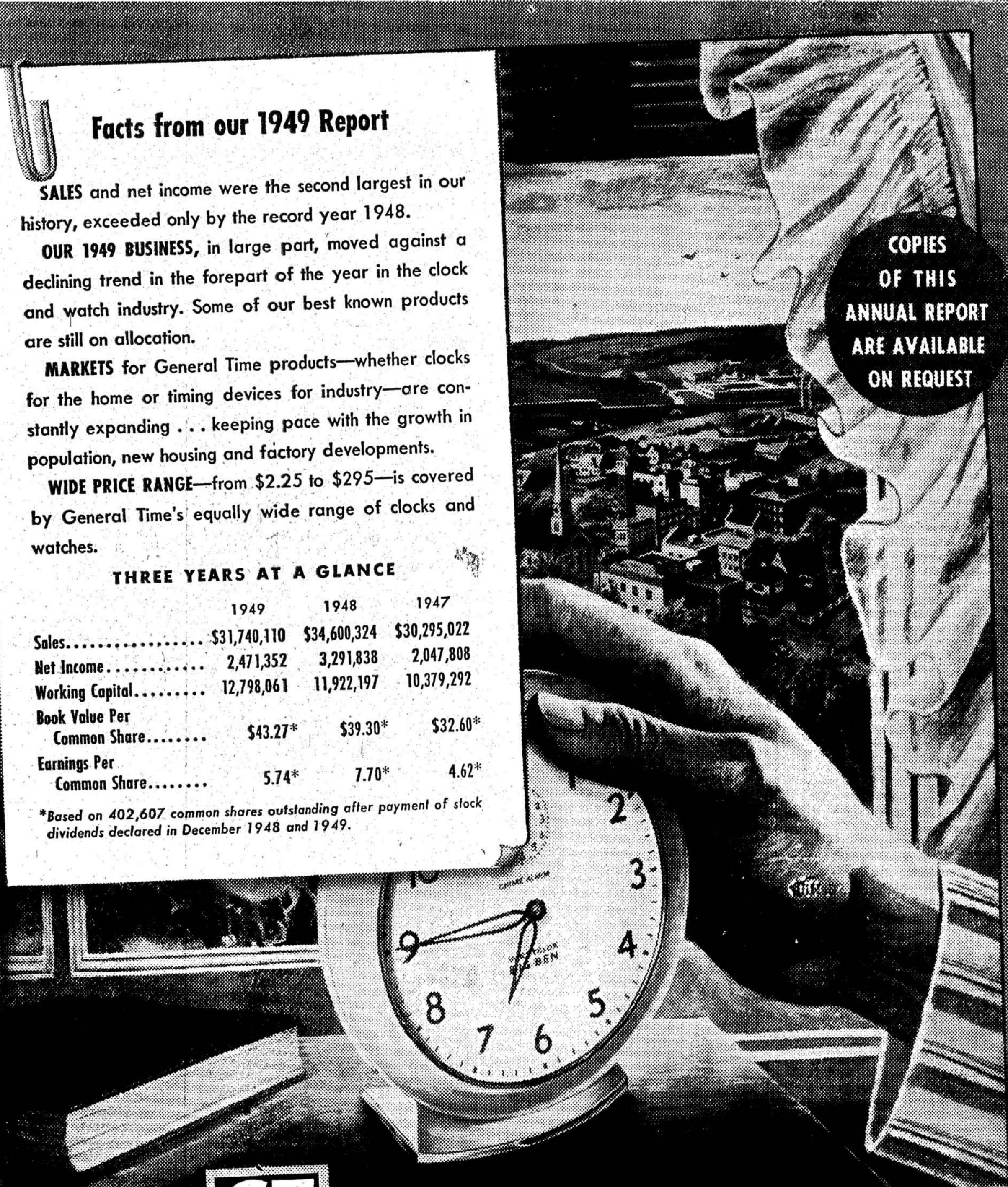
(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Frank J. Andress, Jr., John M. Gorman and James E. O'Brien have been added to the staff of Bache & Co., Dixie Terminal Bldg.

R. H. Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Donald A. Bye has been added to the staff of R. H. Johnson & Co., 70 State Street.



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Continued from page 2

The Security I Like Best

the public is sufficiently established that I have yet to be asked what the company makes. A poor earnings record until 1948 can be largely explained by ventures outside the field of textbooks, which constitute the backbone of the business. It is the avowed intention of the present management to stick very largely to books of an educational nature. In 1948, the company earned $2.06 on a volume of a little over $3,000,000, and, I believe, 1949 earnings were slightly better.

In addition to increased earnings which may be anticipated from getting a larger share of the present market, an accomplishment of which I believe the management capable, Holt is one of the companies sure to benefit from the onrush of the "war crop" of babies. Commencing in 1954, this population wave will commence swelling the last year of the elementary schools (the lowest grade of importance to Holt) and then surge on through high schools and colleges. However, even in the years until then there is every reason to think grade and high schools will remain crowded, although total college attendance may drop as the GI's leave. Current educational standards demand more textbooks and continually up-to-date books. This is one market where a rising sales curve seems assured.

The capitalization of Holt is attractive for capital gains purposes. There were only 127,814 shares of common outstanding at the year-end, and 20,000 shares of privately-held $10 par preferred, plus a nominal amount of Class "A" redeemable at $25. Modest leverage is afforded by some $700,000 of income 5s, due in 1969. Current finances are fully adequate.

Effective control of Holt was acquired by C. W. Murchison of Dallas and his associates a few years ago, and this has accounted for a general revitalizing of the management and is one of the reasons I feel further progress is ahead. President of the company is Edgar T. Rigg, who was a Vice-President of Standard & Poor's before taking this position at Holt in 1949. At Standard, he was in charge of the large printing and publishing department. He is personally a substantial stockholder of Holt. A. C. Edwards, Executive Vice-President, became Treasurer in 1945 after 16 years in the National City Bank, where he had considerable acquaintance with the financial problems of the publishing industry.

Holt stock currently sells on the Curb at $9, and is paying a 50¢ dividend. There is nothing in the available printed statistics to distinguish it from scores of other stocks in the same general price range and selling around four-and one-half times earnings. However, I believe that while the textbook field is, of course, competitive, Holt from now on will demonstrate the type of sustained, growing earnings that result in re-appraisal by the market.

NORMAN S. HILL

Partner, Hill & Co., Cincinnati, O.

(Lion Oil Company)

It may surprise many readers of this article that a common stock that has been split two for one twice in the last two years, would be the security of my choice for the future. The company referred to is the Lion Oil Company of El Dorado, Arkansas. The name of this corporation is somewhat misleading for the reason that the business is about equally divided between the oil industry and the chemical industry. Limited space prohibits a detailed report on this company, so that only the highlights can be touched upon.

Norman S. Hill

The oil division is a thoroughly integrated unit, from exploration for oil through the phases of drilling, production, refining, and marketing. The company operates a modern refinery with a daily capacity of 22,000 barrels of crude oil. Its production from its own wells despite proration. almost equals their refining capacity. After refining, products are transported by means of pipelines, tank cars, tank trucks and river barges to the company's retail and wholesale outlets. These facilities consist of 281 miles of pipelines 524 of their own tank cars, and 591 rented cars, 110 bulk stations and 1,900 retail service stations operating in Arkansas, Mississippi, Tennessee, Louisiana, Texas and Oklahoma. The company employs 2,333 men and women, and maintains a ten million dollar annual payroll.

The Chemical Division operates one of the largest and finest plants of its kind in the world. In 1946 Lion Oil Company purchased the Chemical Plant formerly known as the Ozark Ordnance Works, built by the United States Government during the war, and located within three miles of the company's office building in El Dorado, Arkansas. It is one of the largest producers of anhydrous ammonia, ammonium nitrate fertilizer and nitrogen fertilizer solutions in the world.

Since 1946, the Lion Oil Company has expended in the neighborhood of ten million dollars for improvements and enlargements to this plant, which expenditure increased the production approximately 20%. During the short space of time since this plant was taken over, it is now producing approximately 50% of the company's total revenue. While developments and earnings have increased materially in the last ten years, our close association with this corporation leads us to believe that it is still one of the better growth situations available today. We feel that Lion Oil will continue to develop due to its excellent and young management, and because of its strategic location so far as raw materials are concerned.

One of the greatest developments in the history of Lion Oil, was the discovery of the Diamond M. Field in Scurry County, Texas, in January, 1949, which is now claimed to be the largest oil discovery since East Texas was discovered in the thirties. In 1949, the Lion Oil Company drilled and had in operation 62 producing oil wells in this field and plan to have twice that many completed by the end of July, 1950.

We regard the common stock of this company as a businessman's investment, which we fully believe will show as much development in the next ten years as it has in the past. This security is listed on the New York Stock Exchange and the Midwest Stock Exchange.

T. M. STERLING

Partner, Watt & Watt, Toronto, Ontario

(Interprovincial Pipe Line Co.)

Because business activity has been well above normal for an extraordinarily long period the prudent investor is today seeking a security which has defensive qualities as well as a growth potential. This, of course, accounts for the growing interest in public utility and especially natural gas pipe line securities. The shares of the major oil pipe line companies of the United States have much of the first requirement but unfortunately most of these are closely held by oil companies and are, therefore, not available for direct investment. In my opinion the convertible debentures of Interprovincial Pipe Line Co., which was formed by Imperial Oil (Jersey's subsidiary), some months ago to carry oil from the new fields of Alberta east through Saskatchewan and Manitoba to the head of the Great Lakes at Superior, Wisconsin, possess the necessary requisites for sound investment.

T. M. Sterling

The Canadian markets to be served by the pipe line are currently consuming close to 200,000 barrels of oil a day and the line is designed to deliver initially, with six pumping stations installed, about 100,000 barrels to Regina, Saskatchewan, and of this about 57,000 barrels to the terminus at Superior. By the addition of six more pumping stations it is estimated that throughput to Regina can be increased to 150,000 barrels and to Superior to about 100,000 barrels. This means that over about 39% of the line traffic will be increased by 50% and over the balance by about 75%, or an overall increase of about 65% at capacity or possibly 42% year-round. Navigation on the Great Lakes is closed in the Winter and unless oil is sold in adjacent markets in the United States the amount shipped to Superior will fall off then even with large storage capacity. Sales in the vicinity of Minneapolis are expected. Since the capital outlay to install additional pumping stations and increase the storage capacity at Superior will only be around $20 million as against the total cost of the 1,150-mile line of $90 million, I estimate that this increase in gross revenues would more than double net on the equity assuming no inordinate dilution in additional financing. As a matter of fact, it is calculated in the prospectus that an increase in throughput of only 23%, without additional pumping stations, would almost double net earnings.

The $17 million of Interprovincial debentures are convertible into common stock on the basis of two shares for each $100 principal amount and in the prospectus issued last October earnings at maximum throughput (six pumping stations) were estimated at $11.95 per share on 360,012 shares to be outstanding when all debentures are converted. According to my calculation earnings will run $25-$30 per share when the number of pumping stations is increased and, as I have implied, the figure seems conservative. This would mean $50-$60 earnings on each $100 of debentures. The relatively small direct operating costs and the leverage supplied by $72 million of 3½% First Mortgage and Collateral Trust bonds account for the sharp increase in net.

The foregoing indicates to me why leading American oil companies and investment trusts have been taking these debentures off the Canadian market.

Public Utility Securities

By OWEN ELY

North American Company

North American Company recently announced that the management had been authorized to develop promptly a program to merge the company with its principal subsidiary Union Electric of Missouri, thus terminating North American's existence as a holding company. The program would provide for a transfer of all assets (subject to liabilities) to Union Electric, and a share-for-share exchange of stock. Union Electric's outstanding shares would be reduced from 10,150,000 to 8,572,626 to permit an even exchange.

President Freeman of North American Co. disclosed that Union Electric would receive from North American over $20 million of estimated net assets, including the equity interest in its 60 Broadway building (New York). Other North American assets include a substantial interest in North American Utility Securities Co., an investment trust which is currently involved in litigation. Missouri Power & Light, now held by North American, is to be acquired by Union Electric under an earlier program, if the SEC approves.

It had formerly been assumed in the Street that North American would complete the distribution of its remaining assets (other than Union Electric and Missouri P. & L.) to its own stockholders before effecting a dissolution program. Accordingly, the estimated value of these assets had been added (in estimating break-up value) to the worth of its major utility holdings. While this can no longer be done, the cash and securities to be transferred to Union Electric will naturally improve that company's financial setup and aid in financing its future construction program, which has been forecast at close to $400 million over the next 15 years. Union Electric can perhaps defer equity financing for some time to come, thus avoiding the dilution of earnings which occurs so frequently these days.

Union Electric in 1949 had consolidated net income of $13,186,000 compared with $10,779,741 in 1948. Adding the net income of Missouri Power & Light would increase the amount by $862,000, bringing the total for the two companies up to $14,048,000. This would be equivalent to $1.64 a share on North American stock. Assuming that the stock were valued at 14 times earnings the breakup value of North American would approximate $23; and if a multiplier of 15 were used the result would be about 24½.

The multipliers of 14 and 15 may seem a little high but Union Electric is an important utility and, with Missouri Power & Light, will have annual revenues of $77 million. It may perhaps be compared with companies like Boston Edison, Cleveland Electric Illuminating, Commonwealth Edison, Consolidated Edison, Consolidated Gas of Baltimore, Consumers Power, Pacific Gas and Philadelphia Electric, which sell currently at multiples of 14 to 16 times earnings.

Some recognition must be given to the fact that Union Electric's earnings in 1949 reflected unusually good hydro conditions (the company generates about ¼ of its electricity from hydro). As the result of generous rainfall last year hydro generation was 20% above normal, permitting the company to save about $1,650,000 in production expense as compared with the previous year. After adjusting for larger income taxes the net saving would approximate $1,020,000, equivalent to 12 cents a share on North American stock. Capitalizing this at 15 times earnings gives $1.80, as a possibly abnormal component of the break-up values mentioned above.

On the other hand it appears likely that the $20 million of net assets mentioned by Mr. Freeman was on the conservative side. The use of this capital should be considered a plus factor in valuing Union Electric stock. With the money invested in plant earning 6%, earnings might increase by $1,200,000 or 14 cents a share on the new common stock (over $2 of estimated market value). It seems probable therefore that one factor offsets the other.

Another plus factor is the fact that the full annual earnings from certain properties of West Kentucky Coal which were transferred to Union Electric during 1949 are not fully reflected in the company's 1949 statement. Coal earnings in 1950 will, it is true, be affected by the current increase in miners' wages (although the mines are nonunion). But economies in mining operation plus the operation of Union Electric's fuel adjustment clause in its rate schedules may offset this factor.

Union Electric obtained tax savings of $630,000 last year (about 7 cents a share) by filing a consolidated Federal income tax return with North American Co. Whether the merger will permit indefinite continuation of the present tax set-up is not yet clear, but it appears likely that tax savings will decrease.

Union Electric last year completed the first phase of its postwar expansion program—more than three years of intensive new construction which cost nearly $94 million and which increased the investment in property and plant to some $341 million. Budgeted construction expenditures for 1950 total $37 million, and for the five years ending in 1954, $137 million. Included is $26 million for the new Meramec Plant, a steam generating station to be built in south St. Louis County, including the first section of 110,000 kw. generating capacity.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Edwin E. Rippstein is with Waddell & Reed, Inc., 1012 Baltimore Avenue. He was previously with King, Merritt & Co.

Two With J. Arthur Warner

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Jack Fusselle and Richard V. Robb are now affiliated with J. Arthur Warner & Co., Inc., 89 Devonshire Street.

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Securities Salesman's Corner

By JOHN DUTTON

"Without any obligation, of course." The other day we received an interesting letter from William B. Healy, of Comstock & Co., Chicago, who has written to us on several other problems connected with the securities business in times past. Mr. Healy concludes that there is too much **for free** in the investment business. He says, "Why shouldn't there be an obligation for information and advice received in connection with investments just as there is if you or I, or any investment securities salesman, wants the same service from a physician, attorney, architect, or other so-called professionals? Why the fear that a legitimate charge if no business is consummated will drive business away, or that a profit is expected, should be held in contempt, is beyond me."

He states several other facts, such as that many people will obtain information that has been freely offered and then go elsewhere to have their order executed, so that Mr. & Mrs. Inquirer will be under no obligation to anyone. Also, that some firms have "taken the bit in their teeth and demanded fees for services rendered and surprising enough are doing quite well." He suggests that it might be a good thing for the industry to put definite prices on services and make it unanimous, then all would be on the same footing.

This question of **for free** is not new. And it isn't just a simple matter either. There are two sides to it. On one hand there are firms that are going to every extreme to render service and they are making it **pay** in a big way. I know of one small firm that makes portfolio analyses, and gives clients quarterly check-ups; they make up state tax forms, Federal income tax forms, and practically run every phase of their clients' affairs. Some of their customers even ask for advice on real estate transactions and occasionally it is given to them (especially as regards the tax angles).

One of the partners in this firm told me the following little story, and although he may have been kidding, it seems as if his results will show that there is another side to **free service**. A salesman, who started about two years ago from scratch, and last year earned about $10,000 on a 50% commission basis, came into the office one day and sort of complained. "You know old man Simmons, down in South Jersey," he said. "Well, he's getting to be quite a nuisance. I don't mind calling for him once a month, then taking him to the post-office, then to the grocery, and then over to the fish store where he always buys his smelly fish. That's all right. But this time he wanted me to take him to the hardware store and see if the fellow over there could help him repair his truss." "You shouldn't complain," replied the partner, "in fact I am surprised at you. You should carry a tool chest along and when any of our customers has that particular difficulty again, you go right to work and repair it yourself. We must keep up our reputation for service; don't let it happen again."

There are two approaches to this matter it seems to me. You can render every service, you can personalize your business, you can go to extremes to obtain and **hold accounts**. If you do it properly it will pay. But there is also a way where you can educate your customers to pay for special services. Both methods of building business are sound. People will pay for services if they understand that they obtain **more** benefits and that it pays them to do so. The thing to do, of course, is to have a policy in your business. Don't jump around. If you are going to make a service charge, give something special for the fee involved. If you are going to do it for free, do it well and make enough profit to make it pay. Under today's regulated profit margins (as Mr. Healy rightly observes) you must have a large volume if you want to keep in the black. That means building a business step by step, and block on block. Even fixin' up the old fellow's truss once in a while, I guess.

Sees Salesmanship Shaping Business

W. W. Townsend tells Peoria, Ill., group 1950 will be a good year if willingness by public to spend is stimulated by sales efforts. Sees growing evidence of price resistance.

Speaking at an Economic Forum conducted by the bankers, businessmen and manufacturers of Peoria, Ill., last night, W. W. Townsend, President of Townsend-Skinner & Co., Inc., stated that the outlook for business in 1950 would depend almost entirely on salesmanship.

W. W. Townsend

"During all the war years and for most of the time thereafter," Mr. Townsend said, "demand for goods exceeded supply and salesmanship became a lost art. During the past 18 months this situation has been reversed and housing today is about the only field in which the supply has not caught up with the demand. Even the automobile manufacturers are conscious of the fact that they may very well be overproduced during the year of 1950.

"All this means simply that we are in a buyers' market, but there is nothing about that to give anyone serious concern. Most of the growth of this nation during the past 150 years has been during periods when salesmanship was at a premium. The only problem confronting the economy at the present time is the problem inherent in the simple fact that many, if not most, of today's so-called salesmen have either forgotten how to sell or never learned the art of persuasion.

"Nineteen-fifty can be a good year, but it certainly will not be a good year if it is left to its own devices and if a continuation of the postwar prosperity is assumed to be a foregone conclusion. The government economists in Washington who assure us so glibly that 1950 will be as good as, if not better than, 1949 are the same economists who were guaranteeing at the end of 1945 that the middle of 1946 would find us in the depths of a depression.

"There are two things that make business. One is the capacity to spend and the other is the willingness to spend. In today's picture there is an almost unlimited capacity to spend but there is also growing evidence of price resistance, postponement of purchasing plans and an increased emphasis on saving rather than spending. All this is healthy, but any virtue carried to excess becomes a vice and the one thing to be remembered is that government can restrict and restrain but cannot induce the actions of the people.

"The slowdown in business, which began to develop last year, is not a challenge to government. It is a challenge to the merchandising ability of those individuals whose responsibility it is to stimulate the public's appetite for goods on the shelves or in the warehouses."

Reports Gains for National Banks in 1949

Preston Delano, Comptroller of Currency, announces increase of more than $2 billion in national bank's assets. Deposits in year rose from $81,648 million to $83,344 million, a gain of more than $1.696 million, while U. S. bonds held by banks increased $3 billion in 1949.

National banks ended 1949 with an increase for the year of more than $2,000,000,000 in total assets, Comptroller of the Currency Preston Delano revealed on Mar. 8. The increase was shown despite the fact that the number of national banks declined 16 during the year.

Preston Delano

Total deposits in the national banks at the end of 1949 were higher by $1,696,302,000 than at the end of 1948. The totals were Dec. 31, 1949, $83,344,318,000; Dec. 31, 1948, $81,648,016,000.

Loans and discounts at the end of 1949 were nearly $24,000,000,000 after deducting reserves (of $312,000,000) for possible future losses. This total was $110,000,000 more than the comparable figure for the end of 1948. Commercial and industrial loans of $10,389,000,000 showed a decrease of more than $1,000,000,000, or approximately 10%, in the year; loans on real estate of $6,000,000,000 were up nearly 7%; consumer loans amounting to nearly $4,500,000,000 were up 17%.

The percentage of loans and discounts to total assets at the end of the year was 26.52%, compared with 27.03% at the end of 1948.

Investments of the banks in United States Government obligations on Dec. 31, 1949, aggregated $38,271,000,000, having increased more than $3,000,000,000 in the year. These investments at the end of 1949 were 42.41% of total assets, compared with 39.69% at the end of 1948. Investments of $5,937,000,000 in other bonds, stocks and securities at the end of 1949 were 13% more than at the end of the previous year.

Total capital accounts of $5,934,000,000 at the end of 1949 were 7.12% of total deposits. Total capital accounts of $5,671,000,000 at the end of 1948 were 6.95% of total deposits.

ST. REGIS PAPER COMPANY REPORTS ON 1949

SUMMARY OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1949 AND 1948

	1949	1948
Net Sales, Royalties, and Rentals	$127,335,591.23	$162,672,925.94
Cost of Sales and Expenses	118,719,146.39	138,402,144.86
Operating Income	8,616,444.84	24,270,781.08
Income Credits	1,641,767.12	1,144,219.13
Gross Income	10,258,211.96	25,415,000.21
Income Charges	2,191,684.18	1,455,297.85
Net Income Before Provision for Federal and Foreign Income Taxes	8,066,527.78	23,959,702.36
Provision for Federal and Foreign Income Taxes	2,588,325.08	9,042,499.64
Net Income Before Deduction of Minority Interests	5,478,202.70	14,917,202.72
Deduct equity of minority holders of subsidiary's common stock in income	—	57,400.15
Net Income	5,478,202.70	14,859,802.57
Dividends Paid: Preferred Stock	$ 798,575	$ 828,208
Common Stock	3,102,428	4,136,571

Provisions for depreciation and depletion charged against income amounted to $5,376,929 for 1949, and $4,568,416 for 1948.

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Continued from page 4

Investment Planning for Women

will then be able to consider investment programs, including the selection of individual securities, and the adoption of an overall investment program. You will note that we have not tried to assign topics to specific lectures. This is because we wish to keep ourselves free to devote as much time to a problem as may be necessary before passing on to the next subject. For example, it is probable that we may be able to cover the subjects dealing with the Nature of Investments in a shorter time while our efforts to understand balance sheets and other financial data may require relatively greater time.

Specific Data

Wherever possible we will try to use specific examples and to work with actual data and materials. Thus, this afternoon when we are discussing types of securities, I shall pass around actual examples of many of the different security forms we will discuss. When we come to security markets and operations we will examine company annual reports and prospectuses. In our discussions of sources of information, we will use statistical reports, trade journals and government publications. It is, therefore, particularly important that you bear in mind that any examples or materials that we use are only for the purpose of illustration and without regard to any possible interest therein on the part of the lecturer or Shaskan & Co.

What can we expect from a course as this? It is certainly not our intention to make security analysts out of you. Nor can this course by itself provide sufficient background to enable you to handle any large amount of investment funds without further education and experience, or resort to sources having such education and experience. Perhaps—most discouraging—I cannot promise that these lectures will make you any richer nor will we be able to provide you with a magic formula for making money. A good rule to learn early is that none of us in this field is infallible. If we had all the answers and were always correct it would follow that we would all be rich as Croesus and would have little time or interest to work with the public. On the other hand, we hope that these lectures will bring you a familiarity with the basic terms and concepts in the investment field. We hope that the background you may acquire will make it possible for you to form an independent and considered judgment on such investment advice as you may receive from others. For those of you who wish to go deeper into the subject, we believe that this course will provide you with the necessary tools. If we shall have succeeded in our purpose, perhaps the most important thing that you will take with you is the understanding that there is no easy or sure road to success in the investment field—that successful investing requires constant supervision and review, diligent search for the facts and study of such facts, an appreciation of psychological forces and a whole host of other considerations.

All of us are investors! Some of you will object. How am I an investor when I own no securities? The little money I have is in the savings bank; I hold only a few government savings bonds; I don't have either a savings account or government bonds, but I have a small insurance policy. All of these are investments. Your government bonds, savings account, and your insurance policy provide you with an income or other return. Investment is simply the productive employment of capital—productive in the sense of yielding or being meant to yield some return to the investor. These investments and your more common conception of what an investment is—American Tel. and Tel., Consolidated Edison bonds, Great Expectations Mining Co.—differ only in the degree of risk involved and the return which you obtain or hope to obtain. You are also an investor when you have a savings account or insurance policy, since part or all of these funds have probably been invested in securities or other assets. In this sense, you might be considered as an "indirect" investor.

The Two Investment Goals

As an investor you are interested in two principal goals—safety and return; that is, the preservation of your capital and the income which you will obtain from its investment. Unfortunately, the two goals may conflict with one another. To the extent that you acquire safety, your return is likely to be commensurately lower. To obtain a greater return it may be necessary to take a greater risk. But it is important to recognize at this point that every commitment of capital involves a risk. The difference between an investor and a speculator is not always easy to distinguish. It may be said that the investor wishes to reduce the degree of risk to a minimum whereas the speculator openly accepts a high degree of risk. Or, we might say that an investor is primarily interested in income while a speculator is principally concerned with capital appreciation. Professor Graham suggests that we can perhaps distinguish between an investor and a speculator by their attitude toward market fluctuations. But the line is difficult to draw as we shall see in later lectures.

Types of Securities

As time is running on, we must now leave our introductory remarks and come to today's subject which is "Types of Securities." Basically all securities can be divided into two principal groups—**Bonds and Stocks.** It is common to further divide stocks into two major types — **Preferred Stocks and Common Stocks.** We shall see that each of these securities have several sub-types and each differs from the other in their claim, their return to the investor, and the rights or obligations which they give to the investor.

A bond is an evidence of debt under which the issuer agrees to repay the principal at a stated future date and to pay interest at a stipulated annual rate during the life of the bond. Bonds are usually issued in denomination of $1,000, although some bonds are available in denominations of $500 and $100. Interest payments are generally stated as a per cent, for example, 4%, or 6% and such payments are usually made semi-annually. Thus, on a 4% $1,000 bond, two interest payments of $20 each would be made at six-month intervals.

Description of a Bond

The basic relationship between the issuer and the bondholder is that of debtor and creditor. The bondholder is a creditor and has a claim against the issuer. The exact nature of this claim can be determined only by the indenture of the bond. Every bond has such an indenture which is also known as a deed of trust. At this point we should probably distinguish between the nature of the bondholder's claim and the value of that claim. The value depends, as we shall see later, on the financial condition of the issuer, that is, his ability to pay, and may have little or no relation to the nature of the bondholder's claim. Where the bondholder's claim to payment of principal and interest is reinforced by the pledge of specific property the bond is usually know as a **secured bond** or a mortgage bond. For example, the Alabama Power Co. first mortgage 3½s of 1972 are secured by a mortgage on the entire physical property of the company. In the event of a default of interest payments or payment of principal the bondholders through their trustee may take over this property. Another example of a mortgage bond, in which only part of the company's assets is specifically pledged, is the Lehigh Valley Terminal 5's of 1979 which are secured by the 28 miles of double track line which run from So. Plainfield, New Jersey to Jersey City and by some 92 acres of terminal property.

A special type of secured bonds which you will encounter is the equipment trust obligation. These are generally issued only by railroads and are used to finance the purchase of rolling stock such as locomotives and freight cars. Equipment trust obligations are secured by a lien on the equipment acquired. Equipment trust obligations generally enjoy a high market rating because the equipment is important to the efficient operation of the railroad—it generally will have a high resale value to other railroads—and because the bonds generally call for instalment maturity which requires that they be paid off considerably before the expected obsolescence of the equipment.

Bonds which are not secured by any specific property are generally classified as debentures. In the event of a default, the holders of a debenture, through their trustee, would not automatically be able to seize any specific property but would have to rely upon the general credit of the issuer along with other general creditors. This does not necessarily mean that a debenture is a poorer risk than a mortgage bond. If the debenture is the only debt of a company and the company's credit is excellent, a debentureholder may actually enjoy a better investment status than a holder of a mortgage bond which is secured by property which has become relatively worthless. Of course, where a corporation has both mortgage bonds and debenture bonds outstanding, the mortgage bond will also provide its holders with a prior claim over the debenture holders even when the mortgage bond has been issued at a later date.

We have been referring to two terms, trustee and corporation, which perhaps require definition at this time. A trustee is simply the party appointed by the issuer of a bond to represent the bondholders in the protection of their rights. Every corporate bond issue must have a trustee. A corporation is a considerably more complex term, but for our purposes, I believe it will be sufficient if we describe it as a company with certain characteristics, including the right to issue bonds and stocks, the right to sue and be sued, the right to continue in existence without regard to any particular person or persons, and the limited liability of its shareholders.

The Guaranteed Bond

We might also mention several other classes of bonds which you may encounter. One of these is the guaranteed bond of which the principal and interest or possibly only the interest is guaranteed by a company other than the issuer. Such bonds are found largely in the railroad field and arise from the fact that one railroad has leased another railroad. Thus, the West Shore Railroad 4s of 2361 are guaranteed as to both principal and interest by the New York Central Railroad. A guarantee adds to the bondholder's claim the credit of the guarantor. In the event of the inability of the issuer to pay principal or interest when due, the holder may also look to the guarantor for payment. If the guarantor is in a strong financial position this may mean a great deal. On the other hand, if the guarantor is in a weak financial position, this guarantee may not be worth a great deal. Thus, we see the Graham Paige 4s of 1956 guaranteed by the Kaiser-Frazier Corp. selling at only about a third of their stated value because of the low market appraisal of the financial position of the latter company.

Convertible Bonds

Convertible bonds are another class. A bond which is convertible gives the holder the option of converting the bond into stock under the conditions specified in the indenture. These conditions usually relate to (1) the type of stock into which the bond may be converted, (2) the period during which the conversion privilege may be exercised, and (3) the ratio at which the bond may be converted. Generally speaking, a convertible bond is convertible into common stock. It may, however, be convertible only during part of the life of the bond and it may be convertible into fewer shares of common stock with the passing of time. Thus the convertible debenture 2¾s of 1961 of American Tel. and Tel. issued in 1946 were not convertible until 1947 and will not be convertible after 1958. During the active conversion period each $100 of debentures is convertible into one share of common stock at $150 per share with the surrender of the debenture plus the payment of $50. The Consolidated Edison 3s of 1963 are convertible into 40 shares of common stock. In the latter case, assuming the debentures were purchased at approximately $1,000, the conversion feature would be of interest any time Consolidated Edison's common stock sold above $25 a share. The purpose of a convertible bond is to make it more attractive marketwise by providing the bondholder with possibilities of capital appreciation should the company prosper and the value of its stock increase significantly, while at the same time giving him a preferred claim through his creditor position. Actually, as we shall see later, convertible bonds have not generally proved of tremendous value to investors.

The Income Bond

A recent relatively newcomer to the bond field is the income bond. Income or adjustment bonds are those on which the interest is paid only when earned and declared. In other words, the payment of interest is not mandatory as in the case of most other bonds but is contingent upon earnings. In some cases, for example, the Chicago, Indianapolis, and Louisville 4s of 1983, the interest cumulates so that when the bonds come due, any unpaid interest must also be paid at that time; but for most income bonds the interest is only payable when earnings are sufficient to make this possible. Some bonds combine both fixed and contingent interest qualities. Thus, the Delaware, Lackawanna and Western 4-6s of 2042, pay fixed interest of 4% and up to an additional 2% if earned. Income bonds may be secured by a mortgage as in the case of Boston & Maine 4½s of 1970 or they may be unsecured, that is a debenture, as in the case of the Green Bay & Western Class A bonds. In any case, income bonds as a class generally lack the qualities of safety and stability of income, although as we shall see later a number of other measures must be used in comparing them with other bonds.

Bond Issue Features

Having reviewed the principal classes of bonds, we next must examine some of the features applicable to all bonds. One of these is the priority of claim. We have already noted that mortgage bonds take precedence over debentures. But frequently we will find a company which has more than one mortgage bond. In such a case, the first mortgage is a senior lien and has first claim upon both earnings and assets. The company's other bonds are junior liens. In order to establish the exact priority of a bond it is necessary to examine its indenture since the name may not properly indicate this. For example, the Erie Railroad prior lien 4s of 1957 and 1995 would appear to be a prior lien as its name indicates, but as a practical matter this issue is a fourth lien of the system.

The maturity or the time and manner in which a bond becomes due for repayment is an important feature. Some bond issues have a single maturity date, that is they all are scheduled to be repaid at the same time. Where maturities are spread over a succession of years rather than in a single year, they are known as serial bonds. Thus, the Pennsylvania Railroad equipment "K" series 2¼s issued in 1940, mature in the amount of $533,000 each July 1 from 1941 to 1955. Some bonds are issued to mature in series. For example, Commonwealth Edison Co. has a first mortgage bond issue part of which carries a coupon interest rate of 3½% and matures in 1968 while another part has a coupon rate of 3¼% and matures in 1979. Generally speaking, interest rate will differ with different maturities. A few bonds have no maturity date and are called perpetual bonds.

Sinking Fund

Bond indentures frequently provide for a sinking fund. This is an obligation on the part of the issuer to set aside a definite sum or an amount varying with earnings or production, or some combination of these, the monies to be used generally for the retirement of the bond issue. Usually the sinking fund is calculated to retire a substantial portion of the bond issue by maturity. This increases the likelihood that the issuer will be able to redeem the remaining bonds at maturity and is an important consideration in evaluating bonds.

The Call Feature

Bond indentures also frequently contain a clause giving the issuer the option of calling the bonds for retirement prior to the date of maturity. Generally speaking the issuer will pay a small premium, stated in the indenture, to the bondholder if his bond is called prior to maturity. Thus, the amount at which Jones & Laughlin Steel Corp. 3¼s series C $1,000 bonds of 1961 are callable varies from $1,020 in 1951 to $1,005 in 1959. The callable provision is usually used by the issuer to enable it to pay off its debt if it no longer has a need for it or to refund its debt at more favorable terms should market conditions permit. Thus, Public Service of Colorado recently called its 3½% bond issue and refunded it with an issue carrying a coupon rate of only 2⅞%. As we shall see later, this callable provision is one of the criticisms that Professor Graham brings against bonds in an investment program.

Coupon or Registered Bonds

Before leaving our description of bonds we should also note that bonds generally are available to the investor in two forms—as registered bonds or as coupon bonds. A registered bond is one which is registered in the name of its owner and can be transferred only with the endorsement of the registered owner. The interest on such bonds will be paid by check and addressed to the registered owner. A coupon bond, on the

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other hand, is payable to the bearer from which it also gets the name "bearer" bond. This type of bond carries detachable interest coupons which, when due, will be paid upon presentation without indentification. Because of the somewhat greater marketability of coupon bonds, the latter usually sell slightly higher than registered bonds.

Corporate Stock Defined

We now turn to a description of stock. While bonds are an evidence of corporate debt, and bondholders are consequently creditors, stock represents ownership and stockholders are owners. It is important to comprehend this fundamental distinction. In the event of a corporate liquidation, the claim of bondholders obviously takes precedence over those of stockholders. Interest must be paid and any other requirements set forth in the bond indenture must be met before stockholders may receive any payments. The nature of a stockholder's interest will depend upon whether he is a preferred stockholder or a common stockholder. Preferred stock is an evidence of ownership in a corporation with certain preferences as against common stock in earnings, assets and possibly management of the corporation. The exact nature of those preferences can be determined only by reference to the corporation's certificate of incorporation.

Preferred Stock

The preferred stock's preference as to dividends is usually its principal interest to investors. This preference generally assures a preferred stockholder of dividends before any dividends may be paid to common stockholders. However, it is important to recognize at the outset, that this does not mean that dividends will necessarily be paid to preferred stockholders nor do preferred stockholders have the same legal redress as bondholders should dividends not be paid. A corporation that has no earnings or accumulated earnings is not required to—in fact it may not—pay dividends to its preferred stockholders and even if there are earnings its directors may elect to withhold dividend payments. In the event that the preferred dividend is "passed," that is omitted, the preferred stockholder has no claim on future earnings for the omitted dividend unless the dividends are cumulative. A cumulative preferred stock provides that omitted dividends accumulate and such accumulated dividends are generally referred to as "dividends in arrears."

Thus, for example, the preferred shares of Missouri-Kansas-Texas Railroad are some $127 in arrears. This does not, as we have explained, assure the company's preferred shareholders of $127 but simply assures them that no dividends will be paid to the company's common stockholders until those dividend arrears have been cleared either by full payment or by a recapitalization of the company's financial structure to which the preferred stockholders would have to agree. Some preferred shares, as the one just mentioned are cumulative whether there are earnings or not, while others such as the Chicago, Indianapolis and Louisville RR. class A shares, are cumulative only to the extent earned. That is, if there are no earnings the preferred dividends do not accumulate. Dividends on preferred shares may be stated as a percentage where there is a par value for the stock or in actual annual dollar amounts. Thus, the previously mentioned Missouri-Kansas-Texas preferred stock carries a dividend of 7%, that is at the annual rate of 7% of its $100 par value or $7 per year, while the preferred stock of General Motors, which has no par value, carries a dividend of $5 a year.

Meaning of Par Value

Since we have mentioned par value it might be well to stop for a moment and discuss this term. What we say will be equally applicable to both preferred and common stock. Corporate stock may be either par value or no par value stock. If it is par value stock, it is important to keep in mind that the par value is a purely arbitrary, nominal value given to the stock by the certificate of incorporation and bears no relationship to the market value. Thus the par value of American Tel. & Tel. is $100 per share while the stock sells for about $150; conversely, Pennsylvania RR. shares have a par value of $50 but the stock sells under $20. Nor, as we shall see later, is par value of particular significance in determining the ultimate claim of a shareholder in any liquidation of company. Many leading securities such as General Electric, National Dairy and Montgomery Ward are without par value.

Participation and Conversion

Returning to our discussion of preferred stock dividends, we find that while most preferred dividends are fixed, some preferred stocks share in the earnings in excess of the stated dividend rates. Such a stock is entitled to its stated dividend and then after the common stock has received a similar rate of dividend it will participate with the common in any additional distribution of earnings. Thus, if a company with a $4 participating preferred stock distributed dividends of $6 to its common stockholders, the preferred shareholders would be entitled to an additional $2 above their regular dividend. An important provision of many preferred stocks is the privilege of conversion into common stock. Like that of a convertible bond, this provision states the security into which the preferred stock may be converted, the period during which the conversion may be exercised and the terms on which the conversion may be made. Thus, the preferred shares of Mengel Corp. are convertible into 3 shares of common stock at any time. Electric Boat's preferred is convertible share for share into its common. On the other hand, the preferred shares of Virginia Iron Coal and Coke Co. are convertible into two shares of common stock only through 1952; they then become convertible into 1½ shares through 1957, after which time they are convertible only share for share. This conversion feature, as in the case of convertible bonds, is designed to increase the attractiveness of the issue to investors by making it possible for him to beneft should the company's growth and prosperity reflect itself in a substantial increase in the market value of its common shares. In converting from preferred shares to common shares, the stockholder, of course, loses any preferred status he may have had.

As we have earlier pointed out preferred stockholders generally have a preference over common stockholders in the distribution of corporate assets in the event of liquidation. The extent of such preference is stated in the certificate of incorporation. Thus, in liquidation, the preferred shares of Electric Boat, without par value, are entitled to $50 per share before common shareholders may participate. The 7% preferred stock of American Radiator & Standard Sanitary with a par value of $100 is entitled to $175. On the other hand, Class A stockholders of Curtiss Wright Corporation share equally with common stockholders. The preferred stockholder's preference as to assets has little practical value to the investor. In most cases where a company must liquidate it is usually a result of forces which leave few assets after the creditors have been taken care of.

Stock Voting Rights

There are no general rules with respect to the preferred shareholder's interest in management. Some preferred stocks have no voting rights at any time. Others provide for voting under certain conditions such as when dividends are in default by a stated amount. Under such circumstances, the preferred shareholder, as in the case of Cudahy Packing Co.'s 6% preferred stock, is entitled to two votes per share, or, as in the case of Northern States Power to elect a majority of the Board of Directors. Some preferred shares vote share for share with common shares as in the case of the previously mentioned Virginia Iron Coal and Coke Co. International Harvester's preferred shares have 4 votes to the common's one. The preferred stock's interest in management will generally be of little interest to the average investor.

Redemption Clause

Many preferred shares are redeemable at the option of the issuing corporation. As we shall see later, this may be a distinct disadvantage to the investor comparable to the callable feature of bonds, since it tends to place an upper limit on the market price of the stock. Some preferreds such as Sunshine Biscuits 5% preferred stock are redeemable at a fixed stated amount — in this case at $105 per share plus accumulated dividends. Others are redeemable at varying stated prices. For example, Dow Chemical $4 preferred is callable at $110 through 1953 and at $107 thereafter.

Occasionally we will find a company with more than one class of preferred stock. Thus Worthington Pump Corp. has a prior preferred 4½% convertible series, a prior preferred 4½% series, a Class A 7% series and a Class B 6% series. In such cases, it is important to understand fully which preferreds take preference with respect to assets and particularly to dividends.

Common Stock

We shall now turn to a discussion of common stock which in terms of total market value and investor interest is probably the most important type of security. Common stock represents the basic ownership of the corporation. Although not all corporations have debt or bonds, and not all have preferred stock, they all have common stock.

As previously mentioned, common stock may have par value or not. In either case it is a purely arbitrary amount and has no relation to the real value of the shares. The latter is primarily based upon earnings, particularly as distributed in dividends, and assets.

Dividend Payments

The payment of dividends on common stock is contingent upon earnings and in the discretion of the board of directors. Unlike the preferred stockholder, the common stockholder is not promised any specific rate of dividend. Unlike the bondholder, the common stockholder normally will receive no dividends unless the company has earnings or unless earnings have been accumulated in past years and are available for dividends. When dividends are distributed they may be paid in cash—the usual form—in stock, or in property. Thus, while General Motors recently declared a dividend of $1.50 per share, Emerson Radio gave its stockholders a 10% stock dividend, while several years ago National Distillers declared a dividend of one case of whiskey for each five shares held. The form of dividend is usually influenced by the working capital position of the company. For example, while earnings have been good, Emerson Radio undoubtedly wished to conserve cash for its large television expansion program.

In some instances, the payment of a dividend on common stock is limited by provisions which may appear in bond indentures or by preferred stock provisions. Usually such limitations require that working capital be a stated minimum amount or that earned surplus not be reduced below a stated amount. For example, in the indenture of the recently called Cities Service 5's of 1952, it is provided that no dividend may be declared on the common stock if net working capital would be reduced below $1,000,000. This company's 3s of 1977 restrict dividend payments on common shares except out of earnings accumulated after 1946. The preferred shares of Consumers Power restrict dividend payments on the common to 50% of net earnings if the common's equity in the company's total capitalization falls below 20%. Such provisions can be of considerable disadvantage to common stockholders as witness the case of Worthington Pump & Machinery's common stock which did not receive dividends between 1922 and 1942 because of preferred stock restrictions.

Dual Types of Common Stock

Companies may have more than one class of common stock. American Tobacco Co., for example, has common and common B stock each with the same par value and rights to dividends, but the B shares have no vote. International Telephone has domestic and foreign shares which differ only as to who may buy the shares—aliens being restricted in their purchase of domestic shares. A similar restriction applies to the A and B shares of American Potash. Generally speaking, both classes of stock will have a similar market appraisal.

Stock Split-Ups

Corporations may sometimes change their number of shares by stock-splits or reverse-splits. A stock split is accomplished by simply reducing the par value or stated value of the stock as Westinghouse increased its shares four for one by reducing their par value from $50 to $12.50. A reverse split similarly reduces the number of shares by raising the par value or stated value as United Cigar-Whelan reduced its outstanding shares from almost 6 000,000 to 2 000 000 by raising their par value from 10 cents per share to 30 cents. Stock splits may be made to improve marketability when a company's shares have climbed too high or when there are insufficient shares to attract wide public interest. Reverse splits are generally made to improve public regard for a company's shares by bringing them to a price level which is out of the "penny" class.

With H. M. Byllesby & Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Adeline R. Jones is with H. M. Byllesby & Co., First National Bank Bldg.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

FOREST CITY, N. C.—Morgan P. Bodie is now connected with Bache & Co.

Four With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Oliver S. Ackley, Richard B. Durbin, C. Roberat Heberling and Charles F. Stickler are now with Westheimer & Co., 322 Walnut Street, members of the New York Stock Exchange.

Halsey, Stuart Group Offers N. J. Bell Debs.

A group headed by Halsey, Stuart & Co., Inc., on March 15 offered $15,000,000 New Jersey Bell Telephone Co. 40-year 2¾% debentures due March 15, 1990 at 102.457% and accrued interest. The group won award of the bonds at competitive sale March 14 on a bid of 102.101%.

Proceeds from the sale of the bonds will be applied toward repayment of advances from American Telephone & Telegraph Co., parent, which are expected to approximate $18 000,000 on March 14, 1950. Since the war the company has been making large expenditures for new construction in order to meet the demands for telephone service and to further improve the service.

Redemption prices for the bonds range from 105.457% to 100%.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Howard R. Lofgreen and Elmer C. Faulstich, now associated with Reinholdt & Gardner, Inc., 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Lofgreen was previously with Slayton & Co., Inc.

Canada's Leading Life Assurance Company Announces:

- Increased dividends to policyholders in 1950.
- Over one hundred million dollars paid out in benefits during 1949.
- All-time record set for Sun Life Group protection of workers in business and industry throughout North America.

From the 1949 Annual Report
Benefits paid to policyholders and beneficiaries during 1949: $114,799,174
Total benefits paid since the first Sun Life policy was issued in 1871: $2,240,555,979
New Assurances issued during the year: $372,509,847
Assurances in force: $4,187,193,642

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Railroad Securities

Chicago, Rock Island & Pacific

As the week started railroad shares again came into favor, with buying noted pretty much throughout the list. This latest move on the upside was apparently generated by the particularly persistent strength in Atchison, Topeka & Santa Fe common. Also, the favorable reception being accorded the Southern Pacific Convertible Debentures has helped to focus the attention of speculators and investors on the railroad list. Based on expectations that 1950 earnings will show at least some improvement over the generally good 1949 results, that dividends for the most part are well protected, and that yields on rail stocks are exceptionally liberal, there appears to be ample basis for looking for a continuation of the upward trend of stock prices.

Despite widespread enthusiasm on the part of railroad analysts for the road and its prospects, Chicago, Rock Island & Pacific common has not been participating to any great extent in recent market activity. This is in marked contrast to its position well up among the leaders for some time previously. Apparently there has been some hopes among investors that once the company's refunding was out of the way there was a good chance that a more liberal dividend policy might be instituted. Directors, however, elected to maintain the regular $0.75 quarterly rate. Sources close to the company are convinced that this conservative regular rate will be continued and that if any larger distribution is to be made it will be in the form of an extra toward the year end.

The exceptionally strong capital structure of Chicago, Rock Island & Pacific is well known to all followers of railroad securities. The reorganization plan consummated a couple of years ago was in itself one of the most drastic ever conceived by the ICC. Even this did not satisfy the management and a policy of aggressive debt retirement was instituted immediately on emergence from the courts. This program reached its climax early this year with the sale of $55 million of 1st Mortgage 2⅞s to provide funds for retirement of the 1st 4s and Income 4½s. This $55 million now represents the road's only non-equipment debt and compares with close to $300 million of non-equipment debt for the old company before reorganization. Serial equipment obligations are outstanding at only about $27 million and fixed charges are indicated at roundly $2,500,000 per annum. The old company had charges of over $13 millions.

Stock capitalization consists of 705,382 shares of $5 convertible preferred (annual dividend requirement $3,526,910) and 1,409,346 shares of common. In connection with this capital structure it is also pertinent to note that depreciation accruals are more than sufficient to cover the combined total of serial equipment maturities, fixed charges, and the liberal sinking fund on the new 1st Mortgage bonds. Obviously the capitalization is as near depression proof as is apt to be found in any railroad.

There are other elements of strength in this picture. For one thing, the territory served has been experiencing considerable industrial growth. This tends to lessen dependence of the road on agricultural conditions (particularly wheat) as well as to increase the overall traffic potential. The road's competitive status with respect to profitable transcontinental freight has been improved materially in recent years and further betterment in this respect is in near term prospect in connection with new terminal arrangements in Denver. Finally, large property improvements and substantial diselization have vastly improved the operating efficiency.

Last year the company reported earnings of $9.83 a share on its common stock. In the opening month of the current year there was a modest year-to-year decline in net despite a further paring of the transportation ratio. Traffic prospects for the year as a whole appear bright, there should be continuing benefits from last year's property improvements, and charges ahead of the stock will be lower than in 1949. It seems reasonable to expect, therefore, that for the full year earnings will be at least somewhat higher than those for 1949. Considering the company's modest debt and adequate finances such a performance would certainly justify hope of a year-end extra dividend.

Central States IBA Annual Conference

CHICAGO, ILL.—The program for the Fourteenth Annual Conference of the Central States Group of the Investment Bankers Association of America, scheduled for Wednesday and Thursday, March 29 and 30, at the Drake Hotel, Chicago, has been announced by Hempstead Washburne, Harris, Hall & Co., Chairman of the Group.

There will be a luncheon address both Wednesday and Thursday and discussion sessions Wednesday afternoon and Thursday morning and afternoon; a formal dinner Wednesday in honor of Albert T. Armitage, Coffin & Burr Incorporated, Boston, President of the IBA, and an informal dinner and entertainment on Thursday.

Speakers and their topics are:

Dr. Edwin G. Nourse, formerly Chairman, Council of Economic Advisors—"Superficial and Fundamental Conditions of American Business in 1950."

Mayo Adams Shattuck, Attorney, Boston—"Investment Trust Securities."

Col. E. R. Needles, Howard, Needles, Tammen & Bergendoff, New York—"The Engineering Aspects of a Revenue Bond Project."

James E. Day, President, Midwest Stock Exchange—"The Midwest Exchange."

George W. Davis, Davis, Skaggs & Co., San Francisco—"Merchandising Securities."

Officers of the Central States Group, in addition to Chairman Washburne, are: Charles R. Perrigo, Hornblower & Weeks, Vice-Chairman; and Holden K. Farrar, Smith, Barney & Co., Secretary-Treasurer.

In addition to investment bankers from the Central States area—Illinois, Indiana, Iowa, Nebraska, and Wisconsin—it is expected that, as in past years, bankers from all sections of the country will be present. A total attendance of more than 400 is anticipated. Conference arrangements are in charge of E. Cummings Parker, Glore, Forgan & Co., Chairman of the Group's Meetings and Entertainment Committee.

Continued from page 4

Most Favorably Situated Railroads in 1950

demned, because in some cases they resulted from large use of retained earnings to retire debt or pay for additions and betterments. In other cases, however, a poor position has resulted from a long-term liberal dividend policy. Thus retained earnings per share are often an important clue to future position, and the rails I like best have been outstanding in this respect.

So far, I have spoken mostly of the favorable factors needed to qualify a railroad as one of the most favorably situated in 1950. There are, however, as previously outlined, some features it is desirable not to have, or to have as little of as possible. Passenger business, particularly of the short haul, branch variety, is one of these, as is commutation business, for the most part. Coal traffic is another—not that coal traffic is unprofitable, in fact the contrary is true; but because the trend of coal traffic is adverse. We obviously face a period of three or four months of very high coal production and heavy coal carloadings and revenues. Thereafter the volume will be much lower than in recent years due to diversion to other fuels.

Basis of Selection of Stocks

In any selection of stocks such as I am here trying to make, other matters than those just mentioned deserve consideration—length of haul, age of equipment, need, or absence thereof, for large future expenditures for additions and betterments, abnormally large or subnormally low maintenance expenditures—all these are important and have been weighed to the extent possible in the following selection. From a market point of view, price too is important, particularly when, as at present, the railroad share market has had no reaction of importance since its low point nine months ago.

My candidates for the title Miss American Railroad of 1950 include the stocks of railroads that for numerous reasons ought to do rather well this year, even though developments affecting the industry should not turn out as satisfactory as now indicated. There may, and probably will, be others that do better from the market standpoint — particularly some of the extremely low-priced shares that lack substantial merit but would, in all probability, show large percentage price gains if we should have an extremely strong stock market all embracing in its scope. This may, of course, happen but I doubt that a list of stocks here to be presented should be selected on the basis of such a possibility only.

My candidates are Atchison, Topeka & Santa Fe, Kansas City Southern and Seaboard Air Line. A brief word about each:

Santa Fe

In the past 10 years, Santa Fe earned about $175 per share of common stock, and paid to its stockholders $55 a share. About $120 a share was retained. In this period, it reduced debt from $332 millions to less than $220 millions, and fixed charges from $11 millions to $6.5 millions. It greatly strengthened an already strong working capital position. Cash and government bonds and working capital are now each well in excess of $150 millions, or about $60 per share of common stock. Tremendous amounts have been spent on the property for improvements and additions to road and equipment. Last year, revenues were over three times what they were on average during the years 1935-39, reflecting not only agricultural prosperity, but the tremendous population and industrial growth of the western area served. Maintenance expenditures have been heavy; transportation ratio is low. Average haul is second only to the Union Pacific.

Kansas City Southern

Kansas City Southern in the 1930's had as little as $10 millions revenues annually. This was before acquisition of the Louisiana & Arkansas. Last year, the two had revenues of $58.5 millions. Last year, fixed charges of the system were about $2.5 millions, or less than those of Kansas City Southern alone 15 years ago. practically all of the system's mileage is main line. Traffic is relatively heavy. Freight density of the Kansas City Southern alone is heavier than that of any other company west of the Mississippi. Passenger traffic is extremely light, operating efficiency with diesel electric power is among the highest in the country. In the past 10 years, close to $100 per share of common were retained in the two constituent companies. Most of this was used for debt reduction, and modernization; some of it to pay for Louisiana & Arkansas which is now owned lock, stock, and barrel. Because net earnings are such a large part of operating revenues, and because common dividends are such a small part of net earnings, margin of safety for the common dividend is greater than that for most railroad bonds.

Seaboard Airline

Seaboard Air Line Railroad bears little resemblance to its predecessor. Revenues are three times what they were in the late 1930's. Its physical and financial condition is greatly improved. Reorganization cut fixed charges from over $10 million to $2 millions annually, and created an extremely strong working capital position not fully disclosed by net current assets, there being $25 millions government bonds above the line and not included in current assets. Retained earnings have been tremendous, but are not easily calculated for the bankruptcy period. In the past three years, close to $25 per share of common stock was earned, of which the stockholder received $2.50. Maintenance has been heavy, and any reduction would benefit per share earnings considerably, maintenance charges last year having been $50 per share of common stock. An indication of the overall improvement was the recent decision of the management to refund the first mortgage 4% bonds. Those who worry about citrus fruit traffic should bear in mind that in 1948 less than 5% of total revenues was derived from the movement of citrus. Seaboard has been making a large investment in equipment, particularly diesel locomotives, and other improvements, and further substantial expenditures are indicated. However, to an increasing degree, net income belongs to the common stockholder.

Honorable mention goes to Atlantic Coast Line, Chicago, Rock

Continued on page 27

DEBT AND FIXED CHARGES COMPARISONS

	*Fixed Interest Debt	Fixed Charges	Operating Revenues	Maintenance Charges	†Net Current Assets	Ratio: Fixed Int. Debt to Oper. Revenues	Ratio: Fxd. Chgs. to Operating Revenues	Ratio: Fxd. Chgs. to Maintenance Charges	Ratio: Fxd. Chgs. to Net Current Assets	Operating Ratio Actual	Oper. Ratio Needed to Cover Fixed Charges
	(Millions)										
Atchison, Topeka & Santa Fe—											
1929	$260.2	$11.2	$267.2	$90.6	$70.1	97.4%	4.2%	12.3%	15.9%	66%	89%
1936	258.3	11.0	157.3	60.2	59.6	165.4	6.9	18.3	18.3	80	87
1948	171.8	6.6	526.7	171.0	140.5	32.6	1.3	3.8	4.7	73	94
‡Kansas City Southern—											
1929	$67.7	$2.4	$18.9	$5.4	$5.1	358.2%	12.7%	44.4%	47.1%	67%	84%
1936	64.5	2.9	13.9	3.5	1.7	464.0	20.8	82.8	170.0	63	69
1948	70.8	2.5	62.1	12.4	10.3	114.0	4.1	20.2	24.4	55	84
Seaboard Air Line—											
1929	$234.2	$11.1	$58.2	$17.5	—$6.2	402.4%	19.1%	63.4%	---	73%	75%
1936	194.4	9.3	38.3	13.6	—0.4	507.5	24.3	68.4	---	83	67
1948	64.7	2.1	132.7	44.0	43.8	48.8	1.6	4.7	4.8%	79	92
Atlantic Coast Line—											
1929	$157.3	$6.9	$72.4	$24.1	$23.9	217.3%	9.5%	28.6%	28.9%	74%	92%
1936	149.6	6.5	43.6	13.1	9.7	343.1	14.9	49.5	66.9	77	82
1948	101.7	4.0	136.3	50.0	20.9	74.6	2.9	8.0	19.1	87	94
Chicago, Rock Island & Pacific—											
1929	$282.4	$12.0	$147.7	$47.5	$3.6	191.2%	8.1%	25.3%	333.3%	73%	84%
1936	317.4	14.6	78.1	28.0	—8.5	406.9	18.7	52.2	---	86	70
1948	82.2	1.7	197.4	53.7	32.6	41.6	0.9	3.1	5.2	73	90
Denver & Rio Grande Western—											
1929	$133.2	$6.5	$38.8	$13.4	$10.2	343.3%	16.7%	48.5%	63.7%	69%	83%
1936	129.1	6.5	28.5	11.7	—4.7	453.0	22.8	55.5	---	80	66
1948	57.1	2.1	68.5	19.4	15.8	83.3	3.1	10.8	13.3	71	89
Great Northern—											
1929	$336.8	$18.3	$125.9	$37.4	$23.7	267.3%	14.5%	48.9%	77.2%	66%	88%
1936	345.3	17.8	89.6	22.3	27.6	385.7	19.9	79.8	64.5	63	75
1948	248.4	7.5	216.3	71.2	42.1	114.8	3.5	10.6	17.8	75	91
Illinois Central—											
1929	$413.9	$18.4	$181.0	$64.9	$1.3	228.7%	10.1%	28.4%	1,415.4%	77%	85%
1936	389.0	17.1	115.0	34.1	9.6	338.3	14.8	50.1	178.1	74	75
1948	248.9	10.3	268.2	88.9	47.8	92.5	3.9	11.6	21.5	75	88

*Where important, includes rentals capitalized at 5%. †Includes U. S. Treasury bonds held as investments and not reported in current assets. ‡1948 figures include Louisiana & Arkansas; preceding years do not.

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Continued from page 26

Most Favorably Situated Railroads in 1950

Island & Pacific, Denver & Rio Grande Western, Great Northern and Illinois Central.

Atlantic Coast Line

Atlantic Coast Line has benefitted greatly from the industrialization of the Southeast and the great growth of Florida. Last year's revenues were 2¾ times the average for 1935-39, compared with 2¼ times for Class I Roads. During the last 10 years, about $123 a share was earned on the stock, of which less than $29 per share was paid to stockholders. Close to $94 a share was retained in the company—this despite an extraordinary program of maintenance which included relaying of almost all rail. Freight density is relatively light, passenger business relatively heavy, average haul not exceptional. As a result, efficiency indices have not been outstandingly good, although recently showing improvement. However, this disadvantage is offset by the growth just mentioned; also by the fact that non-operating income tends to equal fixed charges and net debit for equipment and joint facility rents. Fixed charges have been reduced from a peak of about $7 millions to about $4 millions, all through debt reduction, and the 1952 debt problem is one that will be solved without any great difficulty. Due to ACL's ownership of one share of Louisville & Nashville for each of its own shares, ACL's equity in all assets other than Louisville & Nashville stock is appraised at about $5 per share. Leverage of the stock is high; each 1% change in operating expenses amounts to $1.50 per share of common.

Rock Island

Rock Island common is the beneficiary of one of the most drastic railroad reorganizations ever conceived. Cash of almost $100 millions when the new company took over a little over a year ago has also been an important factor in the outstanding recovery of high credit regard. Financial strength of Rock Island was recently demonstrated by sale of $55 million first mortgage bonds on a 2.90% interest basis. Large scale improvements to the property, strong finances, and excellent management all suggest a future greatly different from the past. Continued earnings of $10 per share could reasonably be expected to mean a larger dividend, as a large part of earnings cannot very well be directed to bondholders, equipment manufacturers, or the treasury.

Denver & Rio Grande

Denver & Rio Grande Western is a connecting link with the Pacific Coast. It was thoroughly rehabilitated physically during the long bankruptcy. It shows greater than average revenue growth, and its efficiency indices are good, despite the physical handicap of crossing the Continental Divide. Reorganization cut its fixed charges from $6 to $2 million. The company is in strong cash and working capital position. The stock has tremendous leverage, revenues last year having been $186 per share, maintenance charges $60 a share. Under favorable conditions, earnings of $10 a share seem quite possible.

Great Northern

Great Northern reduced its fixed charges in the past 15 years more than any other large railroad that remained solvent—from $19 to $7.5 million. Dividend policy has been conservative. In the last 10 years net income was $216 millions, and dividend payments $72 millions. Retained earnings of $144 millions ($47 per share) are in excess of the market value of the stock. Efficiency of operation is marked and maintenance expenditures have been large. Non-operating income has been in excess of fixed charges. Fears regarding an early, serious decline in iron ore revenues appear premature. Working capital is large, expenditures for additions and betterments have been substantial and debt problems are entirely absent. Thus, the dividend of $4 is accorded a high safety factor and is considered much safer than a close to 10% yield basis alone would suggest.

Illinois Central

Illinois Central has for 10 years been concentrating on reduction of debt and solution of its 1950-1955 maturity problem. Retained earnings have been tremendous. In the 10 years 1940-49, $102.50 was earned on the common stock. None of this was paid to shareholders. This explains, in large measure, the reduction in fixed charges from $17 million in 1937 to about $10 million today. Cash and working capital positions are extremely strong, even stronger than indicated by the balance sheet. Management is of extremely high calibre offsetting considerably the burden of passenger revenues of size. Dividends on the common stock were recently resumed after an 18-year period, and the company and its securities seem headed back to their former positions of prestige.

Halsey, Stuart Offers Pennsylvania Pr. Bds.

Halsey, Stuart & Co., Inc., on March 15 offered $3,000,000 Pennsylvaniai Power Co. first mortgage bonds 2¾% series due 1980 at 101¼% and accrued interest. The underwriter won award of the bonds on March 13 at competitive sale on a bid of 100.73%.

Proceeds from the sale of these bonds, together with other funds, will be used to reimburse the company's treasury for construction expenditures made or to be made during 1950. The company contemplates expenditures for construction during 1950 of approximately $4,430,000.

Regular redemption prices for the bonds range from 104½% to 100%, while special redemptions are scaled from 101¼% to 100%.

Townsend, Dabney Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — William F. Harvey has been added to the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Joins Prugh, Combest

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — George W. Scofield is now affiliated with Prugh, Combest & Land, Inc., 1016 Baltimore Avenue.

With Russell, Berg

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John V. Borys is with Russell, Berg & Co., 19 Congress Street.

W. T. King & Co.

FLUSHING, N. Y.—W. T. King & Co. is again active in the securities business. Offices are located at 149-45 Ash Avenue.

LETTER TO THE EDITOR:

Output Per Man-Hour Lower Than 10 Years Ago

Tell Berna, General Manager of National Machine Tool Builders' Association, writes Editor of appalling lag in machine tool replacements.

Editor, Commercial & Financial Chronicle:

We are very much impressed by the excellent statement by Dr. von Mises entitled "Economic Aspects of the Pension Problem," in your issue for Feb. 23.

The machine tool builder whose job it is to furnish more productive equipment for American metalworking industry knows from painful experience that his customers are lagging far behind in the modernization of their plants.

A recent survey by the "American Machinist" indicates that this vast industry is at the moment replacing about 2% of its machine tools a year, which means a complete turnover in about 50 years. Actually, with the rapid progress of machine tool design, a machine "is modern" for about seven years and then a new method or a new design comes along to render it obsolete. What happens to a man who tries to pay present-day wages and show a profit and yet compete in the market, with machine tools that are 20, 30 and 40 years old, may be left to the imagination.

There has been an appalling lag between the modern machines that the machine tool industry has to offer and what is actually being used to produce the consumer needs of today.

There is not only a falling off in the quality of the equipment, there is a falling off in the productivity of the average worker. The Bureau of Labor Statistics has made a study to find the man-hours required in both direct and indirect shop labor, to produce certain specified products. Assuming that products are not changed in design, we find that the output per man-hour went up during the war and is now falling off again, and is now actually at a level lower than that of 1939. In other words, in spite of such modern equipment as has been installed, the output per man-hour in American industry is lower, not higher, than it was 10 years ago.

When we consider that only an increase in the output per man-hour on the average will make possible a higher standard of living in the United States, this is a shocking situation and one which deserves the careful attention of every thoughtful citizen.

This Association has prepared a booklet entitled "Computing Return on Invested Capital" which outlines an extremely simple method whereby the management of a metalworking concern can appraise the productive value of their present machines as compared with those that can be secured from the machine tool builder. In case after case, management has been surprised to find that they are retaining a source of loss in sticking to their old machines and in failing to invest the money necessary to modernize their shops.

(Signed) TELL BERNA,
General Manager,
National Machine Tool Builders' Association
10525 Carnegie Ave.,
Cleveland 6, Ohio.
Feb. 28, 1950.

Sees Government and Labor Outstripping Business in Public Relations

Herman W. Steinkraus, President of Chamber of Commerce of U. S., tells sales executives, business is losing fight on statism and is failing to sell to public the foundation on which our economy rests.

In an address to the National Sales Executives Club in New York City on Feb. 28, Herman W. Steinkraus, President and Chairman of the Board of the Bridgeport Brass Co., who is, at present, President of the Chamber of Commerce of the U. S., deplored the fact that business is lagging behind government and organized labor in cultivating better public relations and in discrediting politicians' attacks on American business.

H. W. Steinkraus

"All you have to do is to look at the polls of public opinion from any one of the representative concerns to see what the people are thinking today," Mr. Steinkraus said. "Not so long ago a poll was taken as to whom did the people of this country believe did the most good for the people —was it government? — was it union leadership?—or was it business?—and the percentage ran something like this: 43% government, 42% union, and 15% business. That is how we have been outsold by others on the biggest selling job before this country today.

"Now, why is that true?" Mr. Steinkraus continued: "Why are we facing this situation? Because, unless we analyze what we are up against, it's pretty hard to organize a sales campaign to swing the tide the other way.

"I don't know whether you are aware of the fact, but there are some extremely well organized selling organizations, including door-to-door selling that are probably larger than any organizations represented in the National Sales Executives Club.

"For example, the Hoover Commission Reports recently disclosed that in the various government departments of this country there are upwards of 35,000 government employees devoted to the so-called subject of 'public relations.' Every single department has a well-organized staff looking after the public relations of that department with experienced reporters and photographers and with all the necessary tape-recording instruments and everything else that go with publicity and public relations. Those men have just one purpose in mind, and that is selling their goods day in and day out to the American people.

"Furthermore, they have only one directive head in the long run who sets their policy. Thirty-five thousand people in that game can certainly do a very effective job in selling, especially when they've been left to themselves without any real opposition for a period of a good many years.

"Secondly, take a look at the labor—at organized labor. At the hearing before the Congressional Committees a couple of years ago when the question came up as to how much was the annual take of organized labor, the figures were disclosed approximately as follows: the annual take of the CIO is $100,000,000 a year; the annual take of the AFL is somewhere between $75,000,000 and $100,000,000; the Miners' is around $50,000,000 a year in dues.

"Three men can practically speak for 15,000,000 union members in this country: John L. Lewis, Bill Green and Phil Murray. What they say sets the policies of their organizations. Furthermore, not only have they the money which they can appropriate for doing their own type of selling, but they have plenty of door-to-door volunteer salesmen in the form of stewards. If you will talk to your own Senators and Congressmen, they will tell you these men are the ones that they are very concerned about in their district. But you will also find if you ask those Congressmen or Senators of yours as to what kind of a selling job is being done in Washington for American business, they'll say they haven't got anybody—that businessmen have let them down.

"If you go to some of those outstanding men in the government who have gone there for the purpose of helping preserve the kind of a country that has made us so great, you sit down and talk with them quietly, and they will admit that very, very seldom do they see a businessman calling upon them to tell them what a good job they're doing, to encourage them to stand fast, but they will tell you of plenty of businessmen who come to Washington to criticize them because they're not doing this or that or the other thing for their particular company or for their particular community."

Stone & Webster Group Offers Gen. P. S. Com.

An underwriting group headed by Stone & Webster Securities Corp. on March 13 publicly offered 1,500,000 additional shares of common stock of General Public Service Corp. at $4.05 per share.

Proceeds from the sale, together with a projected increase of $2,205,000 in the present bank loan, would be used by the corporation to add further investments to its portfolio. The effect of this program would be to more than double the size of the corporation without, the management feels, a proportionate increase in operating expenses. The leverage character of its financial structure is being retained.

General Public Service Corp., incorporated in 1925 as successor to Public Service Investment Co., which had been founded in 1909, is an investment company of the closed-end type. Its portfolio is comprised of a diversified list of issues of basic American industries.

Total assets at market value were $4,953,130 as of Dec. 31, 1949.

With Merrill Lynch

SAN FRANCISCO, CALIF. — Edward M. Baker has become connected with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Schwabacher Adds

SAN FRANCISCO, CALIF.—C. J. Shattuck is with Schwabacher & Co., 600 Market Street, member of the New York and San Francisco Stock Exchanges.

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Continued from first page

The Fight For Economic Sanity in Europe

disintegration started: with the national policies and with the ideologies responsible for them.

Started by Hitler

It is no longer necessary to define those national policies. They are familiar ever since Hitler came to power and, under the guidance of Dr. Schacht, set the example of a type of national economic policy which we propose to call National Collectivism. It is the well-known combination of repressed inflation, collectivist controls, "full employment," exchange control, state monopolies, bilateralism, subsidies, fiscal socialism, "cheap money" policies, and the strange mixture of the restriction of private consumption and of public waste which goes under the name of Austerity. The degree and the thoroughness with which this National Collectivism is applied in the different European countries vary from the maximum of the British or Norwegian examples down to the mild cases of France or Denmark, while Italy and Western Germany make laudable efforts to disentangle themselves. But, with the exception of Switzerland and Belgium, all European governments still practice National Collectivism to that extent that they feel compelled to retain exchange control. It is exchange control, however, which is the real keystone of National Collectivism. It is exchange control which is the box of Pandora whence proceed all the evils: bitlateralism, deficits of the balance of payments, strangulation of international trade, and all the rest of it.

As long as there will be National Collectivism there will be exchange control. As long as there will be exchange control there will be international economic disintegration and disequilibrium. Inversely, if you want to have international economic integration and equilibrium you must first remove exchange control. If you want to remove exchange control you must dismantle National Collectivism and say farewell to the corresponding ideologies of planning, of "full employment through thick and thin," of the excessive Welfare State and fiscal socialism. That is the inescapable logic which the present state of Europe teaches to everyone who has eyes to see and ears to hear. It is a logic which is as true after the devaluations as before. The devaluations certainly eased the strain, and they were in most countries the indispensable condition for the removal of exchange control and the dismantling of National Collectivism. But the chance offered by the devaluations has not been used, which means that the European governments resemble a surgeon who opens the abdomen without removing the inflamed appendix.

It is this situation which we have in mind when we say that National Collectivism has led Europe into an impasse. Collectivism has become responsible for a degree of national isolation, international frictions and international economic disequilibria which means that it is as much a failure on the international as on the national level. The crisis of the international economy—which the ERP is to overcome in Europe until 1952—is tantamount to the crisis of National Collectivism. The first cannot be overcome unless the latter has been removed. Everything else is rhetoric and quackery.

The price of National Collectivism is, in the international sphere, national autarchy and international anarchy. That is so obvious that the more intelligent and sincere socialists begin to admit it, as for instance the officials of the Economic Commission for Europe (cf. its report "Economic Survey of Europe in 1948," Geneva, 1949). These socialist critics of National Collectivism realize more and more that it is a policy which, by methods essentially equal to those of the Third Reich, is bound to balk every effort in international integration and to deprive the Marshall Aid of its final economic success. However, most of these socialists, after having recognized the bankruptcy of National Collectivism, try to save their socialist faith by taking refuge in the idea of **International** Collectivism. They believe that collectivism which has been a failure on the national level could be made a success on the international level. This belief, however, is nothing else than the **flight from bankruptcy into Utopia.**

The Illusion of International Collectivism

The belief in international collectivism is based on faulty reasoning. In practice, there is no other sort of collectivism than national collectivism. This is so because it is the very essence of collectivism that it makes the economic process an affair of the government. It means the thorough "politicalization" of economic life which becomes now entirely dependent on the orders of the administration with its sanctions. International collectivism, therefore, supposes an international state able to give and enforce its orders like a national state. To merge the collectivist systems of several national governments is to merge these governments themselves into a superstate. To visualize such an event as a practical proposition is difficult at any time. But the prospect becomes simply utopian under present circumstances because now we have to do with collectivist governments and their union into an international superstate.

Collectivist government means the highest possible degree of centralization which excludes any genuine regional self-government. Consequently, the political union which is the prerequisite of international planning and collectivism is not even possible in the mild and loose form of an international **federation.** Since everybody, however, admits that an international federation is the only way, if any, to achieve a political union of Europe, it follows that collectivism makes such a union impossible — the same collectivism which makes it necessary if we want an international collectivism. The only sort of international collectivism which is a practical possibility is that which once had been forged by Hitler and which now has been imposed on the satellites of Moscow. It is the imperialistic form known as "Grossraum" or "Co-Prosperity Sphere."

Let anybody who is not yet convinced of the logic of this reasoning consider the case of the projected economic union of Belgium, Luxemburg and Holland known as **Benelux.** Among these three countries, Holland still adheres to a sort of National Collectivism which, though somewhat mild compared with that of Great Britain, nevertheless is characterized by a rigid system of exchange control and a fair measure of repressed inflation. After the experience of five years of unavailing efforts to realize the real aim of the Benelux as an economic union, it has become obvious to everyone that this union is impossible as long as Holland sticks to National Collectivism. To make this an **international** collectivism of the whole Benelux, however, is not feasible either, since this would suppose a political union of the three countries into a Benelux State. If that might have been possible in former liberal times, it is altogether utopian today since this Benelux State as a collectivist one would mean a most centralized state which is bound to make short shrift of the national idiosyncracies of the Dutch, the Belgians and the people of Luxemburg.

Integration vs. Collectivism

Resuming our whole reasoning, we are able to make the following statements:

(1) National Collectivism has led Europe into an impasse, and it is incompatible with an international federation (see the case of the Benelux).

(2) International Collectivism, which seems to offer an escape, supposes, however, an international state.

(3) This international state, as a free act of democratic nations, is unthinkable because as a collectivist state it would be a hyper-centralized one excluding any genuine federal structure.

(4) Consequently, international collectivism is an illusion.

(5) Consequently, Collectivism means practically always National Collectivism.

(6) Consequently, the integration of Europe as a voluntary act of nations and governments is incompatible with collectivism and only feasible if the opposite economic system, the Market Economy, is made the dominating one in Europe.

The paradox of collectivism can be stated in many ways. It has been maintained that it is a Road to Serfdom. Others have shown that it is a way to economic paralysis and disorder. With equal force, it can be argued that it is the path to Supermonopoly from which there is no escape. But what we realize now in Europe is that, in addition to all this, collectivism means by necessity national autarchy and international disintegration of the most incurable and worst possible kind. If this is not the most distressing aspect of collectivism, it is at least perhaps the most indisputable. It destroys the world economy in the genuine sense of a free, multilateral, rational and balanced system, but when we try to mend this by any conscious effort of international cooperation we find that collectivism is once more the obstacle which blocks our way. What formerly was believed to be mortar reveals itself as dynamite.

Practical Consequences

The consequences which follow from our reasoning for practical policies in Europe are as important as they are numerous. Let us name only a few.

Our **first** remark must be that the faulty reasoning which we analyzed pervades like a bad perfume all present discussions on the **political and economic union of Europe.** Nothing can be more certain than that the national economic policies of most European countries which culminate in exchange control are just as incompatible with European integration as it is senseless and utopian to repeat this collectivism on an international level. For this reason it is putting the cart before the horse to ask more and more impatiently for European "integration" without asking first for the removal of collectivist policies which both make this integration necessary and impossible. We repeat: European integration begins at home.

Intra-European Trade Restrictions

Our **second** conclusion concerns the present efforts to **leaven intra-European trade restrictions.** Undoubtedly, even collectivism can be carried through either intelligently or stupidly, and if collectivist governments can be persuaded to drop some of the **least** intelligent practices of foreign trade policy or to loosen some controls so much the better. But it must be equally obvious that what now goes under the name of **"liberalization"** of intra-European trade, while alleviating perhaps the conditions somewhat, cannot be genuine unless there is a real dismantling of National Collectivism. The fear is not altogether unfounded that the present initiative in "liberalization" might be even bogged in the mire of fictions, illusions, phraseology and fanciful word combinations (like Fritalux, Uniscan, Scandanglia and what not). This spurious "liberalization" may be positively harmful, as the recent German example shows. Following the American suggestions, but afterwards being severely criticized for this, the Bonn Government has opened its frontiers to French or Dutch imports, but these imports have been much larger than they would have been if the German Government had had the possibility to turn the proceeds of its exports to France or Holland into dollars or pesos and to buy raw materials overseas. As long as the convertibility of currencies has not been restored, i.e., as long as we have no multilateral trade again, no "liberalization" will get us out of the ruts of disequilibria and dislocations.

Exchange Control Crucial

That leads to our **third** conclusion. It is being realized by most observers that **convertibility of currencies** is the cardinal problem. To restore convertibility, however, is tantamount to abolishing exchange control. Not daring to face this thorny issue, many people prefer to believe that there is something "almost just as good." It is the idea of a **European Clearing Union or of similar projects.** The crucial point, however, is again whether the national governments retain exchange control or not. If they do, then the idea of a European Currency Union has hardly more sense than an American Currency system would have if the United States would split into 49 systems of state collectivism and of state exchange control. If they abolished exchange control, then we have all the monetary integration we need without the new cumbersome machinery of a European Monetary Union. If the idea is, however, to abolish exchange control only between the European countries and thus to restore convertibility only partially this would mean, first, that the disequilibria and dislocations brought about by inconvertibility would recur between Europe and the outside world, and, secondly, that there must be established a sort of European exchange control, which, however, would suppose a collectivist European superstate. On the prospects of the latter, enough has been said above.

The Good Road

"Liberalization" policies and even such steps as multicompensatory arrangements between the ERP countries are not contemptible things if they are meant only to smooth over the transition to the ultimate goal of the end of National Collectivism, the dismantling of exchange control and the establishment of all-round convertibility of currencies. But the real danger is that, instead of shortening the distance to that goal, they may widen it by diverting attention from it by creating new illusions and vested interests (including that of international bureaucracy) and by confusing the real issue. All the more firmly must it be said that **the price of economic sanity of Europe is to say farewell to National Collectivism, "repressed inflation" and "full employment."** That is the way which a country like Belgium traveled during the last years with astonishing success, and by the same method Italy achieved results which are also remarkable if we consider the immeasurably less favorable circumstances of this country. The success, in both countries, of this liberal course must be all the more stressed since the international chorus of socialists is indefatigable to spread a sort of "atrocity propaganda" against this inconvenient fact of a success which seems all the less tolerable as it differs so provocatively from the impasse of National Collectivism and as it explodes the socialist mythology of exchange control and the passive balance of payments.

The last and most profitable **object** of this **antiliberal drive,** however, has been **Western Germany.** There the change from National Collectivism and repressed inflation to an essentially free economy and sound monetary policies has proved to be the biggest and most conclusive experiment ever made in economy policy. When comparing the situation before and after the great reform of 1948, we see that the success is stupendous from almost any point of view, so stupendous indeed that even the German socialists cannot dare openly to propose a return to the old collectivist system, because the masses no less than the business leaders, after having seen both systems at work, prefer a free economy. A few weeks ago, the whole system of rationing had to be scrapped altogether because the masses saw no point in using coupons when the same commodity can be had at the same price freely. An almost comical touch has been given to this inglorious end by some oversensitive authorities who tried to hold up their badly battered prestige by forcing, under threat of penalties, the recalcitrant population to come and get their ration books which they did not want. This is perhaps the most striking illustration of the effect of the remedy of economic freedom: the ration book, to have which had been, two years ago, a matter of life and death, but now had to be forced down the throat of a population which no longer cared to have it.

But the restoration of free prices cannot solve all the problems in Western Germany. The worst and most pressing is **unemployment.** The temptation was and still is very great to follow the easy road of "full employment," but in spite of admonitions coming from the German socialists and from the Western allies, the Bonn Government has had the intelligence and the commendable courage to withstand this temptation and to accept the heavy risk of the unpopularity of such an attitude.

The German case is, indeed, an exceedingly good illustration of the dangers of "full employment" and of the faulty reasoning on which it is based.

We all, of course, want to see maximum employment, but what is meant by "full employment" today is something quite special. It is a policy which wants to suppress every sort of unemployment, however temporary or partial and caused by whatever reasons. Since there is, however, a normal tendency towards all sorts of changes, resulting in some degree of at least temporary unemployment, the goal of "full employment through thick and thin" can be achieved only by creating a permanent excess of "effective

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demand" over total supply, i.e., by creating a permanent boom condition by means of a policy of constant inflationary pressure. In order to prevent this pressure from leading to an open inflation, it is turned into repressed inflation by the well-known machinery of collectivist controls. That causes, besides the familiar effects of internal economic disorder and paralysis, a deficit of the balance of payments, which means that now the sum total of consumption and investment always exceeds current production. The whole policy of "full employment," therefore, supposes that there is some foreign source which fills the gap.

So far the German Government is determined not to follow this road. It prefers the example of Belgium and Italy, and there can be no doubt that it has to be congratulated on its firmness. It is essentially right in pointing out that the unemployment in Germany today is the sum total of all sorts of dislocations on the labor market, among which the influx of refugees from "Eastern Planning"—whose number still increases—looms largest. In this respect the German situation resembles most closely that of Italy which, with a population equal to that of Western Germany, also suffers from an almost equal size of unemployment. Its main cause in Italy is the difficulty of the great annual increase of population to be absorbed by a national industry which lacks the necessary capital. This leads us to another point which most enthusiasts for "full employment" overlook. In contrast to what Lord Keynes had in mind when speaking of "full employment" there is, in all European countries with the exception of Switzerland, no "oversaving" and no abundance of "idle capacity" but a genuine **shortage of capital** in the sense of too little saving in relation to the investment plans. "Full employment" in such a situation would involve the most serious danger of inflation from the start, and since it would be the "repressed" variety of inflation, this policy would necessarily mean a return to National Collectivism. Fortunately, the Germans have had enough of this. Both in Germany and in Italy, the only sound way to combat unemployment is to alleviate the shortage of capital, and since this cannot be done quickly and on a large scale by an increase of national savings the only effective and prompt remedy is the import of foreign capital.

The Case for Marshall Aid

We have always believed that this combination of a sound anti-inflationary and liberal policy with a legitimate need of capital for the increase of productive equipment constitutes the ideal case for the Marshall Aid. Professor Erhard's course in Germany, like that of Professor Einaudi's in Italy, follows precisely that direction in which alone the economic sanity of Europe can be restored. By avoiding the temptation of "full employment," the German Government does exactly what the ECA must devoutly wish every European country to do if it wants the end of the "dollar shortage" and the return of international order and equilibrium in Europe. By dismantling National Collectivism and by fighting against any relapse, the German Government just makes the most important contribution, to be expected from every country, towards that European "integration" which is so often claimed but so rarely understood.

Whenever it has been said, during the last years, that, in order to assure the final success of the Marshall Aid, its administration should do everything to dissuade the European countries to follow the path of National Collectivism, we have been told that it would be tactless to do so. But if the collectivist countries could not be openly discouraged there was all the more reason at least to encourage the anti-collectivist countries. In reality, we have seen very little of that. But now the almost unbelievable has been done. The Bonn Government, instead of being encouraged or helped in their endeavors to follow the Good Road, has been severely reprimanded by a group of allied experts whose report has been made the basis of official remonstrances to the Bonn Government. The latter has been rebuked for its reluctance to restore collectivism and repressed inflation, to the rejoicing of the socialists everywhere who begin to hope for a turn of the tide. We have seen the spectacle of the Western allies trying to bully the Germans into accepting an economic program which is, in all essentials, that of the Third Reich, the program of National Collectivism, Neo-Mercantilism, Autarchy and forced savings. The Germans have seen once before where that leads to. They have made most strenuous efforts to get out of this bog, and while still staggering, they begin to feel firm ground under their feet. It is—to say the least—curious that an international organization whose success depends on the abolition of National Collectivism should consider it its job to push such a government back into the bog.

Continued from page 8

Looks to Aggressive Selling To Revive Securities Industry

investment business was hugging the bottom of the list.

New men are not being attracted into the investment business in any appreciable numbers. The last sizable influx of new blood was probably in the 1920's, when among others many men with little to commend them except perhaps a Groton accent and connections, voluntarily sought out careers in Wall Street. But under the stress of the depression and because they did not enter the business with any serious intent of doing the leg work that is an indispensable concomitant of establishing a numerous clientele, they have long since passed out of the picture, perhaps with no great loss to the business. But the important point is that the investment business was then considered a lucrative and dignified profession to which a young man could confidently attach himself for life. In contrast a dealer in a small Illinois town was quoted in your columns to the effect that he preferred to let his son go into pedagogy instead of following in his father's footsteps in his investment business because there is so little to look forward to in the retailing of securities.

In respect to the over-the-counter section of it, the investment business is confronted with a fact and not a theory. This hard fact is that over-the-counter securities are already placed with the public, and therefore the future of over-the-counter securities should be a vital concern of everybody who believes that there is a future for the business as a whole. Whatever will contribute to creating a better esteem for such securities, will not only benefit over-the-counter dealers, but also a vast public. I believe there are only around 1,500 stocks listed on the New York Stock Exchange. With due allowance for the decisive money value represented by such securities, there are overwhelmingly more individual over-the-counter issues in the portfolios of the general public.

I have seldom heard a representative of an investment trust speak disparagingly of another investment trust or for that matter a successful insurance man knock the other fellow's wares. The present unfavorable attitude on the part of many investors toward over-the-counter securities as such has not been ameliorated often enough by other segments of the investment business.

The controversial so-called 5% philosophy of the NASD was a step toward rationalizing the economics of the over-the-counter business, as it impliedly acknowledged that there is a profound difference between merchandising and order taking. If it is considered inconsistent with fair practice to mark up securities above a reasonable relationship to the market, as defined by the NASD, then as your columns have already contended it might logically by the same token from a certain standpoint be considered inconsistent not to mark them up in harmony with a basis found realistic in practice for securities that have to be merchandised. If the insurance men, the real estate men, the investment trusts, the legal profession in estate work, the banks in trust work and even the New York Stock Exchange itself have found it practicable to observe a standard of compensation that their professions generally conform to, it would be a great help in the over-the-counter business if it became professionally sound and ethical to do likewise, within flexible limits. Otherwise the over-the-counter market tends to become a disorganized jungle into which other segments of the investment business are free to intrude at will with pricing that may tend to demoralize the business of people who have a serious, vital and continuing interest in over-the-counter securities distribution, such pricing being possible only because other types of business, such as listed stocks and bonds, municipals and syndicates, are the major concern of that particular organization, and carry it. This pricing policy may be geared to a velocity of turnover, or an absense of sales solicitation expense, or a lack of basic dependence on the over-the-counter market or any other factors that have no relevancy to the economics of merchandising securities.

As to the crucial question of why an investor should pay a premium, so to speak, to buy an over-the-counter security, it can be asserted that after all the over-the-counter man essentially carries the investment service to the investor, oftentimes in person into his home or office. If the salesman is able satisfactorily to solve the dilemma created for millions of people by the present era of cheap money, under which savings account interest and interest on high grade obligations are unprecedentedly low at a time when the purchasing power of the dollar is half of what it was ten years ago, the service may well be worth the premium. If the client himself is qualified and prefers to chose his own securities rather than to employ the experience of the securities man, and tenders him an order for a listed stock because it is a byword, he stands ready at all times to take care of it, without any compensation whatever.

All this is not to rule out those intrepid spirits who have the imagination and enthusiasm to seek out future bonanzas, provided the risks involved are adequately stressed with the prospect, even though I myself have never had any taste for that kind of operation. With all the genuine advantages that the general investment trusts offer the public, a stockholder will never wake up some day and find himself with another General Motors. And many useful and successful businesses today have gotten their initial capital through the merchandising of their securities by securities salesmen.

There are a number of associations functioning in the investment business. If they are not already set up, it might be expedient to establish serious working committees solely concerned with the problem currently presented by the over-the-counter market and manned exclusively by over-the-counter people, so that the confidence of that section of the industry in the efforts of these committees is immediately established. Because a firm actually executes orders in over-the-counter securities is no reason for the assertion of leadership by it in the effort to rehabilitate the over-the-counter market unless its over-the-counter business forms the major part of its activities and interests. And the relative size of the firms concerned is no criterion *per se* of the respective abilities of the principals. Such committees should not follow a blind alley by trying to relate and coalesce the economics of merchandising vs order taking, which have entirely dissimilar bases.

If by virtue of elevating the standing of over-the-counter securities a larger and more dependable flow of trading is established, not only will bids more nearly reflect the statistical realities of the securities themselves, but the trading houses who act as stock exchanges, so to speak for the over-the-counter industry would be encouraged to narrow thehir spreads under the stimulus of lessening of positioning risk, to the price advantage of the public.

The NASD, I believe, is studying the question of delisting certain securities that have not been found by experience to be suitable for listing. An important function of the over-the-counter business has always been the grooming of securities for listing. The public benefits because it goes into these situations at a time when their merits are existent but not widely recognized. The question of timing of listing is of paramount importance. Otherwise it is like bringing out a promising young operatic singer before her voice is ready. As soon as an over-the-counter security hits the Big Board or Curb, the over-the-counter people necessarily drop it like a hot potato at the very time that customers' men may logically be preoccupied with better known situations, so that the newcomer, regardless of how meritorious it may be, may languish in market obscurity, so the act of listing defeats its own purpose of creating a better market.

I think the time has arrived for people who have stuck with the investment business through thick and thin to rededicate themselves to any measures and ideas that will contribute to the overall welfare and attractiveness of the investment profession so long as they are not incompatible with the public welfare, with which the SEC is primarily and rightly concerned, and in which reposes the future of the business, or any business for that matter.

C. J. STUBNER.

March 9, 1950.
966 Union Trust Bldg.,
Pittsburgh 19, Pa.

Reports Home Mortgage Debt at $38 Billion

United States Savings and Loan League publication holds impetus to borrowing lies in current trend toward lower interest rate.

The current issue of the "Quarterly Letter" of the United States Savings and Loan League, written by Dr. Arthur M. Weimer, Dean of the School of Business Indiana University, and League economist, and Norman Strunk, League Vice-President, reports the volume of home mortgage debt rose in 1949 to a new high of $38 billion. They state that "although this was the fifth consecutive year of increase, the burden of the debt when measured in terms of personal disposable income is substantially below prewar levels."

"The demand for mortgage funds," the writers note, "came largely from buyers of new homes and was augmented by a substantial number of purchasers of existing homes. The market for old houses, while not as active as immediately after the war, reflects a turnover considerably faster than in prewar years. In spite of the great demand for mortgage funds, however, competition among mortgage lenders increased and terms of lending continued to be favorable to borrowers.

"Increased mortgage competition and somewhat lower interest rates on mortgage loans were forecast by the Committee on Trends and Economic Policies of the United States Savings and Loan League in its report last fall. Increased mortgage competition is due, no doubt, to the substantial volume of funds coming to the savings associations and savings banks, the decline in yields on high-grade bonds with the resultant desire of some institutions to switch funds from bonds to mortgages, and the fact that pension and trust funds are growing rapidly and are being invested in home mortgage loans. How long this trend toward lower mortgage interest rates will continue depends on a number of factors including continuation of a heavy volume of residential construction, the rate at which people place their savings in mortgage lending institutions and the Federal Government's monetary and fiscal policies. Probably growing mortgage competition will continue throughout most of this year."

Officers Appointed by Curb Clearing Corp.

Bertram R. Lowenfels has been reappointed President of the New York Curb Exchange Securities Clearing Corp. for the ensuing year, it was announced following a meeting of the board of directors of the corporation. Mr. Lowenfels is a partner in the firm of Richard K. Kaufman, Alsberg & Co.

Other reappointments for the year include David U. Page as Vice-President, Wm. B. Steinhardt as Secretary and Treasurer and C. E. Sheridan as Assistant Secretary.

Philip F. Hartung, a partner in Harris, Upham & Co., was appointed Second Vice-President and Andrew Baird of Josephthal & Co. was named Assistant Treasurer.

Mr. Baird, Mr. Hartung, Mr. Page and Mr. Steinhardt were appointed to serve with the President as the Executive Committee of the corporation for the ensuing year, it was announced.

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Continued from first page

As We See It

the real nature of these programs, asked himself carefully in what sense the benefits are really free, to whom these free benefits accrue, and who it is that furnishes them.

Two programs now being pressed by the Administration—the bill to subsidize housing for the "middle income" groups, and the so-called Health Insurance Plan of the Administration—serve well as cases in point. Of course, disguise it as they may, what is being offered is housing and medical services the cost of which the recipient pays only in part. The techniques employed to obscure this fact vary from program to program. In one of these, liberalized loans and excessively low interest rates are factors. This is another way of saying that taxpayers, mostly falling in other categories, grant charitable aid to the middle income groups. In the others, the term "insurance" covers a situation which comes down to the same thing.

Basic Flaws

Both these measures are open to attack at many points—as are the many which have preceded them to the statute books—but it seems to us more important that the rank and file understand the basic weakness of all such schemes than that the flaws of these specific measures be laid bare. In essence, the idea here as in so many other measures since the initiation of the New Deal, is to divorce what an individual or a family unit gets from what it earns or produces. At least this is what is attempted so far as the vast numbers are concerned—the vast numbers who have vast numbers of votes.

The basic philosophy appears to be that each individual, as a member of the human race, is entitled to food in amounts and of the kind to keep him properly nourished, clothing to keep him comfortable, housing to shelter him "in decency," medical care when he needs it or thinks he needs it, "education" in liberal amounts, and much else. If he happens to be indolent and not disposed to obtain all this for himself and his family; if he is without those traits which enable him to earn substantially; if he insists upon wasting what he does earn in riotous living; if he through his union pursues policies which cut seriously into his annual earnings — none of all this is particularly important. He is a human being and as such is entitled to live in a manner suitable to his status as a member of human society.

Taking a Closer Look

It is doubtful, of course, if any of those who now plan the hodge-podge of socialistic nonsense in Washington would put all this in quite this way. Indeed they would probably recoil from some of it. It is likely that most of them are not even aware that some such philosophy underlies what they are advocating, or that a complete, logical defense of it would require postulates of this sort. It is, however, quite impossible to find a full logical defense of much of what they propose except on the basis of some such reasoning. Indeed, proponents often come very close to such statements, if the implications of what they say as well as their precise language is taken into full account.

But there are other questions which arise. If these low, or now "middle income," groups—which apparently are to be defined as those who, even under present conditions, are not producing what the politicians and the professional social workers around the Administration believe they need for a "decent" existence—are as a matter of right entitled to receive the difference between what they provide for themselves and what they "need," then, obviously, there is some one somewhere or some other elements in the population which are by the same process of reasoning obligated to supply this difference. Otherwise the major premise has no meaning whatever. The stock answer (for public consumption, at least) is that "the Government" or "the general public" must furnish it. But, of course, this makes no sense, either, unless it is implied that those elements of the population who regularly produce more than they consume will bear the whole burden.

Reduced to Essentials

The fact of the matter is that most of these social philosophers in private do not hesitate to say that such problems as these can be solved very simply by "progressive" taxation. That is to say, that the funds required for the purposes in hand should be obtained—and as a matter of hard fact are now largely obtained — from those who are extraordinarily productive. Thus it all comes down to this: These services and this aid are really for the time being at least free to the recipient, but are free only because it is extracted from some one else against his will. It is in no sense free to the economy or to the public. If we may be excused for using a blunt analogy, it is "free' to the recipient just as the burglar's loot is free to him—but hardly free to his victim.

Of course, the extraordinarily productive are not very numerous, and hence in all have a relatively small percentage of the votes. And so the politician has little interest in them. But those who have the good of their country at heart, and who understand how things work themselves out in everyday life, are interested. Even the recipients of this modern largesse had better be interested. In this scheme of things, as in others, everything depends upon continued extraordinary productivity of these elements. Why should they go on indefinitely producing only to have what they produce taken away from them?

Continued from page 18

Some Economic Problems Arising From Expanded Pensions

excess of what might be absorbed by expanded productivity.

Consumers are no longer accepting goods or services at any price, because of urgent shortages. Except for the automotive and construction industries, our present capacity to produce is in excess of existing demand. And even in the two industries favored by continuing backlogs, consumers have grown steadily more price conscious, and price competition, in turn, more severe. Unlike the early postwar years, a further expansion of labor costs not offset by greater output per man hour is more likely to lead to greater unemployment today rather than to the familiar upward spiral of prices as in the past. Producers would attempt to pass on higher labor costs in their finished goods. These attempts would be resisted and the probable outcome, in my opinion, would be diminished sales, a subsequent curtailment of output as demand decreased, with less employment as the final outcome. The business outlook for the second half of 1950 is already generally viewed as less favorable than in the initial months. A further expansion in the wage-price equation and the subsequent contraction of markets would accelerate the downward drift of the second half.

In summary, expanded pension payments mean heightened labor costs, particularly where the bill is footed by the employer in whole or in good part. Such expenditures are necessarily reflected in the cost structure of industry. At our present stage, in which we are striving toward a new balance between productive capacity and existing demand, these heightened labor costs would further cloud an already murky outlook for business. In so far as employer contributions would not be reflected in higher current payments to employees, there would be little possibility of an offset to this decline through expanded expenditures for personal consumption.

The second major area to which I would like to refer briefly, in the hope of provoking further discussion and exploration today, is the problem of investment and reserve policy arising from expanded pension plans. By way of background, under H.R. 6000, it is estimated that the actuarial liability 50 years hence would be $100 billion to $125 billion "and an insurance company would have to hold reserves of comparable amounts to meet its legal liability under similar circumstances." The Advisory Council on Social Security views are in striking contrast. Their view is typified by a statement made by Marion B. Folsom of the Eastman Kodak Co. at the Conference Board's pension meeting last November: "A reserve fund anywhere approaching this magnitude would be a temptation to raise benefits or to increase appropriations for other purposes." (He might have added "or both.") "Thus," he concluded, "there are practical arguments against both the strictly pay-as-you-go method and the full reserve method of financing OASI. The logical solution would be a modified pay-as-you-go plan which would provide for the continued accumulation of a reasonable contingency reserve during the early years. Before the fund reached large proportions, a decision could be made as to whether to continue to increase the payroll taxes or to put the plan at that time on a pay-as-you-go basis without further accumulation of the contingency reserve." At any event, there is sufficient professional interest in the public area to assure constant appraisal and reexamination.

But what of the investment demand arising from private programs? Last year, only about $800 million was paid to life insurance companies for annuity premiums. As I suggested earlier, the target of raising average and below average employer contributions to existing above average payments might produce about $4 billion to $5 billion of private pension funds seeking investment annually. Henry Steinhaus of the Equitable Life Assurance Society has estimated that it would cost about $5 billion per year to provide half of our working force with a pension of $100 per month, supplementary to social security benefits under pending legislation. (This assumes retirement at age 65; 2¼%, average cost $160 per worker). Shade either figure downward in the interest of conservatism and there would still arise an almost insatiable demand for riskless funds, if conservative investment programs of the past govern the allocation of these reserves. The amount in question does not fall far below the annual increase in all forms of life insurance assets. One could envisage the possibility that pension funds competing with other thrift groups could drive the interest rate down still further, if not to negative interest.

The ultimate size of such reserves has led some to suggest expension of social security as a better alternative. But should private pension funds go exclusively or primarily into riskless investment? One might frankly inquire how "riskless" government bonds have proved to be for reserve purposes with their purchasing power today, in many instances, actually less than 10 years ago, even after inclusion of interest over a full decade. Is government sounder than the industry which forms its productive backbone? To carry the parallel another step, is any private pension plan sounder than the company which undertakes to foot the pension bill? To add yet another question to this succession, if private enterprise cannot prosper and expand for lack of venture capital or risk funds, is not the whole reserve approach more fictitious than real?

Perhaps an unanticipated salutary outcome of this pension drive, then, may be an enlarging market for private equities. Labor itself might be persuaded to join with management in allocating a substantial proportion of such funds for equity purchases. A set aside of even as little as 10 to 20% of the annual increment would provide a much needed expansion in the flow of funds into riskless securities. Such a program might also stimulate competition for reserve funds by sellers of fixed obligations, within as well as outside government confines.

My third and final section, the burden of social overhead: This is perhaps the most puzzling of all three areas. Governments have only two means for redeeming the demands for performance, pensions and others, when they fall due—the promissory notes. What are they? They are gotten through funds raised from taxation, or through increasing the existing stock of money, and under that I include deficit financing or borrowing.

Turning to the first, excessive taxation reduces incentive, stultifies risks and risk taking, and may lead to diminishing tax yields. We are not far from that point at the moment, perhaps.

Turning to the second, continued resort to deficit financing can undermine confidence in government credit, reduce rather than stimulate private investment, and, if unrestrained, it is a prelude to hyperinflation.

The cost, 25 years from now, of old-age insurance promises, under the benefit levels proposed by the President, are placed at about $8½ billion by the Council of Economic Advisers. The Council then adds another $14 billion to $16 billion for the cost of existing and presently proposed programs of insurance for survivors, the disabled, the unemployed, and medical care. The whole compound of welfare costs would rise, then, to $25 billion within the quarter century, or five times the current level, according to the Council. To the Council, this is a large but not alarming figure. Why? Because national output might be doubled while welfare costs were being quintupled. That's the half-trillion-dollar national income.

With $250 or $300 billion more in output, an increase of $20 billion in welfare costs, to the Council, is moderate indeed. But along with this expansion in welfare costs would come other innovations in the functions of ordinary or extraordinary government. By examining these expenditures of the future piecemeal, or serially, we fail to see the entire cost of government as an entity.

Several of the decades of the half century have been marked periods of economic expansion, and yet, even in that decade, the rise in local, State, and Federal expenditures outstripped the growth of our national income. Decade by decade, taxes took a heavier percentage of our national

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income, and public debt rose unbrokenly.

Pendulum From Stagnation to Expansion

The pendulum of economic opinion has swung from stagnation of the late '30's to unparalleled expansion as of the early '50's, but whatever the prospect envisaged, the role of government is always greater rather than diminished; whether the prospect is contraction or whether the prospect is expansion, our welfare commitments for the future are unconditional. Our growth prospects may or may not materialize at that rate.

Until we have had more experience with economic expansion, in the '50's, it might be prudent to restrain further expansion of our welfare commitments. In the interim, we might try to stimulate expanded individual security through private mechanisms. Under this heading, I would include not only hospitalization and surgical plans, but also planning our housing, our communities, and even our adult education programs with an expanded aged population in mind.

You have all seen pictographs of the dwindling number of productive workers in the world of tomorrow. Most of these pictographs show an ever-increasing number of oldsters riding piggyback through eternity on the backs of the dwindling number of productive workers. The more skillfully we design our present security provisions so that they contribute toward the maximum use of our economic resources when our promissory notes fall due, the more likely it is that they will be honored by the fellow who is having someone ride piggy-back on his shoulders.

The more our present provisions interfere with economic expansion and the free flow of human and physical resources, the less likely it is that tomorrow's generation can make good today's promises. or even that they will want to.

Exchange to Review Trading Hours, Closing

Robert P. Boylan, Chairman of the Board of Governors and Acting President, have announced the appointment of the following special committee to review and make recommendations with respect to the whole problem of trading hours and holiday and Saturday closings:

Harold C. Mayer, Bear, Stearns & Co., Chairman; Reed P. Anthony, Tucker, Anthony & Co.; J. Marshall Booker, Corlies & Booker; David S. Foster, Pershing & Co.; Henry U. Harris, Harris, Upham & Co.; Murray D. Safanie, Shearson, Hammill & Co.; Harold W. Scott, Dean Witter & Co.; Homer A. Vilas, Cyrus J. Lawrence & Sons, and Henry M. Watts, Jr. Mitchel, Whitmer, Watts & Co.

The results of the committee's study will be submitted to the Board of Governors for its consideration in connection with the establishment of a permanent policy.

Members of the Exchange have been protesting the decision of the governors to shorten the period during which the Exchange will be closed on Saturdays, which is scheduled only for July and August this year. The Exchange has closed Saturday during June, July, August and September previously.

Now a Corporation

PHILADELPHIA, PA.—Euler & Co., 1518 Walnut Street, is now doing business as a corporation. Officers are Joseph D. Euler, President and Treasurer; Charles L. Kauffman, Vice-President; A.E. Euler, Secretary; and Albert R. Christman, Assistant Treasurer.

Continued from page 5

The State of Trade and Industry

well filled through the second quarter. This is significant because wartime expansion of alloy steelmaking capacity was believed to be far in excess of potential peacetime demand. Steelmakers say the resurgence of demand for alloy is caused by consumer willingness to pay extra for alloy because they can't get all the carbon steel they need, and steadily expanding applications for alloy steel.

Most steel consumers didn't reach the bottom of their inventories during the coal crisis, but with some notable exceptions, those who did are really hard up, and they are not getting the steel they need right now. Their situation will take a rapid turn for the better when normal deliveries start reaching them in the next few days.

The auto makers are setting a hot production pace, except for strikebound Chrysler. General Motors Corp. has the added incentive of trying to fill their dealers' showrooms with cars before they hit the May 29 contract deadline with the United Auto Workers. Most auto firms, "The Iron Age" points out, have learned long ago that a big stock of cars is a pretty good bargaining weapon.

Judging from comments heard this week, steelmen are worrying more about the future demand for autos than the auto people are. They admit that the industry looks good for another 2½ months of all-out production. But, after that, they are worried. They point out that if the market for autos becomes saturated, steel orders from auto companies will drop out of sight. The same is true of appliances.

Last year, this trade authority observes, the steel industry prophets were only partly right. Auto demand held fairly strong throughout the year. The appliance market did become glutted, but the production cutbacks were too sharp and severe shortages developed again later in the year. Some companies lost plenty of business by correcting their inventories too far and are still struggling to rebuild them.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 89.8% of capacity for the week beginning March 13, 1950. This is an advance of 16.3 points from last week's rate of 73.5%.

Steel output is showing marked recovery from the depressive effects of the recent soft coal strike. However, it is not known whether the industry has been able to replenish coal stocks to any extent or whether production is moving ahead on the assumption that day-to-day coal shipments will be sufficient, a Steel Institute spokesman said.

This week's operating rate is equivalent to 1,711,800 tons of steel ingots and castings for the entire industry compared to 1,401,100 tons one week ago. A month ago the rate was 90.7% and production amounted to 1,729,000 tons; a year ago it stood at 102% and 1,880,400 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT GAINS MORE PRONOUNCED IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended March 11, was estimated at 5,936,586,000 kwh., according to the Edison Electric Institute.

It was 57,798,000 kwh. higher than the figure reported for the previous week, 405,957,000 kwh., or 7.3% above the total output for the week ended March 12, 1949, and 651,945,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS POINT HIGHER IN WEEK ENDED MARCH 4

Loading of revenue freight for the week ended March 4, 1950, totaled 574,395 cars, according to the Association of American Railroads. This was an increase of 27,604 cars, or 5% above the preceding week, which included the Feb. 22 holiday.

Coal loading amounted to 58,183 cars, a decrease of 80,251 cars below the corresponding week a year ago, but an increase of 6,203 cars above the preceding week this year.

The week's total represented a decrease of 131,157 cars, or 18.6% below the corresponding week in 1949 and 217,589 cars, or 27.5% under the comparable period in 1948.

AUTO OUTPUT IN LATEST WEEK EXPANDS FURTHER

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada expanded to an estimated 126,051 units compared with the previous week's total of 124,072 (revised) units.

Output is expected to begin moving up next week with additional overtime operations made possible by easing of coal and steel shortages.

The total output for the current week was made up of 96,849 cars and 23,004 trucks built in the United States and a total of 6,198 cars and trucks built in Canada.

The week's total compares with 84,484 cars and 24,617 trucks produced in the United States in the like 1949 week.

BUSINESS FAILURES SWING UPWARD

Commercial and industrial failures rose to 221 in the week ended March 9 from 179 in the preceding week, Dun & Bradstreet, Inc., reports. Although this increase brought casualties noticeably above the totals of 179 and 102 in the comparable weeks of 1949 and 1948, failures continued to be less numerous than in prewar 1939 when 286 occurred.

Failures involving liabilities of $5,000 or more rose to 179 from 152 and exceeded the 154 of this size a year ago. Small casualties, those having liabilities under $5,000, increased to 42 from 27 and compared with 25 in the similar 1949 week.

An increase occurred in all industry and trade groups except commercial service. Construction, at 26, doubled its previous week's total and reached the highest level so far this year. Manufacturing was the only line having less casualties than in 1949; a sharp year-to-year rise appeared in retail trade.

The Pacific and New England States accounted for most of the weekly increase. New England casualties at 31 were at the highest level to date in 1950; the Pacific Region at 69 reached a postwar peak. Contrary to this rise, Middle Atlantic failures remained at 55 and East North Central fell to 21 from 27. More concerns failed than a year ago in most areas; the only noticeable exception occurred in the East North Central States where failures were less than one-half as numerous as in 1949.

WHOLESALE FOOD PRICE INDEX HOLDS UNCHANGED FROM PREVIOUS LEVEL

The Dun & Bradstreet wholesale food price index for March 7 remained unchanged at its previous level of $5.85. This represented a rise of 0.7% over the comparable 1949 figure of $5.81.

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 SHOWS FRACTIONAL IMPROVEMENT

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly during the past week. At 249.79 on March 7, the latest figure compared with 248.93 a week earlier, and with 258.81 on the corresponding date a year ago.

Activity in grain futures last week on the Chicago Board of Trade increased materially over that of the previous holiday week, but sales volume continued well below that of a year ago.

Price movements were largely held to very narrow limits but most grains finished with small net gains for the week.

Late strength in wheat was attributed to active buying of futures for export account, continued dry weather in parts of the West and Southwest and reports of spreading green bug infestation due to continued mild weather.

The corn market was irregular and prices tended to lag at times, reflecting slow demand for the cash article, increased marketings and a comparatively small export demand. There was little interest shown in oats; prices were fairly steady with current offerings about equal to trade requirements.

The sugar market developed a somewhat firmer tone as the week ended. This followed early weakness which brought a drop of 10 cents a hundred pounds in the price of refined sugars.

Early advances in the domestic cotton market lifted prices to new high levels for the season, but a subsequent reaction brought closing prices below those of a week ago. This was the first week-to-week decline recorded in seven weeks. Early strength in the market reflected export buying against ECA allotments and the prospect of a small crop next season as a result of decreased acreage. Easiness in late dealings was attributed to profit-taking, the slower tempo in cotton goods trading, and a further slight weakening in textile prices. Inquiries in spot markets were fairly numerous with reported sales totaling somewhat larger than a week ago. Repayments on loan cotton continued to run ahead of entries, the latter showing a decline for the fifth successive week.

The parity price for cotton in mid-February was reported at 29.88 cents a pound, unchanged from a month earlier.

According to the New York Cotton Exchange, exports of the staple during the week ended March 2 set a new high weekly record for the current season. Totaling approximately 212,000 bales, last week's shipments compared with only 63,000 a week previous and 72,000 in the same week last year.

RETAIL TRADE A TRIFLE ABOVE LIKE WEEK OF 1949—WHOLESALE TRADE CLOSE TO SIMILAR PERIOD OF YEAR AGO

News of the coal strike settlement coupled with mild weather in many areas helped to increase moderately the nation's shopping in the period ended on Wednesday of last week. Total retail dollar volume was slightly above that for the corresponding week in 1949, states Dun & Bradstreet, Inc., in its current summary of trade. Early Easter promotions evoked favorable response in scattered localities.

A slightly larger volume of apparel was bought last week than during the week previous.

Television sets remained among the more popular appliances in retail outlets the previous week; they, together with a general rise in refrigerator and range buying, helped bring the dollar volume of house-furnishings moderately above the level of the previous week.

Among those housewares that attracted shoppers through various promotions were foam-rubber mattresses and pillows, bridge tables and cooking equipment.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1 to 5% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

South and Northwest —1 to —5; Southwest and Pacific Coast +1 to —3; New England +3 to —1; East —2 to —6; and Midwest —4 to —8.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended March 4, 1950, showed no change from the like period of last year. In the preceding week a decrease of 5% was registered from the like week of 1949. For the four weeks ended March 4, 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 last week was affected by unseasonably cold weather which resulted in a decline of 2% in department store sales compared with the similar period of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to March 4, 1950, rose 2% from the like period last year. In the preceding week a drop of 13% was registered from the similar week of 1949. For the four weeks ended March 4, 1950, a decrease of 5% was reported from the like week of last year. For the year to date volume decreased by 7%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity."

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Continued from page 6

Farm Surpluses Passing Their Peak

quotas would be the most cheerful sign at a time when all we hear about are agricultural surpluses and the need for more appropriations for the CCC in order to support farm prices. After all, out of a total harvested acreage of 352 million acres in 1949, feed grains accounted for 148 million acres and hay for 87 million. Corn is still our most important crop.

Animals on Farms

The figures for animals on farms on Jan. 1, 1950 show a new sharp decline in the number of horses and mules, as was expected. But the increase of cattle numbers was larger than assumed. Cattle numbers had steadily declined since their peak in 1945. During 1948 beef cattle numbers had increased somewhat, but dairy cattle were still on their way down, and on Jan. 1, 1949 the number of dairy cattle — 24,416,000 — was for the first time below the prewar level. In view of the population increase of 15%, this was then a source of worry to a number of people, though the highly increased yield of milk per cow and the decreased consumption of butter (which obviously could not be reversed to any great extent) seemed to make such worries unnecessary. The fact that the dairy cattle numbers have gone up after so many years, though only a little, and the increase in beef cattle numbers are promising in view of the increase in pastures which is expected because of the acreage allotment for wheat and other crops.

Are Government Payments Only Shifted From Feedgrains to Livestock Products?

Now the question arises, of course, whether the higher corn consumption, which will reduce the need for government support of feed grains, will not lead to the necessity to support livestock and livestock products instead. The government has already spent last year a great deal on the support of eggs and about $100 million on the support of dairy products. If supports were only to be shifted from one commodity to the other, nothing would have been gained. This, however, does not seem to be the case.

In the first place, most of our corn is going into hogs. In 1949, 96 million hogs were born against 85 million in 1948, a high figure though not nearly as high as the 122 million born in 1943, for which insufficient feed was available and for which there would be no demand now. Support for hog prices during the past December and January had been expected since it seemed unlikely that the total supply could be taken up by the markets. However, no such support was needed though an unusually large proportion of the hogs born in the first half of the year were slaughtered before Jan. 1. The demand for pork proved to be very elasitc. As the price went down, consumption rose. Pork production will further increase this year. But there is hope that if employment remains as high as it is now, the government will not have to go into the hog market to support prices or, if it does, it will be only for a short period late in the fall.

The increase in beef cattle numbers was, of course, not reflected in the supply of beef last year. Rather, cattle that would have otherwise gone to the slaughterhouse was retained for breeding purposes. The increase will not show up much in 1950 if herds are to be built up further. However, the very high price for cattle in the past months indicates that more beef would have been eaten if it had been available. Prices of beef and pork have been surprisingly independent of each other; that leads to the expectation that even as more beef will become available, pork consumption will remain high. That is, if employment remains high.

The Dairy Surpluses

The situation is much more difficult, however, as regards dairy products and eggs. The increase in dairy cattle of 200,000 from its wartime low is too slight to increase the supply of milk or the utilization of feedgrains perceptibly. But production per cow has been rising steadily, and may still go up further, due to better feeding methods and increased ratios of concentrated feed. However, increased ratios of oilmeals and other high-protein feed have been of greater importance than those of corn and other feedgrains: corn fed to dairy cattle is a relatively small percentage of the total utilization of corn and other feed grain.

Per capita consumption of liquid milk and cream, in spite of an average 4% decline in retail prices over the year, has not increased; in fact, it decreased from 387 pounds per person in 1948 to 382 pounds, and the BAE expects a further decline in 1950 to 370 pounds. Milk that cannot be otherwise used goes into the manufacture of butter. The government buys, at a fixed price, the butter that the market does not take. In the past year the CCC bought 114 million pounds at 60-62c per pound, hoping that it would sell a good deal of it back to the market in the wintertime, when milk production is lagging. So far, however, with milk production holding up exceptionally well, the CCC has only sold 14 million pounds through commercial channels, and the butter is deteriorating. Already the CCC has offered Grade C butter for sale, although it bought only Grades A and B. It has also bought cheese and dried skim milk, so that the total outlay for dairy support amounts now to about $100 million. The government's butter purchases are sure to come into the limelight soon as the CCC sees its hope of getting rid of its stocks before the flush season starts disappear. It will probably be highlighted as much as has been the potato surplus and the situation will become even more difficult in 1950, since butter production will be higher still and consumption is unlikely to increase as yellow margarine will become cheaper in a number of States, a result of current legislation repealing long-standing Federal taxes. How many millions of pounds will the CCC have to buy this year, and what is to become of them? Butter exports of any importance on a commercial basis, even out of ECA money, are out of the question, as the European cattle herds have been nearly completely restored.

Dairy farmers did not share in the war and postwar farm profits. That is the reason why dairy cattle numbers diminished so much more percentage-wise than did other cattle: a number of cattle farmers found it more profitable until last year to sell their dairy cattle for beef. So the Secretary of Agriculture is rightly afraid that lower milk prices would leave the farmers with too little incentive to maintain their herds, and a decrease is undesirable, in spite of some overproduction now, in view of the nutritive value of milk and the increasing population.

Certainly the Secretary of Agriculture will ask for a trial run of his subsidy plan with dairy products, and here he would have a much better stand than with almost any other commodity. A rise in per capita milk consumption seems something like a national goal. Low-income families with many children cannot afford all the milk they should have. The question is: will a decrease in the farm milk price increase consumption? We don't know. In 1949 the decreases in the retail price of milk and butter did not increase per capita consumption as expected. Even a price reduction of nearly 20% in butter increased consumption by only 6%. A more drastic decline in the retail price of fluid milk should have some impact on milk consumption. However, here we are confronted with the problem of marketing and processing charges. While the retail price of milk fell by 4%, the price to the farmers fell by about 10%. The dairy farmer got about 54c of the retail dairy products dollar last year, and about 58c of the liquid milk dollar. Unfortunately, processing and marketing costs cannot be easily reduced, because they represent mostly labor and fixed costs which have not shown a tendency to go down thus far.

Eggs

The egg surplus has cost the Government in the past three years a great deal. Eggs were processed into dried eggs and stored, among other places, in the oft-quoted cave in Kansas. (Last year alone the CCC bought 63.8 million pounds at about $1.26 a pound.) During the war the British were happy enough to get dried eggs. But at the present moment, nobody in the world actually wants them. For all practical purposes, those eggs have been destroyed. Egg production is now at its post-war peak, since high support prices for eggs as related to feed prices had led to an increase in chickens (other than broilers) from 441 million to 481 million. Thus, egg production is higher than last year, when it was already too high. However, since the first of January the support price for eggs has come down. Farm prices have dropped sharply. Since the marketing charges for eggs are small — last spring and summer the farmer got 70-72 cents out of the retail dollar—retail prices have declined as much as 40 to 45%. At present, eggs are definitely cheap as compared with other high protein foods, and consumption seems to be on the rise. Also, it seems that the lower support prices will bring down the number of chickens in the second half of 1949-50. Consequently egg production in the last quarter of the year may be at least not higher than in the same period last year. Thus the signs are that with lower support prices the egg surplus will take care of itself, or in any event cost the Government much less than in the past years.

Potatoes

Most in the limelight of all surpluses, because the most wasteful in the long run, is the potato surplus. The acreage involved, less than 2 million, is so small as compared with our total harvested acreage of 352 million that the $500 million which the CCC spent on their support in the past years seems fantastic. The scandal, to our mind, is not that the surplus will be allowed to spoil. There is no other way out in the case of so perishable a commodity as the potato. The main mistake was in making prices so high and leaving production unlimited so that a huge overproduction was a clear inevitability. As the situation stands now, since the potato deteriorates so easily, to try to transport it to other continents to any large extent would only entail additional loss. Also, most European countries today, unlike in the war and immediate post-war period, have enough potatoes of their own. In fact, in 1949 the potato acreage was cut down in a great number of European countries because there had been an oversupply in 1948, even though in Europe potatoes are not only the mainstay of food, but also very important as animal feed. So there is very little that could have been done to save the potatoes from spoiling. Sending them to hospitals and other institutions, which is being done, means only that fewer potatoes will be bought on the commercial market by those institutions (though they will have some more money left to spend on other foods).

Higher use of fertilizer and closer planting as a consequence of high support prices have increased the yield per acre from 122 bushels in 1939 to 215 bushels in 1948 and 211 in 1949. But it seems to have gone unnoticed that, under the impact of acreage allocations and marketing agreements (though without marketing quotas) potato production has dropped in 1949 to 402 million bushels from a record 445 million bushels in 1948. Until January 1, 1950 the CCC had had to buy 15 million bushels of the 1949 crop as against 84 million bushels on January 1, 1949. This is a good showing. It is also interesting that the acreages just reported from the early potato states are below those of last year.

The Secretary of Agriculture has announced that he would like his support plan to be tried out for potatoes. He would let the potato price drop to its market price and pay the farmer the difference between the support price and the market price. This, he hopes, would increase the consumption of potatoes. However, the per capita consumption of potatoes has been falling, from 131 pounds before the war to 108 pounds last year. Not only in America, but also in other countries, the more and the cheaper high-quality, less starchy foods are made available, the less potatoes and bread are eaten. Before the war it was mostly the women who were watching the scales; now the men have followed suit. The Metropolitan Life Insurance advertisements about the longer waistline and shorter lifeline seem to have made a greater number of men conscious of the dangers of overweight.

But apart from that, here also the problem of marketing costs comes in. Of the potato retail dollar, the farmer gets only 50 cents. The farm price of potatoes would have to go down to nearly nothing before any appreciable increase in the demand for the spuds can be expected. Thus marketing quotas seem a much safer answer to the potato problem than subsidies.

How Much More Money Will the CCC Need?

The main outlay of the CCC in the past year was for wheat, cotton and corn. In 1948 flaxseed was another major item. In the 1950-51 crop year, which begins this July, it seems that mainly wheat and cotton will have to be supported. As to cotton, the outlay will probably be much lower than in the 1949-50 crop year because the cotton acreage will be restricted, unlike last year when it rose by 3.6 million acres in response to profitable support prices. Marketing quotas for cotton have been agreed upon, which means that the farmers have no incentive to increase the yield per acre. The wheat acreage has been restricted too, but the acreage is still very high in view of the domestic and export demand—at least 73 million acres, as against about 62 million before the war when the export demand was small, and 83.3 million acres last year. With average yields, the production will be as large as in 1948 when the yields were below average. If wheat production were to be 1,135 million bushels as indicated now if the weather is fair, the surplus would be about 100 million bushels (figuring with an export demand of 325 million bushels). This would make for an outlay of nearly $200 million for the CCC. It would also mean a further increase of the carryover of wheat from just over 400 million bushels this July to 500 million bushels in July 1951.

Lower Costs of Support in the Second Half of 1950 Expected

By now the costs to the nation of the farm program have become more evident. Public opinion has been aroused against such misuses as the spoilage of eggs and potatoes, though this was probably inevitable. Even among the farmers, there are conflicting interests among the various regions. Though price supports at rigid fixed levels are still upheld, at least for the basic crops, support price levels are otherwise being decreased. Basic crops are being put under acreage allotments first, and then under the sharper restriction of marketing quotas. As soon as the new policies have had time to work themselves out, let us say from the second half of this calendar year on, the costs of our agricultural program should decline. Much depends on the level of employment and the national income. If they remain high the farm income too should be high, though the record levels of 1947, should they ever recur, would probably remain a sign of general shortages.

Postpone Brannan Plan

With these piecemeal adjustments in farm output and prices going on, it will be worth while for our legislators to watch for another year before contemplating such radical steps as the Brannan plan.

Moreover, the difficulties even in giving away potatoes to schools and other institutions have made it evident that "production payments," that is, farm price subsidies, alone are not sufficient to achieve higher consumption through lower consumer prices. The "marketing charges," including the costs of processing and transportation, often take more than 50 to 60% of the consumer's dollar. Therefore, to bring the consumer price really down to a level which would increase consumption substantially, the Government would have to support processors and distributors as well as the primary producer of food, the farmer.

The changes which such a system of subsidies would bring about in our economy would be greater than anybody wants to see developed in the United States.

Currey to Be Partner In Bendix Luitweiler

David P. Currey will acquire the New York Stock Exchange membership of Herbert H. Lawrence and on March 23 will be admitted to partnership in Bendix, Luitweiler & Co., 52 Wall Street, New York City. Mr. Currey has been with the firm for many years.

Two With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Charles R. Gibbs and George A. Parker have joined the staff of First California Company, 300 Montgomery Street.

Frank Klutow Joins Shearson, Hammill Co.

LOS ANGELES, CALIF.—Frank Klutow has become associated with Shearson, Hammill & Co. as manager of the Los Angeles office, 618 South Spring Street.

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Continued from page 13

Pro and Con of Point IV Program

Another difficulty already mentioned is that public capital is available only on loan terms, which means that it has to be repaid and cannot remain as permanent investment. Here is the major unsolved financial problem of foreign economic development. The paradox is that what wants to be done can be done only in the wrong way, that is, by loans rather than by equity investment, and in a way which is often prejudicial to private investment.

Elements of Point Four Program

I go back now to the elements of Point Four as it stands today and propose to deal with each in turn. These are (1) the technical assistance program, (2) investment guaranties, (3) tax concessions, (4) bilateral investment treaties, and (5) private foreign investment.

The technical assistance program is embodied in a House bill introduced both by Chairman Kee of the Foreign Affairs Committee and Congressman Herter of Massachusetts. It takes the place of two earlier proposals, one an Administration measure and the other put forward by Mr. Herter as an integrated measure for implementing Point Four. The new bill is a compromise reached largely through the efforts of Mr. Herter, who has worked untiringly to secure a maximum of participation by private enterprise in the Point Four Program. In brief, the bill authorizes the President to extend technical assistance to foreign countries through agencies of the United States Government with the participation, wherever practicable, of agencies of the United Nations and private agencies and persons. The President's budget contemplates an initial appropriation for this purpose of $35 million.

The important feature of the bill from the point of view of American business is the statement of Congressional policy which precedes and conditions the authority to extend technical assistance. This statement of policy places emphasis on fair treatment of private investors, establishes standards for assistance to foreign countries whether of technical aid or of money, and makes it clear that the Congress intends that reliance shall be mainly upon private endeavor. Some of us had hoped that the bill would also carry a delimitation of the fields in which technical assistance might be extended through government channels, with the result that all other fields would be reserved for private enterprise. This distinction was thought not to be practicable by our government friends and, in any event, was not written into the pending bill. The measure has strong bipartisan support and should have a good chance of passage in its present form.

Technical Assistance Small

The amount suggested for technical assistance for the first year is small. It is small not only in terms of some original aspirations at home and abroad but also small in terms of the vast underdeveloped areas which may seek technical assistance and the very numerous types of technical assistance programs which may be brought forward. In this sense, the first-year program is not likely to cause much excitement in foreign countries or to cause much concern among taxpayers and champions of private enterprise in the United States. What the technical assistance program may eventually become out of these small beginnings is another matter. Washington experts insist that the immediate limitation is the lack of qualified technicians available to carry their scientific knowledge to foreign lands. What they must be thinking of is the limited number of technicians who might be available to go abroad under government auspices. The number which would be available from private enterprise under appropriate incentives and safeguards would be many, many times greater.

As regards the proposed investment guaranties, there is a wide division of opinion in both government and business circles. The pending legislative measure would, as I have already said, empower the Export-Import Bank to guarantee private investments in foreign countries against two risks: one, the risk of inconvertibility of foreign currency derived from an investment; and, two, the risk of loss resulting from expropriation, confiscation, or seizure by action of public authority.

Investment Guaranties

There is in the current investment guaranties extended by ECA through the agency of the Export-Import Bank a precedent for the first type of guaranty, that is, the guaranty against inconvertibility. The authority given to ECA to guarantee new dollar investment in ERP countries against this risk has been sparingly used. Guaranties issued to date amount altogether to less than $5 million, as compared with an authorization for this purpose of $300 million during the first year of ECA operations and $150 million during the second year. There were complicating factors present in both years, but the fact remains that American investors have shown very little interest in guaranties against the risk of inconvertibility as regards new investments in ERP countries.

One reason for this lack of interest is, of course, the general reluctance of American capital to go to Europe in the face of present political and economic uncertainties with or without the protection of convertibility guaranties. Whether the interest would be substantially greater if the ECA guaranty extended to other risks of foreign investment, including war risks, would depend upon prospective rewards, as compared with alternative investment opportunities in the United States and in other parts of the world. Where investments have been made in ERP countries without the protection of an ECA guaranty, the reasons for foregoing it would include the cost of the guaranty in relation to expected return on investment, willingness to rely upon assurances of convertibility given by recipient countries, and unwillingness to seek the formal approval of a foreign government, as is required, or to pass an investment proposal through the ECA machinery.

Intrusion by Government

Business sentiment towards the proposal to give the Export-Import Bank guaranty powers without geographic limitation seems to have crystallized in opposition. There is a numerous group of business men who object to the proposal on principle because it represents to them another intrusion by government into the sphere of private business. Those who hold this view usually contend also that United States Government guaranties would have the effect of relieving foreign countries of their incentive and rightful obligation to create a favorable climate for foreign investment if they wish to attract and retain outside capital. There is the related argument that Export-Import Bank guaranties, if applied as intended only to new investments, would be prejudicial to existing investments, which would not enjoy the same protection or the same status in the eyes of foreign governments.

Opinions Differ on Government Guaranties

There is a minority opinion which favors investment guaranties by the government, or which at least does not object to it on principle, because of the chance that it may be an effective means of stimulating a larger flow of private capital to foreign countries and conceivably be so administered that there will be no net loss to the government in the long run. There is also what might be called a middle view, which is that government guaranties of foreign investment risks may possibly provide some stimulus to foreign investment and may be taken advantage of under some circumstances by corporations investing abroad, but that they can never be a satisfactory substitute for a favorable investment climate in foreign countries and can therefore never by themselves serve in any important way to increase the flow of private capital to foreign countries.

Whatever the correct view of this matter, the Administration will press for early action by the Congress authorizing the Export-Import Bank to extend investment guaranties. Incidentally, there is obviously no compromise between the government position on this issue and the majority business view because the Export-Import Bank will either have guaranty powers or not have them as Congress decides. However, the Bank will be left with widest discretion in the application of its powers. The indications are that the present management of the Bank proposes to use its powers, if it receives them, in a cautious way, and that it does not expect the amount of guaranties issued over the next few years to aggregate any large sum. There is also indication that the Bank expects its investment guaranties to be sought largely by small investors unaccustomed to foreign operations or unable to cope unassisted with the risks of foreign investment rather than by present large corporate investors. The latter now generally oppose the extension of guaranties on principle and are usually able to protect their interests abroad without extraordinary government assistance.

It may be noted that, whereas there is some experience already with guaranties of convertibility of return on foreign investment, there is no experience on underwriting "loss from expropriation, confiscation, or seizure by action of public authority." This would involve the determination of value of investment for purposes of compensation in the event of loss without prompt, adequate, and effective compensation, as the phrase goes, by agreement both between the Export-Import Bank and the assured and between the Bank and the government of the foreign country concerned. The legal and other problems involved are intricate and troublesome.

Tax Concessions

The tax concessions on foreign income proposed by the Administration consist of (1) postpone the tax on corporate income earned abroad until it is brought home; (2) extend and generalize the present credit for taxes paid abroad; and (3) liberalize the foreign residence requirement for exemption of income earned abroad.

The first of these proposals would encourage the reinvestment of earnings from foreign investment by making the Federal income tax applicable only to income brought back to the United States. The second would reduce the total tax burden on foreign operations by extending the allowance for taxes paid abroad to income on investments representing less than a majority ownership and by giving additional recognition to losses as well as gains on operations abroad. The third is intended to encourage American technicians to go abroad by exempting from Federal income tax earned income of an American resident abroad from the time he becomes a bonafide resident abroad (instead of requiring that he be resident abroad during the entire taxable year).

New Investment Stimulus

These concessions are certainly to be recommended, although I get no clear sense of their probable effectiveness in stimulating additional investment abroad. The Treasury and the Administration do regard them as important concessions to corporations operating in foreign countries and believe they will provide a substantial stimulus to new investment. A further endeavor in the same direction is the negotiation of tax treaties with other countries to eliminate double taxation and for other purposes.

The negotiation of bilateral investment treaties is going steadily forward. A treaty with Italy has been duly ratified and is in effect. Treaties with Uruguay and Eire have been signed and await ratification. Negotiations with Brazil, Colombia, France, and India have been publicly announced, and negotiations with other countries are under way or in prospect.

Laudable Effort

This effort on the part of the United States Government to obtain formal assurances of fair treatment for United States capital invested in foreign countries is entirely laudable and should have the full support of the business community. Indeed, much of the impetus behind the effort and many of the provisions of the treaties already negotiated or under negotiation have come from private business. The International Chamber of Commerce and its United States affiliate, the U. S. Council, brought forth last year a "Proposed Code of Fair Treatment for Foreign Investment" which was a detailed and comprehensive statement of the assurances which the international business community considered necessary and appropriate on the part of foreign countries seeking outside capital. Other business groups have closely studied the provisions of the treaties already concluded. The consensus, I believe, is that the treaties are generally satisfactory, although some reservations are offered, as for example regarding the recent treaty with Uruguay to the effect that the transfer of earnings is not given sufficiently high priority in the event of exchange restrictions.

These bilateral treaties, entered into in good faith and carried out in good faith, will certainly be beneficial both to American investors and to foreign countries in which American capital is invested. However, it must be recognized that no form of intergovernmental agreement can of itself create a favorable climate for American private investment abroad. Performance will always be more persuasive than promises, and American investors will continue to look to the performance of foreign countries in their treatment of foreign investments as the acid test of climate. Furthermore, there are many intangible elements summed up in the word "climate" which can never be reduced to the terms of a written instrument.

Other Obstacles to Foreign Investment

It is not to be supposed that all, or even most, of the obstacles to foreign investment can or will be removed by international agreements, by investment guaranties extended by the United States Government, or by any other means. If the risk of inconvertibility is reduced by agreement or eliminated under an Export-Import Bank guaranty, the risk of depreciation of foreign assets will remain. Even if flagrant forms of discrimination against American investors are eliminated by unilateral action or by bilateral treaties, there will remain the threat of what has been called creeping expropriation through burdensome taxes, labor laws, and welfare legislation. Even if the threat of actual expropriation without prompt, adequate, and effective compensation is eliminated by treaty or guaranty, no investor will knowingly incur the trouble and expense of establishing a foreign operation only to have it taken away from him, even with compensation, after it has become a going enterprise.

There is also nothing which will remove the present chief deterrent to foreign investment, which is the high return on domestic investments free of the peculiar risks of foreign investment. The average earnings on American corporate investments abroad appear quite favorable in an absolute sense. The rate of earnings on value of investment in 1945, 1946, 1947, and 1948 was 9.2%, 12.2%, 15.2%, and 17.1%, respectively, after foreign taxes. However, domestic investments in roughly similar industries earned in the same years 7.7%, 9.1%, 12.0%, and 13.8%, respectively, on net worth after U. S. taxes. On the basis of this sample, the difference in the overall rewards from investments abroad and investments at home is not very great and would seem hardly sufficient to offset the additional risks of foreign investment.

American Postwar Foreign Investments

Despite this comparison and despite all the obstacles to foreign investment, American capital continues to go abroad in substantial volume. During the four postwar years 1946-1949, new investments in foreign countries by American corporations exceeded $4 billion. In prewar times, this would have been accounted a phenomenal amount of new investment. It appears small in its postwar setting for several reasons. First, it is small as compared with the amount of government loans during the same period and very small as compared with government grants to foreign countries. Second, it is small in comparison with the dollar gap, which has ranged between $10 billion in 1947 and $5 billion in each of the years 1948 and 1949. Finally, the amount of new investment is discounted on the ground that such a large proportion of it consists of oil investments in Venezuela and the Middle East motivated by special and perhaps temporary incentives.

These comparisons tend unduly to depreciate the current flow of private United States capital to other countries. I think the record is impressive and considerably better than might have been anticipated in view of the uncertainties of the postwar world. Furthermore, the record of postwar investment throws considerable light on the ruling compulsions and motives which induce American corporations to put money abroad. The compulsion in the case of the oil industry and other

Continued on page 34

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Continued from page 33

Pro and Con of Point IV Program

extractive industries is to find additional sources of raw materials in order to maintain and expand their operations. With respect to oil, this may be a declining compulsion. The ruling motive in the case of manufacturing companies is to jump over trade barriers and currency restrictions in order to hold existing markets and enter new ones. Since I believe the difficulties of direct export from United States plants to foreign markets will increase, I believe this motive affecting manufacturing corporations will become stronger rather than weaker over the next period.

Whether the rate of total new investment abroad by American corporations will continue at $1 billion per year is problematical; whether it will rise to some higher annual rate is even more problematical. Incentives to foreign investment are blunted by persistent deterrents to investment. Socialistic tendencies and economic nationalism affecting many foreign countries threaten the suffocation of private enterprise or expropriation of private holdings. Exchange controls are almost everywhere in effect, and the prospect is that they will continue indefinitely into the future. Overhanging all is the spectre of another incalculably devastating war. And there is always the counter - attraction of profitable and relatively riskless investment at home.

Paradox of Point Four

Here is the paradox of Point Four which lies in the contradiction of attempting to enlist private capital in fighting what is essentially a part of the cold war against Communism. American business is urged to step up the rate of foreign investment, but under conditions which are far from propitious. Yet Point Four will become an important economic and political force only if the rate of private investment is maintained and increased. There is no other plausible way in which the benefits of American technology and American capital can be carried effectively to the underdeveloped areas of the world, no other way in which our own foreign trade and international trade in general can receive the lasting stimulus of sound investment.

Everyone interested in foreign trade should therefore lend his full support to government and business efforts to improve the climate in foreign countries for private investment. The United States Government should concentrate its efforts on the same objective and not be diverted from its course by false expedients in the guise of short cuts. The whole history of the western nations demonstrates that, under conditions of political and economic freedom, there is no easy or short road to economic development. The really incredible performance of the American economy, both during and since the war, should be proof enough that it can be achieved most rapidly and most efficiently under a regime of free competitive enterprise. Governments can and should take measures to encourage and facilitate private investment and private enterprise. It is a fatal mistake, however, to suppose that governments can replace private endeavor in the process of economic development.

Continued from page 12

Buy $2 Billion Yearly From Europe and Save Marshall Plan

getting up against the hard reality.

Western Europe is not saved from Communism. It is saved from Communism for the time being—period. And what will happen when Congress does not appropriate more? France and Italy both can still go Communist by free choice within the space of five years if things get bad. I don't believe that is going to happen. I am not speaking alarmingly, but I am insisting that the fundamental job of having a Western Europe which is basically, democratically and economically sound and can at least maintain its present standard of living, that job remains to be done. We have not touched it yet. But we must, therefore, ask ourselves, what will it cost us if we don't get this job done? If we do not prove capable of finding the means of going ahead? What will it mean if Western Europe does go Communist?

One thing, I think you all know, it would mean. If Western Europe goes Red, where we spend $15 billion for defense this year, we will certainly spent $30 or $40 billion within 18 months. That is more in 18 months than four years of the Marshall Plan will cost us.

There would be no alternative as you can well see. We should have to double or triple our own defense expenses if Western Europe went Red. Therefore, the cheaper way, even if it means giving away some billions for some time, the cheaper way, certainly, would be to take the course which with our help can keep Western Europe free and solidify it in a free condition—and to make sure that we do it.

Well, the cost to us? Yes—if Western Europe goes Red, it is terrible and almost unbearable. The cost to us to prevent its going is still going to be very great. One of the top economists of the Myrdal Committee said to me, after exploring this for an hour, very thoughtfully, and he was a man speaking with great objectivity and not representing any one government; he said:

"I don't think there is any way to avoid giving away dollars—not for many years."

A man who is spending all of his time trying to find the answers, one of the most qualified minds in the whole of Europe! "I don't think there is any way to avoid giving away dollars—not for many years." Now, that is bad news, isn't it? I am a taxpayer, too. That is bad news. It will be more bad news if the American people, beginning with our responsible men in the professions and business, do not get straight on the reasons for this. It would be terribly bad news if this very unpleasant fact should become the football of men's prejudices, their emotions, their hysteria, rather than our solemn thought.

I am not saying this to you as one who considers himself an economist. I am merely a reporter, working for "The Reporter," but I know that this is a fact. Now then, if we are going to have to give away large amounts of dollars for some years to come, surely it behooves us to start occupying our minds (as citizens as well as a government) in figuring out how can we give away the least; what else can we do to avoid having to give away as much, and certainly we must, if we even ask ourselves these questions, certainly we must then recognize one fact. So far, since the war ended, we have been doing nothing but improvise to meet one of the greatest crises of centuries. UNRRA was sheer improvisation; the Marshall Plan was another improvisation, bigger, yes, but pulled out of a hat. It stands to reason that in a world revolution you are not going to be able to pull very many rabbits out of a hat, and get the right rabbit. And if you do pull them out, you may find some unpleasant things about the rabbit when you get it.

So we have not yet come to the decisive point, but we are coming to it immediately in these next six months; immediately in these coming few months when we must face the question, How can America save the West, both Europe and the Western Hemisphere? How can we do it? Obviously, nobody else is going to be able to do it. If America can't, we are sunk.

How can we save the West? Well, first of all we have got to find a means of doing it which will greatly reduce the dollar dole. We are not going to find ourselves rich enough, nor our people so openhearted as to accept our giving away several billions a year for another five or 10 years. And yet, if these billions are not found one way or another, we are going to have a very serious depression both in America and in all the West, a serious depression.

In Sunday's New York "Times" a special investigating mission which ECA sent for 10 weeks to Europe, the consensus, summary of its report, was published; a special commission headed by Wayne C. Taylor; 200 pages in this report. Gentlemen, if you have time to do any reading whatever, and if you are interested in having something to sell and a customer to buy it, I would say the Wayne Taylor ECA report is one of the most important things you can read. And I think anybody in business in America who does not read it, and read it carefully, is too foolish a man to remain in business long.

We are coming up against the rock bottom problem of what our own prosperity is likely to be; how much we may or may not have; whether we can save the West; how we are going to use our billions if we are going to keep our kind of a free society and get some profits along with the freedom.

Three weeks ago I gave my first talk before a little group over here at the Advertising Club to warm up for you folks. I did not want to come in cold, and I cited in that talk three choices that we have. In the Taylor ECA Report, I found the same three choices by these experts. They had added a fourth which I had not mentioned, because it seemed to me it was so disastrous, you could not count it in. So it was a certain amount of gratification to find that my own little independent investigation at least had the support in its findings of this very highly qualified investigating committee.

What are our choices? One, to continue giving billions of dollars away; giving billions. Not for two more years, but for many more years.

Two (this is the one I omitted), to allow our exports to fall off to the level of our imports and resign ourselves to getting along without that business. And so we would have economic stagnation at home, and abroad. No solution, obviously.

A third choice is to build up loans and investments abroad, with United States private capital and to such a large degree that the dollar gap of our Allied nations of the West can be closed. But I have not yet met an expert who will admit or say that it is possible for us to invest enough abroad and fast enough—enough billions to close the gap that way. That is part of the solution, they say, but it is only a part.

The fourth choice is what experts see as the combination, the only other alternative to close the dollar gap abroad by buying more from abroad to the tune of a very large amount—$2 billion a year, maybe, plus making very large U. S. private capital investments abroad.

The Taylor Committee says we must buy and consume $2 billion more of imports per year from the Marshall Plan countries than we are now buying—$2 billion. That sounds pretty steep, doesn't it? Sounds like that would knock some of our businesses at home pretty badly. Wait a minute! That same Committee presents figures to show that in 1937 we were buying the equivalent of 2% of our gross national income from these same Marshall Plan countries, and our present schedule, now as of this year, is only 1.2%, one and two-tenths. So these $2 billion extra that we need to buy to enable Europe to maintain its recovery, would only bring us back to the percentage of European imports we were absorbing in this country in '37 before America doubled its productive capacity.

From my conversations in London and Paris, in Rome and Geneva, Athens, and in Germany, there is no question that President Truman's Point Four (which has been neglected and sneered at, and which is only asking for $35 million this year to make a study as to how we can provide the know-how for undeveloped countries, and the techniques and technicians)—that Point Four is going to be enlarged, and must be enlarged, into billions of dollars if we are going to have reasonable prosperity in the United States for the next decade.

That seems the only alternative we have—buying much more from abroad—and investing large sums overseas—if we do not want to continue giving billions away. That is not a pleasant choice, is it? No, not pleasant. But not impossible either, because we all know the one way for Joe Stalin to win the world is for America and the other western countries to go into a major depression—unemployment, hunger and despair for a period of a few years.

Such a depression can be prevented. But what we do in the next two or three years is going to decide whether we prevent it or not, whether it comes within five years or longer. How much we think, how much we understand, the choices we make, will be decided in the years immediately ahead of us, beginning with the next 12 months.

Continued from page 10

More Risk Capital or Catastrophe!

and an increase in our standard of living—the consumer benefits.

There are a lot of prices for goods and for services and some wage rates that might well be reduced in the best interest of us all—I predict that you will see a substantial number of rate and price reductions within the next few months. But as long as government continues to regard such reductions as a national tragedy and uses its revenues to artificially obstruct these natural corrective movements, the flowing river of our economy will continue to back up behind these series of hastily constructed dikes, necessitating further and more expensive dikes. But the level of surpluses still rises higher and higher until finally us poor folks in the service industry lowlands downstream get so we don't sleep well at night.

I believe that I speak the thought of many in the service industries when I say that we think that government price supports, government lending for housing, government support of labor demands for shorter hours and earlier retirement age have gone too far and we would like to see a progressive relaxation of such measures and mix a bit more of the "bust" with our current "Boom" instead of building up to a cataclysm of 1929 proportions, or to one even bigger.

I think that our watchful comrades in the Kremlin are giving hearty approval to our current concept that everything must always move up, never down, and that the bottomless United States Treasury is a sovereign specific for every human ill.

Depressions, a Corrective

I dimly remember some of the events of the depression of 1907 and I well remember all of the various depressions and recessions that came later, and I don't share the politicians' morbid dread of even a slight downturn in the business indicator. I am certainly not arguing for depressions as a good thing, but in my experience even at their worst, here in America a depression is merely a time when some people are forced to do without things that their parents never had.

What scares me is that in refusing to permit minor corrections in the commodity market and in the labor market we are, in effect, tying down the safety valve and insuring that, when the explosion comes, it will be so violent that outside folks will have to come in to pick up the pieces.

That's the only way I can think of a Five-Billion-Dollar Federal Deficit in a Boom Year like 1949 —Tying down the safety valve!

Perhaps I am overconcerned about these things. Perhaps I scare too easily. Mine is a service industry and to survive one has to either be lucky or develop an extra sensitivity.

A service industry is seldom indispensable. It can price itself out of the market almost without knowing it. Allow the quality of service to drop and your customers will switch to alternatives without even bothering to register a complaint.

Of course that's not peculiar to service industries. Look what happened when the railroads hiked their rates just a little above truck rates!

Coal once had a monopoly, but give us three more years of interruptions and uncertainties, with the resulting switching over to alternate sources of heat and power, and John L. Lewis can impose a permanent shut-down without involving much more than irritation and inconvenience to the average man.

To stay where you are in any line of business, even those sometimes referred to as monopolies, you have to run like anything.

To survive in this competitive world of ours one must not only render a better, cheaper and more satisfactory service but you must also convince your customer that you are doing so.

We don't have much Bigness in the Service Industries, and we have nothing of Monopoly, but Competition we have in abundance.

We don't have any big National Chains of Warehouses or Laundries or Beauty Shops.

We don't attract much attention when we are born and we don't make a very big splash while we are alive and our demise is us-

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ually unobstrusive, but ws make up for that in numbers. Like Lincoln's common people, the Lord must love the service industries because he made so many of us.

If the Federal Government ever starts in to "protect" us service industries against each other, it will have to quadruple its personnel and its budget because most service industries know neither rule nor formula in their devil-take-the-hindmost existence.

Alertness, Demand and Supply, Adaptability, Ingenuity they do know or must quickly learn in order to survive.

Fed-Up by Controls

The country is getting pretty well fed-up with these constant efforts to tinker with our economy—to institute controls for the sake of controls. A benevolent government, providing cradle-to-grave security whether you want it or not, is fine for mental defectives. And if we embrace such a system we are mental defectives!

We are getting fed-up with government-kept economists (and with some of their bosses) who strut like roosters claiming that daylight came just because they crowed!

Under a free market economy from 1840 to 1940 we actually increased our American standard of living seven times!

With the advantages of modern technology we can increase it another seven times between 1950 and 1999 if they leave us alone.

But we can't do it with a horde of vengeful and spiteful little men clothed with vast powers of governmental authority continuing to interpret and administer and distort laws and regulations to fit their belief that all profit is evil, that bigness is monopoly, that outstanding success in business can only be gained through dishonest connivance.

The A&P case is a good example, and I certainly honor the A&P for the grand job they did in showing up the pettiness of the charges against them. If we all had the guts to fight that way, we could soon restore a free market economy in America.

Civilization is on the march. A Golden Age of improved living standards can and will come within our lifetime if we permit the channels of incentive, of competition, of production and of trade to flow free and unobstructed.

The Reactionary would dam this stream of Progress.

Today, some of our most effective Reactionaries call themselves Liberals and seek to impose controls and restraints upon production, on wages and conditions of work and upon the distribution of the fruits of labor, expropriating these fruits through confiscatory taxation.

Today we see the melancholy spectacle of a gullible citizenry bring bribed with its own money, accepting at face-value the promises of political adventurers, each adventurer under the guise of a prophet of better things to come seeking to outbid every other adventurer with promises of more and better benefits, more and more security through more and more controls, the whole founded on the shifting sands of government credit.

Our danger is not from any dramatic abandonment of the American way of life, but from a leaking away of principles — a Creeping Socialism that under the guise of conferring this or that benefit almost imperceptibly engulfs our nodding citizenry. Does anyone believe that a Socialist Commonwealth can do without coercion and compulsion? Look at England, for so many centuries the strong bulwark of individual freedom. England today, by law, may jail a man who refuses to work at the job assigned to him under the unemployment system! Is that Freedom? Is that Happiness?

Here in America can a member of the United Mine Workers rightly be called Free Labor? No, gentlemen—we don't make progress that way—not through compulsion. As Ludwig von Mises points out:

The abolition of slavery and bondage is to be attributed neither to the teachings of theologians and moralists nor to the generosity of the masters.

Servile labor disappeared because it could not stand the competition of free labor. Its unprofitability sealed its doom in the market economy. Rome became great when she traded the slavemaster's whip for the freeman's participation in the market economy.

A great new world of glittering promise lies just over the horizon. Shall we push the horizons back even as Columbus or shall we retreat and huddle together in the fancied security of the Welfare State?

Today I glimpse almost unlimited markets for our Service Industries—and for all industries—Progress—Prosperity—Enhanced Living Standards. These markets are there just over the horizon, ready for the taking by him who develops them and earns the right to serve them.

The only real obstacle to this vast new progress is this growing authoritarian complex of our government.

Sometimes I get a little put out with our Government!

Continued from page 14

We Have Best of Gold Standards

—to give the community a monetary system well managed, and one which has as its objective a stable economy, one that works well.

Don't get frightened by this term "managed money." If we would only realize it, the very concept of managed money is the opposite, the very opposite, the very contradiction of the concept of managed economy. The management of the monetary system is the classical method of making the economy behave the way you want it. It is the method of Adam Smith and David Ricardo and John Stuart Mill, to manage the monetary system. If you want prices down or want to prevent them from going up, you don't slap down price controls or something else. What you do is to operate on the monetary system and let businessmen adjust themselves to it. So don't get frightened by this term "a mistakenly managed monetary system." It merely means a monetary system in which the Federal Reserve System, the Federal Reserve Banks, are aware of their responsibility. And it is because I want such a system, a system which allows businessmen to adjust themselves within the framework of a monetary policy—and after that they are free to do as they please—that I want a monetary system that cannot backfire or start an explosion which will end in disaster.

Gold in International Relations

Now, on the international side, what is it that we want in international monetary relations? It seems to me that what we want is a monetary system which will let American businessmen and English businessmen and French businessmen and Brazilian businessmen deal with certainty, know what they are doing.

Now, you can say that a gold standard will do that. It will do that, and there is absolutely no need for having gold coins for that purpose. If, in fact, every country were prepared freely to settle its international transactions in gold, we would have an international gold standard, whether or not somebody in Sao Paulo or somebody in Chicago—(they are much alike, those two wonderful cities)—or somebody in Marseilles can get a gold coin. That does not seem to me to be the essence of it at all. But if businessmen can deal, knowing that the currencies they are dealing in will have a value, that they can be freely used, that they can engage in these transactions without fear of restriction, then you have what you want in the monetary system.

Here is what I mean: I mean that when an American businessman exports to Brazil, he makes his contract in dollars, and I see no reason why he need be a bit disturbed about the stability of the dollar. As Professor Robinson said, since the establishment of the International Monetary Fund, it is quite impossible for the value of the dollar in terms of gold to be changed without Congressional action. That was written into the Bretton Woods Agreements Act and I was one of those who wanted it in there.

Now, an American exporter sells to a Brazilian importer. He makes the contract in terms of dollars. There is nothing wrong with that. He is glad to have the contract in dollars and there is nothing to be afraid of as to instability. What he is much more disturbed about is the question of whether, when the time comes, the Brazilian authorities will make the dollars available to the importer to pay the exporter. That is the essence of the gold standard that is important—not that any Brazilian can get gold, but that a Brazilian *importer*, who must make a payment to a North American exporter can know that he will get the dollars for that purpose. In short, what is important about the gold standard is exchange stability and absence of exchange restrictions—and I might add to that absence of other types of restrictions which have the same effect as exchange restrictions.

Now, that I think is an objective well worth having. I think so much is it an objective well worth having that we attempted through the Bretton Woods Agreements, through the International Monetary Fund, to establish precisely that policy; that the currencies of all countries that are members of the Fund shall be defined in terms of gold, that the exchange rates for these currencies shall be kept stable and exchanged only with the concurrence of the Fund, and that people shall be free to make payments for current business without restraint from their monetary authorities.

So far as I can see, that is all the gold standard can give you, and that, it seems to me, you can get without seizing on the circulation of gold coins.

I would like to link these two things together. I believe that the prosperity and well-being of the world will depend upon international trade, international investment. I believe that international trade and international investment will depend upon the stability in international currency relations, upon freedom in international currency relations, upon giving a square deal to the investors and exporters of the other countries.

It is a pleasure to see countries, who want investment, aware of their responsibility in the job. The new series of treaties that the United States is entering into, the arrangements with Brazil and other countries for encouraging American investment, seem to be all to the good.

What I want to do is to link the first part of my statement with the second. Unfortunately, our experience shows that you cannot count on exchange stability and freedom in exchange transactions, except in those countries in which monetary policy domestically is wise and restrained. The biggest threat to exchange stability, the biggest threat to freedom in exchange payments, in the transfer of funds for current business, comes in those countries in which the monetary authorities have unfortunately not been aware that restraint, conservatism, good sense, wisdom in dealing with their domestic fiscal credit and monetary policies, is the *sine qua non* of a strong international payments position.

Danger of Gold Coin Standard Comes in Crisis

All of these things you see—I am not disagreeing with Professor Robinson at all. We are disagreeing about a fringe—about an utterly unimportant thing. He wants it, I think, merely for old time's sake. I am afraid of it because I can see how dangerous it can be—not ordinarily because, as Professor Robinson said, if you give people the right to get gold coins now, there would not be much demand in the United States. It is what would happen in times of uncertainty, when people are not thinking clearly, when they don't care about what the effect of what they do is on others, when they are trying to salvage a bit for themselves and what they see as impending ruin. That is the danger.

If people don't want gold coins now, it cannot be very important to them now. It is for assurance of the future. The assurance I want for the future is not that every Tom, Dick and Harry can have a little sack full of gold coins, with an insolvent banking system, but that he can have a deposit and be sure of being able to withdraw it when he wants it, in a solvent banking system. That is the difference. I am afraid of the evils that may come. I am not aware of any great good that can come from the giving of gold coins. As of today, I agree with Professor Robinson. It does not make any difference. There are more important things than that.

Continued from page 11

Earning Power of N.Y. City Banks

fore, all the more pressing in the New York City area.

Banks Vary

This pressure naturally varies from bank to bank, depending upon the special conditions peculiar to the individual institution. Deposit-capital ratios, while averaging 10 to 1 in New York City, range from a high of 16.5 to 1 to a low of 4.2 to 1.

Why are there such variations here? The condition, while striking under present-day circumstances, is one that has been developing since the Banking Holiday in 1933. But let us compare the situation as it exists today against the period during the two years just prior to Pearl Harbor. Six large Wall Street banks whose combined deposits averaged 57.5% of the Clearing House totals for the 104 weeks ending Dec. 31, 1941 showed an average of only 43.5% for the 52 weeks ending Dec. 31, 1949. This represented a loss of position of 14 percentage points. Based on today's Clearing House totals of $22 billion, this loss of position amounts to $3 billion for these six banks.

The whole still being equal to the sum of its part, the $3 billion, however, has not just disappeared but is held now by other Clearing House banks. These other banks with the higher deposit-capital ratios that resulted are, therefore, now enjoying greater earning power on their stockholders' money. These are the banks having broader contact with the public, merchandising their services most effectively to little business and generally providing a retail type of operation.

Within the limits set by today's difficulties, these banks are in the more favorable position. They have succeeded in making progress, having adapted themselves to existing conditions while attracting deposits from their competitors. For this reason, since their capital is fully employed, they are less likely to acquire other banks of important size. But they, too, are faced with many of the same problems of maintaining earnings which confront the other banks.

On the other hand, banks with the lower deposit-capital ratios find themselves in a better position to solve their problems by utilizing their excess capital in the purchase of banking institutions, thereby acquiring existing facilities, branches and deposits. Within the last two years, five New York City banks have already been absorbed by this process.

Realignment

The situation would appear to be self correcting. So compelling are the circumstances, that banking capital in New York City is being forced into realignment. Capital of acquiring banks is replacing the capital of retiring banks, and stockholders, aware of the implications of this development, have become increasingly sensitive to the situation.

The realignment process reduces the duplication of facilities and results in greater efficiency in operation and more effective use of funds. All of this, of course, provides large economies in operating costs.

Of more importance in the process is the fact that surviving banks increase their deposit-capital ratio and with the additional deposits and facilities acquired, immediately improve their earnings. The pressure on management is eased.

While this process offers a solution to the immediate problems, when carried too far it can be contrary to the community's best interest. The country's business requires that our New York City banks remains strongly capitalized. To attract and hold banking capital, earning power is required large enough to provide a reasonable accumulation of reserves as well as a fair return to investors. In good times like these, reserves should be built up to cushion the shocks and readjustments of bad times. The monetary and banking authorities should determine the extent to which their policies and decisions are restricting banks from realizing adequate earnings on the capital supplied by these investors. A question which can properly be raised is the necessity of continuing to discriminate against the banks in New York and Chicago on reserve requirements.

The long range solution to the problems of banking, consistent with the public interest, can only be met by the continuous cooperation of practical, realistic governmental agencies and of forward looking bankers, aware of their responsibilities to their stockholders and the country's business.

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Continued from page 3

A Test of Speculative Behavior

moving both up and down even though the general trend of prices remains level.

Organization of the Study

A class of about 40 students in investment made up the "subjects." From this group, 33 usable sets of data were obtained. Each member of this group started with a theoretical fund of $20 000 which was required to be invested in a group of six stocks. These stocks were designated simply as A, B, C, D, E, and F. The dividend paid on each stock was indicated as well as the regular dividend dates. Dividend dates were made on a semi-annual basis for convenience. The stocks were also assigned quality ratings and a statement was made concerning the previous price trend of each of the six stocks. The per share earnings of each stock for the preceding 12 months was also given and as the experiment progressed new 12 month earnings were announced. The purpose of these ratings and dividends will be evident later. It is sufficient here to say that we were interested in investor-speculator reaction to certain dividend yields and price-earnings ratios.

The opening prices of the six stocks were placed on the blackboard and students were instructed to arrange the investment of the theoretical initial fund of $20,000. Each student was furnished with a sheet of mimeographed general instructions and an adequate supply of monthly record sheets.

The opening prices were said to be those of January. Students recorded their transactions on a monthly record sheet designated as Month 1. As soon as these transactions were recorded the record sheets covering Month 1 were collected. Each student, however, before turning in a record sheet carried his "net position" forward to a blank record sheet which then served as the record sheet for Month 2.

As soon as all Month 1 record sheets were collected the prices of the stocks for Month 2 were placed on the blackboard. Students were furnished a blank summary sheet on which to record price, dividend, and earnings data as given and in order that each student would have available as the experiment progressed the complete cumulative data.

At the same time that the prices for Month 2 were placed on the blackboard, the dividends payable in Month 2 were written on the blackboard. Students credited themselves with dividends on stocks held. At the same time dividends normally due to be payable the following month were placed on the blackboard for information.

The experiment covered a theoretical period of 36 months and required six class sessions for completion. At the conclusion of each session the monthly record sheets of each student were segregated and audited. The security and cash position for the last month were verified and this position was placed on a new record sheet for return to the student at the beginning of the next session.

At the conclusion of the experiment the net gain or loss of each student was computed. This was done by deducting the total dividend credits from the value of the fund at the prices effective at the end of the thirty-sixth month, and substracting from this total the beginning fund of $20,000. The resulting figure represents the net capital gain or loss exclusive of dividend credits.

The transactions of each student were then arranged on individual summary sheets by stocks. The gain or loss of each student on each stock was then computed and total capital gain or loss of each student thus computed was checked against the capital gain or loss determined by deducting dividend credits and the initial fund from the value of the fund at the end of the thirty-sixth month. This was done in order to insure arithmetic accuracy and strict adherence to the price schedule as well as to measure the net capital gain or loss by stocks.

Reliability and Validity

Validity has to do with the extent to which a test or experiment measures what it purports to measure. Reliability has to do with the extent to which whatever is being measured is measured with consistency. It is clearly impossible to measure validity in an experiment of this kind. Validity of experimental evidence is determined generally by repeated experiment and not by internal analysis.

Our concept of reliability in connection with this study has to do with the consistency of the evidence concerning behavior patterns and not with the consistency of gains or losses. The evidence of reliability will therefore, be presented in connection with the tests of the various hypotheses. Even if we had desired to develop a formula for success in pure speculation, entirely divorced from consideration, it is improbable that this could have been done by looking for consistencies in gains or losses. This is true for the following reasons:

(1) It is reasonable to suppose that the same behavior patterns that make for speculative success in one situation may produce only losses in another situation. An extreme reluctance to accept losses is perhaps an attribute of a poor speculator. But given the proper price pattern, those speculators who are most stubborn about taking losses will be most successful.

(2) There is no doubt that luck is an important factor in pure speculation and it has not been demonstrated that there are consistent luck patterns.

(3) To a considerable extent it may be true that speculative art consists in knowing how to "push your luck" or to "ride a winner." This means experimenting and observing until it appears that a particular stock is dynamic and then concentrating resources on it, following it up without regard to intermediate declines. But if this is true, it is quite likely that the successful speculator will show large gains in one stock and small gains or even losses in others. In short, there will be no consistency in the gains on different stocks.

Luck in Initial Selection

There is evidence (omitted here) that luck in initial selection played a significant but not dominant role in determining final gains or losses. In view of the absence of opportunity for security analysis perhaps the significant thing is that luck was not more closely related to final results.

TEST OF HYPOTHESES

Hypothesis 1: "That security buyers prefer low-priced stocks to high-priced stocks where other factors are constant. Other factors refer to dividend yield, earning rate, and general measures of quality."

This experimental evidence does not support the above hypothesis. Stocks A and E were established as exactly alike in all respects except price. The likeness included dividend yield, price-earnings ratios, quality rating and pattern of price movement. The only difference was that stock A was initially priced at 180 and stock E at 20.

If there had been a preference for low-priced stocks that preference would presumably have been translated into a greater dollar investment in stock E than in stock A.

The aggregate initial investment of the group amounted to $173,700 in A, and $81,100 in E. The average investment over the 36-month period was $153,908 in A and $107,414 in E. In only five months of the 36-month period did the aggregate investment in E exceed the aggregate in A.

Twenty-two students had a larger initial investment in A than in E while eight had a larger investment in E. Three avoided both A and E. During the course of the test there was a drift away from A but it was not in the direction of E. At the end of the test, 14 students had a larger investment in A and eight had a larger investment in E. Eleven students were not represented in either A or E.

It should not be concluded on the basis of this evidence that investors or speculators have a preference for high-priced stocks as compared to low-priced stocks. While it is true that there was a larger aggregate dollar investment in A than in E, this was not sufficiently consistent to warrant such a conclusion. We can conclude only that price level as such, did not appear to be a factor in selection.

It is possible that this is related to the problem of the relative volatility of high-priced and low-priced stocks. It is widely believed that low-priced stocks are relatively more volatile than high-priced stocks and this is undoubtedly true. It has been shown[1] that high-priced stocks and low-priced stocks tend to fluctuate on the basis of equal percents of their square roots. But this greater volatility of low-priced stocks is not necessarily associated with their low pricedness. It may be due to the fact that low-priced stocks are commonly those of marginal or high leverage companies. It has been shown[2] that there is little difference in volatility between a group of high-priced stocks and a group of low-priced stocks where the stocks are paired to eliminate all differences except price. In other words, it appears that while low-priced stocks are more volatile than high-priced stocks, they are not more volatile because of their low pricedness. This suggests but does not prove that investors have no innate preference for low priced stocks simply because they are low priced.

It has also been shown[3] that when major stock dividends, or split-ups, occur, the new stock does not sell at a relatively higher price than the old. If there were an innate investor preference for low-priced stocks, it would appear that a major split-up or stock dividend which served to materially change the price level of a stock, would result in a relatively higher price.

Stock A (high-priced stock) was split up on a 2 for 1 basis in the 29th month. The evidence is inconclusive as to whether or not the resulting price reduction served to stimulate interest in the stock. Purchase in the month of split-up sharply increased but after this initial burst, purchases and sales were nearly equal. As a matter of fact the net position in equivalent old shares was almost exactly the same at the end of the 36th month as it was in months immediately preceding the split-up.

1 The relationship between price change and price level for common stocks, "Journal of the American Statistical Association," December, 1945, by Dr. Zenon Szotrowski. See also two articles by Harry D. Comer in "Barrons," March 13, and March 20, 1944.

2 Price Fluctuations of High-Priced and Low-Priced Stocks, "The Commercial and Financial Chronicle," April 21, 1949, by O. K. Burrell.

3 Price Effects of Stock Dividends and Split-Ups, "The Commercial and Financial Chronicle," Dec. 2, 1948, O. K. Burrell.

Hypothesis 2: "That there is a strong tendency to buy for the dividend, i.e., to purchase a stock when it is about to pay a dividend in order to receive the dividend."

The purchase of a stock immediately before the payment of a dividend has the effect of converting capital into income. Under ordinary circumstances, it results in the payment of a higher income tax than would otherwise have to be paid. It therefore appears to be illogical. It has never been demonstrated, however, that human behavior is entirely a matter of logic. Many brokers believe that there is a tendency to buy for the dividend.

If there is such a tendency, it is interesting to speculate as to why it exists. A possible explanation may have to do with instinctive attitudes toward saving and spending. It is pleasant to spend. It is difficult to save. Saving (when not carried to excess) is logical but unpleasant. Men have the capacity to take the easy and pleasant course but to rationalize their behavior and to pretend even to themselves that their action is based on logical grounds. Buying for the dividend may be merely a means of rationalizing the desire to spend rather than save. In other words, it may be a pleasant way we have of deceiving ourselves.

At least one non-experimental study[4] points to the possibility of existence of a tendency to buy for the dividend. This study had to do with the price effect of the payment of large accrued dividends in cash. It was found that in such cases the price was likely to fall by an amount almost exactly equal to the amount of the dividend. When a large dividend accrual is paid, there exists a strong incentive for the upper bracket taxpayer to sell his stock just before the ex dividend date and perhaps to repurchase immediately after that date. This has the effect of converting the dividend into a capital gain. Since many upper bracket taxpayers very probably take this course of action, it would appear that the price of the stock would drop on the ex dividend date by an amount less than the amount of the dividend. The fact that in general the price dropped by the full amount of the dividend was then taken as a possible indication that while the income tax situation would induce many persons to sell just before the ex dividend date, this was offset by other persons buying for the dividend.

If this experimental group displayed a tendency to buy for the dividend, this tendency should be most evident in their transactions in stock C. This stock ranged between 34 and 46 and paid a semi-annual dividend of $2, equal to approximately 10% on an annual basis.

It is appropriate to appraise the force of the dividend factor by measuring the change in net position on pre-dividend dates and non pre-dividend dates. If the capture of an immediate dividend is an inducement to buy, it must also be a deterrent to sale. Accordingly the change in net position for each month for each of the five stocks was computed and comparison made between the position change on pre-dividend dates and position change on other than pre-dividend dates. These data for the five stocks follow:[5]

	Stock A[6]	Stock B	Stock C	Stock D	Stock E
Average change in position on pre-dividend dates	+208	+59	+1220	+112	+493
Average change in position on other than pre-dividend dates	—23	+115	—194	—33	—61
Median change in position on pre-dividend dates	+190	—10	+961	+390	+580
Median change in position on other than pre-dividend dates	—30	+90	—140	—60	+190

The preceding tabulation is expressed in terms of average change in position for the entire group of 33 students. It is possible, of course, that these data are unduly affected by a few large changes. The following tabulation is based only on the number of months showing increases or decreases in holdings.

Summary of Changes in Position by Months Stocks A, B, C, D, E

	Stock A	Stock B	Stock C	Stock D	Stock E
Pre-Dividend Months—					
Showing increases	4	3	6	4	5
Showing decreases	1	3	0	1	1
Showing no change	0	0	0	0	0
	5	6	6	5	6
Months Other than Pre-Dividend Months—					
Showing increases	12	16	13	14	13
Showing decreases	17	13	16	16	16
Showing no change	1	0	0	0	0
	30	29	29	30	29

Perhaps the best expression of the data is in the form of an analysis of what individual students did with their opportunities to act on pre-dividend dates. There were six pre-dividend dates on stocks B, C, E, and five pre-dividend dates on stocks A and D, or a total of 28. Since there were 33 subjects the number of opportunities was 924. The table below shows by stocks the extent to which these opportunities were utilized to increase or decrease holdings.

Analysis of Individual Change in Position on Pre-Dividend Dates

	Increase	Decrease	No Change	Total
Stock A	34	3	128	165
Stock B	22	10	166	198
Stock C	60	2	136	198
Stock D	17	12	136	165
Stock E	51	10	137	198
Totals	184	37	703	924

4 Market Effect of Large Accrued Dividend Payment, "The Commercial and Financial Chronicle," March 11, 1948, by O. K. Burrell.

5 Stock F was omitted from the test because of the omission of the dividend.

6 Stated in terms of pre-split shares.

It is evident that students were more likely not to act than to act on pre-dividend dates. This is not at all surprising nor does it necessarily reflect an indifference to

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the dividend factor. Indeed, failure to sell motivated by a desire to receive the dividend, would indicate a keen awareness of the dividend factor. A decision not to act may also have been merely a result of no interest or representation in the particular stock. An increase in holdings on a predividend date may not in all cases have been motivated by a desire for the dividend. It is evident, however, that unless some special factor is present there would be about as many decreases in position as increases in position on these pre-dividend dates. This is because students were required to maintain a fully invested position. As a matter of fact in this experiment, under conditions of pure chance, there should have been more decreases than increases. This is because there was a consolidation of holdings during the test period, i.e., fewer stocks were owned at the end than at the beginning.

It is evident, therefore, that the preponderance of increases in position over decreases tends to confirm our hypothesis. Moreover the confirmation is strongest in the cases of the stocks with the highest dividend rates (A, C and E). The confirmation is weakest in the case of stocks B and D, where the dividend yields were lowest. It is hardly conceivable that on the basis of pure chance, out of 198 opportunities there should be 60 purchases and only two sales of stock C.

We may conclude, then, that this experimental evidence indicates a definite tendency to buy or retain stocks for an impending dividend.

Attitude of Most Successful Group Toward Buying Dividends

Analysis of the data shows clearly that the most successful speculators were relatively indifferent to the dividend factor. This group did not tend to concentrate purchases in predividend months as did the group whose operations resulted in substantial losses.

We can only guess as to why successful speculators did not buy dividends while mediocre and unsuccessful speculators did. It is certain that it is not due to the fact that prices were relatively unfavorable on the predividend dates. In other words the practice of buying dividends was not in itself unprofitable. But apparently it tended to measure other qualities which were not themselves directly measurable.

We can only speculate as to the nature of these other factors. It may be that successful speculation requires a considerable degree of boldness and a drive for large rather than small profits, and the practice of buying dividends does not mark the bold operator. In other words, successful speculators are not confused as to their roles—they are after substantial gains and are not interested in buying and selling to obtain a relatively small dividend. It must be emphasized, however, that this is entirely conjecture.

Hypothesis 3: "That a dollar of earnings paid out in the form of dividends will be translated into a greater market value of stock than a dollar of earnings retained in surplus. Stated in another way, if two stocks are equal in earnings and general quality, stock buyers will prefer the one that pays the larger dividend."

This might be called the "bird in the hand" philosophy. A dollar of earnings in the pocket of the stockholder is preferable to a dollar of earnings retained in the corporation but only if other factors are in fact equal. This is distinctly not equivalent to saying that stocks sell only on the basis of dividend yield. Very many factors enter into investor-speculator preference. Our hypothesis asserts only that where other factors are constant, that the stock with a dividend, or with a larger dividend, will be preferred. It may be that the stock of a rapidly growing chemical company with no dividend at all will be preferred to a stock with a 10% dividend yield of a company in a less promising industry even if the earnings are equal. Here other factors are not equal.

We are not primarily interested in whether this hypothesis ought to be true on the basis of logic. Our essential interest is in testing whether or not it is true for the group as a whole and whether or not there is any difference in the behavior of the most successful and the least successful operators. It would appear, on the basis of logic, that sometimes a dollar of earnings in the stockholder's pocket would be preferable to a dollar of earnings retained in the company and sometimes not. If two companies are in a phase of dynamic growth, it is perhaps better for the stockholder to have the earnings retained and reinvested in the business. It may be argued, however, that it would be still better if the stockholder received the earnings in the form of dividends but had an opportunity for reinvestment on a voluntary basis, although this would result in a higher income tax.

In this experiment stocks C and D were almost exactly equal except with respect to the dividend. These two stocks sold in the same general price range, price-earnings ratios were almost exactly the same, and they were given the same quality and growth ratings. But stock C paid a dividend of $2 semi-annually compared with a semi-annual dividend of only $1 by stock D.

The position sheets show the dollar investment for the entire group in each of these stocks for the period of 36 months. Even casual examination of the position sheets for stocks C and D indicates that the entire group had a distinct preference for stock C over stock D. The average monthly investment in stock C amounted to $146,430 as compared with an investment in stock D of $88,599. This is a 65% greater investment in C than in D. In only four of the 36 months was the aggregate investment in D greater than that in C. This was in months, 4, 5, 6, and 7 and the excess was of modest proportions. This brief reversal may perhaps be accounted for by the fact that during these months, stock D was selling 3 or 4 points under the initial price while stock C sold a point or two above the initial price. It may be that the slightly increased price of C induced profit taking sales and the lower price of D additional investment.

In any event, it is clear that the group as a whole displayed a distinct preference for the higher dividend stock.

Attitude of Most Successful Speculators Toward Dividend Yield

Detailed analysis shows no significant difference between the attitude toward dividend yield of the most successful group and the least successful group.

Hypothesis 4: (a), (b), (c): "That the price paid for a stock tends to establish its value in the mind of the buyer regardless of subsequent developments and he is reluctant to modify that initial valuation." This general tendency has the following results:

(a) He tends to let losses run but cut profit short, i.e., when the price moves below his purchase cost he is not likely to sell, but if the price moves even a little above his purchase cost he is likely to sell.

(b) When the price of a stock moves below the investor's cost he is likely to sell other stocks in order to obtain funds for increasing holdings of the stock which has declined.

(c) When the price of a stock moves below an investor's purchase cost, and remains below that cost for a prolonged period, and subsequently moves upward toward purchase cost, the investor is likely to sell when the price approaches purchase cost.

We are here concerned in general with behavior during a sharp and vigorous and sustained upturn or downturn. Our hypothesis asserts that in such an upturn, those who have profits will be quick to sell. They will in effect take short profits, i.e., sell too soon. It is postulated, however, that in a vigorous and sustained downturn those who have losses will not be disposed to sell and accept such losses but rather to buy more, i.e., to "average down."

In order to test this hypothesis, we shall need to select the vigorous and sustained upturns and downturns where the nature of the previous price movement is such as to insure that all holders of the stock have profits if the movement is upward or losses where the movement is downward. After selection of these test periods, we will analyze the position sheets in the particular stocks to measure the reaction of both successful and unsuccessful speculators to such a vigorous and sustained price movement. These test periods were selected on the following basis:

(1) That the price move upward or downward by at least 25% over a six months period.

(2) That the price pattern be such as to insure that every participant had a profit if the movement was upward, or loss if the movement was downward.

The price movements that meet these tests were as follows:

(1) The upward movement of stock B from 34 in the 11th month to 61 in the 29th month. Anyone who owned stock B in the first month of this rise had a profit since the stock was in new high ground.

(2) The downward movement of stock F from 50 in the 12th month to 30 in the 19th month. Anyone who owned stock F from the 13th month through the 19th month had a loss since the stock was in new low ground.

The tendency of the group to take short profits is evident in the position sheet for stock B. No involved analysis is required to demonstrate the group tendency to sell at almost the first sign of a profit. In the 11th month just before the vigorous upward movement began, the group as a whole held 7,220 shares of B. But this holding dropped to only 2,370 shares in the 12th month on a rise of only 3 points. In other words, on the basis of a rise of only 3 points, 67% of holdings were liquidated. Moreover, the liquidation continued as the price continued to rise. By the 19th month there were only 20 shares of B held and by the 21st month, there were actually no shares of B held.

The following portion of the position sheet for stock B clearly shows the rapid liquidation that occurred in this stock in the initial phase of the rise:

Month	Shares Bought	Shares Sold	Balance Position	Price
11	--	----	7,220	34
12	60	4,910	2,370	37
13	0	510	1,860	38
14	20	250	1,630	42
15	0	530	1,100	40
16	0	50	1,050	43
17	50	450	650	45
18	60	40	670	43
19	40	690	20	48
20	460	0	480	46
21	10	490	0	49

The sharp decline from 50 to 30 in stock F from the 12th to the 19th month and the subsequent recovery to 46 in the 25th month affords a test of both hypothesis 4 (a) and 4 (b).

Reference to the position sheet for stock F indicates unmistakably the tendency to accumulate stock on the decline. The significant data bearing on this point are shown below.

Month	Price	Shares Held
12	50	4337
13	46	5237
14	41	5307
15	44	6287
16	34	7207
17	37	6967
18	34	7072
19	30	8052

The number of shares of F held nearly doubled as the price moved down from 50 to 30. As the price recovered from 30 to 46 the number of shares held decreased as indicated in the following data taken from the position sheet.

Month	Price	Shares Held
19	30	8052
20	32	7202
21	36	6702
22	41	6622
23	43	6322
24	45	5292
25	46	4482
26	46	3502
27	45	3312
28	44	2832
29	39	2162

It is clear that as the price declined there was a great increase in position. It is possible, however, that these purchases were made in significant amounts not by those who were previously holders of the stock but by those who were not previous owners, but who were attracted by the declining price. Detailed analysis, however, shows clearly that the increases in holdings were those of previous holders who were "protecting their position" and not those who were not holders prior to the decline.

Behavior of Most Successful Group

It appears that the successful group "averaged down" even a little more enthusiastically than the unsuccessful group. The holdings of the successful group gained 157% during the price decline as compared with an increase of only 79% for the unsuccessful group. On the other hand, when the price turned upward, the successful group delayed sales a little longer but when the price reached about 45 they were more vigorous in selling. As a matter of fact, the successful group actually had a profit of $230 on F although three showed losses and three gains. The unsuccessful group had aggregate losses of $35,897.

Hypothesis 4 (d)—

As the experiment developed, there was no opportunity to adequately test hypothesis 4 (d).

Hypothesis 4 (e): "Because of the previously mentioned traits and reactions, the average investor or speculator is unable to show a profit in a market in which stocks are moving both up and down even though the general trend of prices remains level."

It does not appear, on the basis of this evidence, that there is any inherent or innate tendency toward speculative losses in a market in which individual prices vary widely but the averages remain constant. The group as a whole came about as close to breaking even as it would be possible to do. The aggregate net loss was $141 per student although 18 students had gains and only 15 losses. It is true that the profits were rather monopolized by six students. This might prove that these six students were lucky, or it might prove that they were skillful. On the basis of consistency of performance and on the basis of some demonstrated variation in behavior, there is reason to believe that the difference in performance is due in some measure to variations in speculative skill.

Summary

Since some of our tests showed positive and some negative results, it is perhaps useful to summarize the results of the tests of the hypotheses made. This may be done as follows:

(1) There is no evidence of an innate investor-speculator preference for low-priced stocks or high-priced stocks as such.

(2) There is a rather strong tendency to buy for the dividend, i.e., to purchase or retain a stock when it is about to pay a dividend in order to receive the dividend. This tendency appears to be somewhat stronger in unsuccessful than in successful speculators.

(3) If two stocks are equal in other respects, stock buyers prefer the one that pays the larger dividend. This was true of both successful and unsuccessful speculators.

(4) The price paid for a stock tends to establish its value in the mind of the buyer, and, regardless of subsequent developments, he is reluctant to modify that initial valuation. As a result, he is inclined to let losses run but to cut profits short. Indeed when the price moves below cost, he is likely to buy more. When the price recovers from a low point, he is inclined to sell without waiting to recover full cost.

Both the successful and unsuccessful groups demonstrated this tendency clearly. The successful group showed a somewhat greater tendency to average down but to sell promptly on an intermediate recovery.

(5) It does not appear that there is any inherent tendency toward speculative losses. In a speculative market without trend it appears that a group of speculators will approximately break even although wide individual differences will exist. There is reason to suppose that these differences are in some measure based upon differences in what may be called speculative skill.

J. A. Hogle to Admit Howard and Gumes

J. A. Hogle & Co., members of the New York Stock Exchange, will admit Kenneth J. Howard and Harold L. Gumes to partnership on April 1. Both will be with the firm's New York office, 61 Broadway, of which Mr. Howard is manager.

Raoul Thierry Co. Opening in New York

The Raoul Thierry Co. will engage in the securities business from offices at 141 Broadway, New York City. The new firm will act as broker and dealer in general market securities, oils and public utility common stocks. Raoul Thierry is sole proprietor.

H. A. Harrison & Co.

H. A. Harrison & Co. is engaging in a securities business from offices at 15 Moore Street, New York City. Partners are Henry A. Harrison, Thea Harrison and John F. Nixon.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week's market went practically sidewise every day and what action there was in one stock was counteracted by non-action on a better than a two-for-one basis in other stocks. Maybe somebody can make something out of all this. I can't.

* * *

I've read a few market letters in the past few days, most of which either quote the Dow theory or imply some hidden meaning to the market based on their interpretation of the Dow theory. The only thing I can get out of the current market is that the longer it stays lethargic and in this rut the greater will be the breakout when it comes.

* * *

Of course the question immediately follows, which way will the breakout come? That's a question that's more easily asked than an answer can be found for. To answer it one has to probe into "systems," including the Dow theory.

* * *

Let me hasten to add, before I get complaints, that I'm not a Dow theorist in the strictest sense. Yet it all adds up to the same thing: When the market is ready to move it will determine its own direction and any forecasts at this point are strictly in the realm of crystal gazing.

* * *

For example, I can make out a case for the market that will be so bullish that the naive reader will look around for what to hock so he can get in. By the same token, I can make out a bearish case that will lead the same innocent to run out and sell everything he has. There are facts on both sides. It's a question of six of one or half dozen of another; take your pick.

* * *

Last week I wrote in this space that I believed the 198 Dow industrial figure would be the important one to hold. Up to this writing the average is well above it. Nothing has happened in the past few days to change that opinion. I have a hunch that after a sudden slide down to about the 199 figure, the market will firm—turn around— and go through the upper resistance. But there is no certainty and most assuredly it is not based on the Dow theory.

* * *

In the meantime, you're still long of Cooper-Bessemer and Mead Corp. The former, bought at 24, has a stop at 22; the latter bought at 16 has a stop at 14½. Neither is the best stock in the world but they'll do until something better comes along.

[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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Fresno—Santa Rosa

Two With Draper Sears

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — Julian K. Croxford and Ezra B. White are now associated with Draper, Sears & Co. Both were formerly with Boardman & Freeman, Inc. and prior thereto with R. H. Johnson & Co.

Gardner Caverly Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON. MASS.—Gardner A. Caverly has opened office at 53 State Street to engage in the securities business. He was formerly with Bond & Goodwin, Inc. for a number of years.

With Paul C. Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—Willard J. Hammel is now connected with Paul C. Rudolph & Co., 40-D South First Street. He was formerly with Capital Securities Co. of Oakland.

With Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Gordon J. Campbell is now with Link, Gorman, Peck & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

Estabrook Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Raymond F. Ehler is with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

With Hamilton Manage.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Jack Adams is with Hamilton Management Corporation, Boston Building.

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Blyth Underwrites Jamaica Water Supply Common Stock Offering

Stockholders of Jamaica Water Supply Co., a public utility which owns and operates a water distribution system in the Borough of Queens and in the towns of Hempstead and North Hempstead, N. Y., are being offered rights to subscribe for an additional 50,000 shares of common stock at the rate of one new share for each two shares held of record on March 7. The offer to purchase the additional shares at the subscription price of $21.50 per share expires at 3 p.m. on March 23, 1950. Blyth & Co., Inc., will purchase from the company all unsubscribed shares at the original subscription price.

Proceeds from the sale of additional common together with any proceeds remaining from the sale in the near future of $7,995,000 of first mortgage bonds after redemption of the company's presently outstanding $6,995,000 of first mortgage bonds, will be used to repay outstanding bank loans totalling $1,450,000 and for other corporate purposes.

Dividends on the common stock are currently being paid at the quarterly rate of 37½ cents per share. Following the sale of additional common and new first mortgage bonds, the company's capitalization will consist of $7,995,000 of funded debt; 22,500 shares of preferred stock, outstanding in two series, and 150,000 shares of common stock.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Morton E. Lichtman has become affiliated with Hannaford & Talbot, 519 California Street. He was previously with Stone & Youngberg.

Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Kenneth Fazackerley has been added to the staff of Irving Lundborg & Co., 486 California Street, members of the New York and San Francisco Stock Exchanges.

With Coburn, Middlebrook

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Harry E. Rowe has become associated with Coburn & Middlebrook, Inc., 465 Congress Street. He was formerly with Timberland & Co.

With R. H. Johnson Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—William K. Gray and Charles Ulin have become associated with R. H. Johnson & Co., 70 State Street.

With Putnam Fund

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Horace S. Nichols has been added to the staff of Putnam Fund Distributors, Inc., 50 State Street.

With Link, Gorman Co.

(Special to THE FINANCIAL CHRONICLE)

MADISON, WIS.—Hugh J. Winters has become associated with Link, Gorman, Peck & Co. of Chicago. He was formerly with Dayton & Gernon.

Samuel Johnson Opens

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, CALIF.—Samuel S. Johnson is engaging in a securities business from offices at 2400 Warring Street. He will handle principally securities of companies owning timber lands.

Continued from page 5

Observations . . .

no modernization; consisting of only two pages which included a one-line profits statement.

Epochal Reform in the 1930s

It was not until the 1930s, following imposition of SEC regulation and tightening-up by the Stock Exchanges, that the first decisive enlargement of annual reports took place. Making up for lost time, a notable improvement did become widespread in the middle and latter part of the last decade. The Remington Rand Company, for example, in 1939 delivered a quite satisfactory annual report—both as to form and content.

Progress in the 1940s

The second big jump in report "modernization" occurred during the past decade. By 1948 the above cited National Cash Register Company's meagre effort of the '20s had grown to an elaborate 21-page multi-colored brochure. The former 2-page Pepperell throw-away has been transformed to a full-blown 28-page booklet replete with photographs, and containing a comparative statistical demonstration going back 20 years. And now Remington Rand has really "gone to town" with an extravaganza display of charts and pretty pictures.

Substantiation of this conclusion including the overall picture is contained in an extensive survey made by Weston Smith, Executive Vice-President of the "Financial World," showing that the proportion of annual reports definable as "modern," grew from 6% in 1940 to 50% in their 1948 documents. Mr. Smith also finds that the *cost* of report-printing now averages somewhere around 40 cents per copy (exclusive of management time and postage), and 8% of the reports now cost over a dollar per copy.

1949 Disillusionment—Elsie-the-Cow Chased

In the reports now coming to hand, quite frequent instances of back-tracking from the modernization-high are to be noted. A 1948-to-1949 step toward simplification, although slight, has been taken by the Borden Co., whose 1949 statement was issued Tuesday of this week. Last year's 1948 pamphlet carried a so-called "magazine section" of popularly-written articles telling the stockholder-reader of the company's activities. The results of a subsequent questionnaire to the stockholders from the management showed that the articles in this section, including a "folksey" letter to the stockholder children from *Elsie-the-Borden copyrighted-cow*, trailed in stockholder preference behind the President's report and the financial statements. Hence the magazine division and *Elsie* have been dropped in the current statement; and the size reduced from 28 to 22 pages. (The report is still plenty dolled-up, however, with a 4-page gatefold of 12-color Breughel-like art.) The relative popularity of the supposedly duller statistical sections, as indicated in the Borden survey, is in direct contradiction to last year's poll taken by the General Motors Co., showing that 80% of those questioned liked the pictures against only 56% able-and-willing to stomach the operating report.

Borden, like many other companies in consumer industries, avowedly uses the annual report as a method to build up trade—a sort of catalogue technique. Would it not be better to engage in such commendable activities in separate publications during the year, letting the annual report remain in the form of data relevant to operations and management performance?

Yankee Back-to-Normalcy

A flip-flop policy by the American Woolen Company is revealing and interesting. In 1938 this farflung textile organization issued its report simply in the form of 4 un-colored pages of explanation, 4 more pages detailing balance sheet and income results, and 1 page of the auditors' report. In sharp contrast, Woolen's 1948 report is a super-duper display hinged on the company's 50th anniversary. The cover is largely taken up with a gorgeous "skin-you-love-to-touch" photo offset of a blue-gray Glen Urquart Plaid suiting pattern, and there are a full 40 pages of beautiful photos of patterns, mill operations, spindles, etc., with detailed textual explanations of industry processes; after all of which there is added a 4-page postcript of factual balance sheet and income data. Subsequently, in its 1949 report the company (after the omission of the common dividend) has reverted to the simple uncluttered 1938 format.

A Happy Medium

Allied Chemical is a company now reporting in the manner usual in the 1930s—no color, no photographs, no advertising to stockholder-consumers. But to some stockholders such absence of glamor is assuaged through the different kind of "color" which may be found in the uncartooned balance sheet figures showing cash-and-governments at double all debt liabilities. If still plainly printed between and on plain gray covers, the 1949 report has within the past year grown from 7 to 9 pages, one of the added pages showing a five-year comparative table, with the President's report now taking 2 pages instead of 1. It clearly shows for the first time, at their book and market values, the company's portfolio of investments.

Perhaps, in the over-all reporting picture, the traditional technique of the 1930s, a la Allied Chemical method in 1950, is a good constructive compromise for the benefit of the intelligent conscientious investor.

Willy Winkle Joins Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Willy Winkle has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Conrad Bruce & Co. and Butler-Huff & Co. Prior thereto he was with Huff, Geyer & Hecht, Inc. in the New York office.

With Goffe & Carkner

(Special to THE FINANCIAL CHRONICLE)

GRAND ISLAND, NEB.—Ambrose E. Evans is now associated with Goffe & Carner, Inc. of Kansas City, Mo.

Francis H. Geer Dead

Francis H. Geer, partner in Farr & Co., New York City, died at his home at the age of 58.

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Continued from first page

Battlefronts of the Cold War

proving conditions of living, and encouragement in the right to worship God; subordinate these people neither to ourselves nor others, and extend to each nation full participation with other nations in a United Nations organization for peaceful progress; and above all maintain these rights and this status of freedom for ourselves.

I know that too constant repetition of dangerous facts dulls one to the seriousnes of their meaning—but I wish you would give careful thought to the implications for you and your family of the significant fact that during these five years of the cold war more than a half billion of the peoples of the world—in Poland, in Rumania, in Czechoslovakia, in Bulgaria, in Hungary and in China have fallen as victims of the Communist rulers in the Kremlin. In their territories the rights of man are not respected. Terror is the handmaiden of authority. American citizens are thrown in prison. The clergy are persecuted. A steady stream of vitriolic attack of America spews out of official sources.

In these five years, with the aid of information obtained through espionage and of electronic devices imported from the United States, the Communits rulers of the Kremlin have begun the manufacture of atomic bombs.

World Peace and Stability Destroyed

The much desired world atmosphere of peace and stability and economic progress for which we fought with such determination at such high cost against Hitler and Japan has been destroyed. As the Papal Encyclical of the Holy Year, issued on March 11 states, "Even though war has ceased almost everywhere, the desired peace has not yet come, a stable and solid peace which could happily resolve the many and ever increasing motives of discord. Many nations are hindering each other, and as confidence decreases, there is a race for armaments which leaves the souls of all fearful and uncertain.

It can well be said that in less than five years time our country has lost most of that for which it fought so valiantly and victoriously in World War II!

It is high time that the American people ask themselves how this could happen! It is high time that they insist on a change in those policies and practices of their government which have contributed toward this tragic loss in the cold war.

The major reason for our loss has been a national policy of waging the cold war on a defensive basis. Official statements have been full of holding a line, of containment, of defense, of waiting for the dust to settle. An exclusively defensive strategy is just as wrong in a cold war as it is in a hot war!

America must enter upon an offensive strategy in this cold war!

The second major reason for our extensive loss in the cold war has been the failure of our national administration to follow the essential bipartisan policy in crucial issues. Thus the Republicans were not invited or permitted to participate in the major decisions of the Potsdam Conference, the Big Three meeting of Foreign Ministers at Moscow, the Chinese Policy, and the European Advisory Commission, each of which has resulted in great losses. The Republicans have not been permitted to participate in the foregoing pivotal phases, even though they had constructively joined in the favorable development on a bipartisan basis of other actions in the United Nations Charter, the Inter-American Agreements, the Marshall Plan, and the Atlantic Pact.

Cold War Requires Joint Participation of Democrats and Republicans

The joint participation of Democrats and Republicans is just as essential to successfully fight a cold war as it was to successfully fight a hot war.

The waging of this cold war is of tremendous importance for clearly if we win the cold war there is very little likelihood of there being any hot war. But if we continue to lose the cold war, then there is an increased likelihood of the necessity of ultimately defending ourselves in the holocaust of a third World War!

This, then, is my urgent plea. That the American people insist that their President promptly put their foreign policy on a strong, bipartisan basis and that America open up an offensive strategy in the cold war.

How might this be done specifically? The President is at Key West. If he would set aside two or three days at the end of his Key West visit and invite Senator Arthur H. Vandenberg, Senator Robert A. Taft, Senator Henry Cabot Lodge, General Dwight D. Eisenhower, President Herbert Hoover, and General William Donovan to meet and confer with him and with the foreign policy leaders of his own party, such as Secretary Dean Acheson, Secretary Louis Johnson and Senator Tom Connally, I am confident these men would begin to develop the affirmative, dramatic moves which would strengthen the hand of America in world affairs.

They might well begin by considering what the battlefronts are in the cold war.

Principal Battlefronts

I believe these battlefronts are first of all the minds of those many millions of men, on both sides of the iron curtain, who at this time are uncertain as to which side they favor in the cold war.

A second battlefront is the condition of living in those countries of Asia now bordering on the Communist-held territories.

A third battlefront is the colonial and dependent peoples of the world.

A fourth battlefront is the espionage and sabotage efforts of the Communist organizations around the world.

It is now clear through the decisions of our courts that the most valuable secrets of atomic development and the most secret actions in our State Department have been passed over to agents of the Communists. The Administration still does not seem to realize the seriousness of this situation—their handling of the Valentin Gubitchev case, the Russian official who was convicted of espionage activities with the clerk in the Department of Justice, and their actions in the Alger Hiss case are difficult to understand. It is my view that if it be our official attitude not to turn our back on employees of our government who have been convicted by a jury of charges involving conduct of a traitorous nature, and if it be our further official attitude to simply verbally slap on the wrist, and send home, convicted espionage agents of Russia, then we are in fact, encouraging espionage within our boundaries. We must increase our safeguards against spying. Spies who are caught must be punished to deter future espionage.

Thinking now of the battlefront of the minds of those millions of men who are at this time uncertain of the direction in which they wish to turn, is it not clear that we must ever be pressing forward in search of an avenue for world peace? We are inclined to say, "Of course we want peace." We are inclined to say — "Clearly the Kremlin is the aggressor." But many millions of peoples of the world today are not convinced.

Tactics of Kremlin

The tactics of the Kremlin Politburo are these today. Throughout the world they constantly call the United States of America a capitalist warmonger that refuses to move toward peace, that is building up its armament, and whose Secretary of Defense is constantly threatening them.

In Asia, the leaders of Russia repetitiously charge that the United States is abandoning Asia, that we do not care about the future of the Asiatic peoples, and think only in terms of exploiting Asia's resources.

In Asia, Russia is further seeking to arouse the Chinese minorities in all the non-Chinese countries.

In all of the colonial territories Russia claims to be the leading friend of independence.

Throughout the world Russia claims that capitalism has a fatal weakness and will experience a devastating economic crash.

Inside the iron curtain, Russia constantly exaggerates and distorts all economic distress of any kind outside its borders and lies about the standard of living of other peoples.

The Communist publications in Russia, which are all officially edited, are more and more revealing in their content. A recent article of Voprosy Economiki on Oct. 26, 1949 stated bluntly that "The People's Republic of China is already an integral component part of the anti-imperialist camp headed by the Soviet Union."

The article went on to describe strikes and violence and riots in India, in Burma, in the Philippines, in Indonesia, in Malaya, and then declared that these are not spontaneous fortuitous outbursts but are an organized struggle led by the Communist Party.

President Should Be Willing to Meet in Peace Conference

Is it not clear that if we are to prove to the minds of men, men who are now uncertain, that we are sincerely seeking a just and honorable and lasting peace that the President must indicate the willingness of this country to meet in conference for that purpose? Such a conference must have leaders of both political parties of this country participating. Such a conference must have its complete proceedings taken down and released to the world. Such a conference must be held in a neutral territory, such as Helsinki, or Stockholm, or Vienna.

Our willingness to hold such a conference is essential for our moral leadership in the world. It is essential in the struggle for a favorable view in the minds of men around the world. Furthermore, however small may be its chance of success, in this age of atomic bombs and hydrogen bombs, we absolutely owe it to our children and to humanity to continuously seek every possible route to move toward peace, instead of sliding down this tragic road in an armament race toward a devastating third World War.

The President and the Secretary of State have expressed an attitude of hopelessness about such a conference for peace. Let me plead that we cannot hold the leadership of the world by expressions of hopelessness. Leadership is lost through expressions of hopelessness. This is true whether it be the corporal of a single squad in a hot war or the commander-in-chief of a nation in a cold war.

For a people whose literature and conversation abounds with such confident and bold challenges as "I have only begun to fight," "If at first you do not succeed, try, try again," "The best defense is a good offense," "Damn the torpedoes, full speed ahead," "God helps those who help themselves," "Little strokes fell great oaks," "Better to have tried and failed than never to have tried at all"; for a nation whose inventive geniuses have given us the telephone, the radio, the air plane, and the automobile; for a people which has lost many battles and gone on to win every war, it is indeed strange to observe such a weak, trifling, and negative leadership in foreign policy.

Arguments have further been made against a conference on the basis that sham agreements would not be a solution. Of course they would not. No one has proposed sham agreements. The presence of both Republicans and Democrats in the conference would be one guarantee against sham agreements, for the whole record of the five years of the cold war shows when the Republican leaders have been included, the international agreements have had a substance and a balance and have stood the test of time. The weak international agreements from which America has suffered in these five years have been those from which the Republicans were excluded.

Arguments have been made that peace would not come through a gimmick. A conference of leaders of men is not a gimmick. Conferences are one of the principal methods by which free peoples have made progress, and the leaders of free peoples must constantly seek to use that method, or they betray the very system of freedom of which they are a part.

Further statements have been made that any negotiations with the Russians should be held within the United Nations. The President of the United Nations Assembly or other selected United Nations observers should be present at the conference, but clearly with the present unsettled turmoil over the status of China in the United Nations, with the clear necessity of such a conference being on the highest level, and involving both political parties in this country, if it is held, the United Nations organization does not provide the locale.

U. S. Should Announce Its Position

We should state in advance of such a conference that it would be America's position never to agree to any division of the world into spheres of influence; that we would have no objection to a peaceful continued competition of different social and economic systems; that we believe that this competition should be carried on with open information and open travel throughout the world.

To make my position very clear, I believe that if the United States expressed its willingness to hold such a top level conference in a neutral territory, and if that willingness was rebuffed by the leaders of the Kremlin, the United States would be in a stronger position in the world than it is today.

Secondly, if such a conference is held, and it does not result in any constructive agreements, the United States would be in a stronger position than it is today.

And finally, if such a conference is held and constructive agreements are reached, and are then measured by the actions taken to carry them out and not by the words on the papers, then the United States will have made a major contribution to the future peace and progress of the world.

Complete information of such a conference and of the relevant happenings around the world must reach the peoples throughout the world. If such a conference does not succeed then it should be made clear in the conference that the complete proceedings and complete facts about all the issues will be distributed by us in all languages throughout the world.

One of the most important battlefronts of the cold war is to use all ingenuity and methods to keep the people within Russia well informed from the outside, for if they are well informed the leaders of the Kremlin know that they cannot make of them an aggressive war machine.

Long ago the United States should have established an Economic Office for all of Asia under the leadership of an able American parallel to Paul Hoffman in Europe. This should be done now without delay. It is difficult to understand why these months have been permitted to slip by in a deteriorating Asiatic situation. I ask, for example, with millions of bushels of surplus wheat here, with hungry people in India, with the Communists attacking Nehru, who is one of the great leaders not only of Asia but of the world, why have we not shipped wheat to India?

If our country will but use its own great principles of freedom in its approach to the world, if it will be affirmative and not just negative, if it will provide the openings for the full ingenuity and initiative which its own freedom develops in an informed and interested people, if it will keep before it a sense of mission in the world, then I am confident that it will not only evolve a modern peoples capitalism with remarkable freedom and high standards of living for its own people, but its methods will be copied by peoples striving for freedom everywhere, and the prospects will be bright not only for winning the cold war, but for preventing World War III.

My plea then is an urgent one. Let us, without further delay, utilizing the leadership of both our political parties, analyze the battlefronts of the cold war, and move out upon them with firm resourceful action, in a manner essential for our future peace and security, and holding the best hope of an expanding freedom and a rising standard of living for all mankind.

Two With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Day J. Apte and Robert M. Wasserman are now connected with Leo Schoenbrun, 1385 Westwood Boulevard.

With Marache Sims Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Russell J. Warner is with Marache Sims & Co., 734 South Spring St., members of the Los Angeles Stock Exchange.

Oscar F. Kraft Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Warren F. Harding and Arthur Sloane have been added to the staff of Oscar F. Kraft & Co., 530 West Sixth Street.

With Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Michael Graham has become affiliated with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Bruce F. Armstrong has joined the staff of First California Co., 647 South Spring Street.

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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. 19	89.8	73.5	90.7	102.0
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 19	1,711,800	1,401,100	1,729,000	1,880,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 4	4,909,250	5,000,000	4,945,100	5,242,800
Crude runs to stills—daily average (bbls.)	Mar. 4	¶5,316,000	5,277,000	5,420,000	5,526,000
Gasoline output (bbls.)	Mar. 4	17,707,000	17,703,000	17,830,000	17,427,000
Kerosene output (bbls.)	Mar. 4	2,184,000	2,484,000	2,513,000	2,158,000
Gas, oil, and distillate fuel oil output (bbls.)	Mar. 4	7,048,000	6,890,000	7,335,000	7,015,000
Residual fuel oil output (bbls.)	Mar. 4	8,140,000	7,855,000	8,121,000	8,595,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 4	134,208,000	133,888,000	127,437,000	126,266,000
Kerosene (bbls.) at	Mar. 4	15,466,000	16,227,000	18,095,000	18,999,000
Gas, oil, and distillate fuel oil (bbls.) at	Mar. 4	51,670,000	56,050,000	64,039,000	52,108,000
Residual fuel oil (bbls.) at	Mar. 4	46,086,000	48,663,000	54,590,000	58,978,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 4	§574,395	§546,791	§612,524	705,552
Revenue freight received from connections (number of cars)	Mar. 4	§518,611	§508,502	§571,508	630,756
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. Construction	Mar. 9	$210,567,000	$133,448,000	$141,900,000	$184,579,000
Private construction	Mar. 9	122,135,000	87,578,000	69,400,000	66,103,000
Public construction	Mar. 9	88,432,000	45,870,000	72,500,000	118,476,000
State and municipal	Mar. 9	76,547,000	38,455,000	66,800,000	67,962,000
Federal	Mar. 9	11,885,000	7,415,000	5,600,000	50,514,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 4	3,075,000	2,620,000	6,540,000	*10,611,000
Pennsylvania anthracite (tons)	Mar. 4	662,000	620,000	703,000	697,000
Beehive coke (tons)	Mar. 4	2,300	*2,900	16,600	159,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Mar. 4	244	*221	226	244
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 11	5,936,536	5,878,788	5,970,919	5,530,629
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET INC.	Mar. 9	221	179	195	179
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 7	‡3.837c	3.837c	3.837c	3.754c
Pig iron (per gross ton)	Mar. 7	$46.38	$46.38	$46.38	$46.74
Scrap steel (per gross ton)	Mar. 7	$27.42	$27.08	$27.25	$36.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 8	18.200c	18.200c	18.200c	23.200c
Export refinery at	Mar. 8	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Mar. 8	74.500c	74.375c	74.500c	103.000c
Lead (New York) at	Mar. 8	12.000c	12.000c	12.000c	19.500c
Lead (St. Louis) at	Mar. 8	11.800c	11.800c	11.800c	19.300c
Zinc (East St. Louis) at	Mar. 8	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 14	103.25	103.28	103.75	101.68
Average corporate	Mar. 14	116.22	116.41	116.41	113.12
Aaa	Mar. 14	121.25	121.46	121.46	118.80
Aa	Mar. 14	120.02	120.02	120.02	117.20
A	Mar. 14	115.82	115.82	115.82	112.1[illegible]
Baa	Mar. 14	108.70	108.70	108.70	104.83
Railroad Group	Mar. 14	111.62	111.62	111.62	108.34
Public Utilities Group	Mar. 14	117.40	117.40	117.40	113.89
Industrials Group	Mar. 14	120.22	120.22	120.43	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 14	2.26	2.26	2.23	2.38
Average corporate	Mar. 14	2.84	2.83	2.83	3.00
Aaa	Mar. 14	2.59	2.58	2.58	2.71
Aa	Mar. 14	2.65	2.65	2.65	2.79
A	Mar. 14	2.86	2.86	2.86	3.05
Baa	Mar. 14	3.24	3.24	3.24	3.46
Railroad Group	Mar. 14	3.08	3.08	3.08	3.26
Public Utilities Group	Mar. 14	2.78	2.78	2.78	2.96
Industrials Group	Mar. 14	2.64	2.64	2.63	2.78
MOODY'S COMMODITY INDEX	Mar. 14	355.9	359.2	358.9	371.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 4	249,542	172,503	248,603	178,515
Production (tons)	Mar. 4	195,468	200,998	202,942	157,814
Percentage of activity	Mar. 4	88	90	91	79
Unfilled orders (tons) at	Mar. 4	371,003	314,640	383,173	287,302
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Mar. 10	121.8	121.7	120.9	138.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Feb. 25	21,774	26,406	27,823	16,429
Number of shares	Feb. 25	650,791	813,684	822,964	447,420
Dollar value	Feb. 25	$26,303,809	$29,843,368	$33,473,610	$16,666,468
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 25	23,960	28,864	28,330	15,380
Customers' short sales	Feb. 25	141	245	267	223
Customers' other sales	Feb. 25	23,819	28,619	28,063	15,157
Number of shares—Customers' total sales	Feb. 25	660,535	815,590	770,638	406,300
Customers' short sales	Feb. 25	5,464	9,363	10,014	9,088
Customers' other sales	Feb. 25	655,071	806,227	760,624	397,212
Dollar value	Feb. 25	$23,227,829	$28,179,563	$28,919,865	$13,751,774
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 25	204,980	288,140	269,550	118,340
Short sales	Feb. 25	------	------	------	------
Other sales	Feb. 25	204,980	288,140	269,550	118,340
Round-lot purchases by dealers—					
Number of shares	Feb. 25	206,280	248,130	303,470	176,320
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR— 1926 = 100:					
All commodities	Mar. 7	152.0	152.6	151.6	159.0
Farm products	Mar. 7	158.0	159.4	157.2	172.6
Grains	Mar. 7	164.0	162.9	158.5	164.6
Livestock	Mar. 7	201.8	*200.7	199.2	208.1
Foods	Mar. 7	156.0	157.8	156.0	163.7
Meats	Mar. 7	215.8	219.7	211.5	220.4
All commodities other than farm and foods	Mar. 7	145.4	145.4	145.1	151.2
Textile products	Mar. 7	136.8	136.9	137.4	144.8
Fuel and lighting materials	Mar. 7	130.1	130.4	130.5	134.4
Metals and metal products	Mar. 7	169.3	169.2	169.3	174.8
Building materials	Mar. 7	193.2	*192.5	191.2	200.8
Chemicals and allied products	Mar. 7	115.9	115.5	115.6	122.4

*Revised figure. ¶Includes 483,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of December	41,161	35,865	53,474
Stocks of aluminum—short tons—end of Dec.	29,101	39,733	Not avail.
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of December:			
Total shipments (thousands of pounds)	93,061	80,742	125,890
AMERICAN GAS ASSOCIATION — For Month of January:			
Total gas (M therms)	4,325,251	3,775,497	3,490,051
Natural gas sales (M therms)	3,975,609	3,442,934	3,119,786
Manufactured gas sales (M therms)	230,897	219,951	238,035
Mixed gas sales (M therms)	118,725	112,612	132,150
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of February	§6,782,448	*7,930,372	7,480,724
Shipments of steel products, including alloy and stainless (net tons)—Month of Dec.	5,410,902	3,296,809	6,056,282
AMERICAN PETROLEUM INSTITUTE—Month of December:			
Total domestic production (bbls. of 42-gallons each)	170,465,000	170,550,000	189,805,000
Domestic crude oil output (bbls.)	155,754,000	156,285,000	176,329,000
Natural gasoline output (bbls.)	14,681,000	14,235,000	13,448,000
Benzol output (bbls.)	30,000	30,000	28,000
Crude oil imports (bbls.)	15,041,000	*13,036,000	14,547,000
Refined products imports (bbls.)	10,642,000	8,051,000	5,450,000
Indicated consumption—domestic and export (bbls.)	215,375,000	*196,086,000	204,842,000
Decrease—all stocks (bbls.)	19,227,000	4,449,000	††4,960,000
AMERICAN ZINC INSTITUTE, INC.—Month of February:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	69,639	69,948	69,193
Shipments (tons of 2,000 lbs.)	84,257	*82,132	68,522
Stocks at end of period (tons)	67,419	*82,037	21,100
Unfilled orders at end of period (tons)	45,131	52,941	87,390
COAL OUTPUT (BUREAU OF MINES)—Month of February:			
Bituminous coal and lignite (net tons)	11,808,000	31,277,000	*46,315,000
Pennsylvania anthracite (net tons)	2,587,000	2,914,000	2,927,000
Beehive coke (net tons)	20,000	95,100	634,000
COKE (BUREAU OF MINES)—Month of Jan.:			
Production (net tons)	5,467,800	5,617,906	6,733,475
Oven coke (net tons)	5,372,655	5,537,941	6,076,008
Beehive coke (net tons)	95,145	79,965	657,467
Oven coke stocks at end of month (net tons)	1,280,984	1,713,886	1,541,117
COPPER INSTITUTE—For month of January:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	85,612	80,004	69,433
Refined (tons of 2,000 lbs.)	95,229	94,947	78,298
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	111,668	107,662	94,070
Refined copper stocks at end of period (tons of 2,000 lbs.)	101,070	116,027	91,053
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of December (000's omitted)	21,951,177	20,690,305	21,465,106
Revenue from ultimate customers—month of December	410,417,000	391,078,300	390,128,300
Number of ultimate customers at Dec. 31	42,850,781	42,693,131	40,721,988
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of January:			
Factory sales of washers (units)	275,576	237,591	172,400
Factory sales of ironers (units)	20,300	19,409	28,300
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of February (1935-39 average = 100)	¶¶112.8	¶¶117.0	120.6
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE) — Month of December:			
Shipments (in pounds)	772,000	622,000	728,000
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of February:			
Copper (per pound)—			
Electrolytic, domestic refinery	18.200c	18.200c	23.200c
Electrolytic, export refinery	18.425c	18.420c	23.432c
Lead (per pound)—			
Common, New York	12.000c	12.000c	21.500c
Common, St. Louis	11.800c	11.800c	21.300c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	73.250c	73.250c	70.803c
Silver, London (pence per ounce)	64.000	64.000	43.000
Sterling Exchange (Check)	$2.79750	$2.79750	$4.02750
Zinc (per pound)—East St. Louis	9.750c	9.763c	17.500c
Tin (per pound)—			
New York Straits	74.352c	76.070c	103.000c
New York, 99% min. (§§)	73.352 c	75.070c	102.000c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$71.000	$71.000	$88.091
¶Antimony (per pound), (E. & M. J.)	30.598c	33.200c	41.730c
Antimony (per pound), bulk, Laredo	27.318c	29.920c	38.500c
Antimony (per pound), in cases, Laredo	27.818c	30.420c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$66.000	$69.000	$85.455
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.05000
§Cadmium (per pound)	$2.15000	$2.15000	$2.10000
Cobalt, 97%	$1.800	$1.800	$17.000
Aluminum, 99% plus, ingot (per pound)	17.000	17.000	Not avail.
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
PORTLAND CEMENT (BUREAU OF MINES)—			
Month of January:			
Production (bbls.)	15,174,000	16,936,000	15,261,000
Shipments from mills (bbls.)	9,593,000	11,606,000	8,756,000
Stocks (at end of month) (bbls.)	20,267,000	14,671,000	17,591,000
Capacity used	70%	78%	73%
RR. EARNINGS — CLASS I ROADS (ASSOC. OF AMERICAN RRS.) — Month of Dec.:			
Total operating revenues	$657,044,390	$710,829,884	$730,690,352
Total operating expenses	546,665,008	568,291,720	616,283,039
Operating ratio—per cent	83.20	79.95	84.34
Taxes	$64,111,602	$57,508,091	$67,093,223
Net railway operating income before charges	32,757,854	69,309,386	33,769,179
Net income after charges (est.)	11,500,000	82,000,000	13,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne. N. S., U. S. duty included. §§Tin contained. ¶¶Preliminary figures. ††Increase all stocks (bbls.)

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Continued from page 15

Status of Savings and Mortgage Business

almost doubled; in the savings and loan associations, the increase was from $4 billion to $11.7 billion, or almost treble. Mortgages held by insurance companies grew from $5.9 billion to $12.9 billion, or more than doubled. Against all savings deposits, banks have employed 32.7% in real estate loans; against all share accounts, savings and loan associations are loaned up to a little under 100%; and insurance companies hold 25% of their policy reserves in real estate loans. Thus, savings and loan associations must look either to new funds gathered from shareholders or to borrowing from government agencies if further loans are to be made by them. Banks and insurance companies, on the other hand, have a long way yet to go before they would either reach their statutory limits for lending or exceed the voluntary limits set by themselves as constituting sound lending policies.

If savings institutions approached an investment of 50% of their savings deposits in mortgage loans, and the mortgage terms and credit of the borrower were satisfactory, there would be about $10 billion in potential credit for mortgage purposes available now—enough to absorb the probable increase in all mortgage loans required for 1950.

This amount does not include new funds which would be available for mortgage placement each year, derived from the annual payoff of loans already held. A recent check by the ABA indicates that at the present time the annual mortgage payoff in mutual savings banks is between 8 and 10%. Commercial banks, often requiring a more rapid amortization, have an annual payoff ranging from 10 to 12%. Replacement of these funds in mortgage loans would add more than $1 billion more to the possible reservoir of funds for mortgage investment.

Our surveys show that interest rates on mortgage loans fall largely between 4% and 5¼% in all states. The average rate for the country is approximately 4½%. The lower rates are generally in effect in the cities.

Most of our members feel that a down payment of not less than 10% on the purchase of a home is a desirable precaution for both borrower and lender on veterans' loans.

Originating and holding mortgage loans as a permanent investment of the bank is a predominant characteristic, and secondary mortgage markets are not an active factor in mortgage activity in most cases.

The average amount of savings and time deposits held by commercial banks generally range from 10% to 50% of the total deposits, with higher ratios usually in the smaller commercial banks, in some of which savings deposits represent as high as 80% of all deposits.

Activity service charges are widely in use with savings and time deposits of commercial banks, but rarely used in mutual savings banks. Their charges relate principally to a fee of from 10 to 25 cents for each withdrawal transaction in excess of two in one month or six in six months.

During the past year the American Bankers Association has appeared before Congressional Committees, opposing many bills which would provide direct lending by the government at low interest rates, easier terms, and long maturities. While the housing shortage is still with us, it is not nearly so acute. There are many indications that in certain parts of the country we are catching up with the shortages rapidly. Nevertheless, while the shortage remains, there continue to be introduced socialistic proposals designed to ease the housing shortage, and with little or no concern as to the effect such legislation would have upon the mortgage business.

Relations with Savings and Loan Associations

A discussion of the status of the savings and mortgage business would not be complete without a reference to the relations between banks and savings and loan associations. We have gone through a period where there have been strained relations between the savings and loan industry and our banks. We feel that many people have made investments in shares of savings and loan associations on the assumption that they were depositing their money in banks.

I am glad to report that as a result of conferences held with representatives of the U. S. Savings and Loan League and the National Savings and Loan League, and also because of conferences conducted by the National Better Business Bureau, we see evidence of improved relations between our two groups. Whereas misguided leaders in the savings and loan industry were appearing on programs and writing articles emphasizing the alleged similarity between savings and loan associations and banks, we are pleased now to see better informed leaders in the savings and loan field making public statements designed to discourage such practices.

If the current negotiations continue favorably, and if the supervisory and legislative authorities take proper action, we believe that in the near future our two industries will be able to work in harmony and with better service to the public.

Continued from page 16

The Choice Between Retirement Benefits or Superannuation Plans

substituting new for older industries. Industrial migration is uprooting entire plants. These weaken the hold of older persons and diminish the security given by seniority rosters and union protection. The failure of modern industry to work out jobs for these men is threatening the security of the entire group. The pressure for pensions is therefore great. If jobs are not there; if personal disability makes employment impossible, the older worker looks to a pension for his protection.

The present Federal old age security system has been branded by all as inadequate and obsolete. The final vote of the House of Representatives in favor of a new bill was 333 to 14 with 130 Republicans joining in approving the bill. One fact that has made its inadequacy apparent is that pensioners have had to turn to old age assistance for supplementation. Many are not now covered by the old age security law. The old age assistance system, which was to be replaced in time by the old age security plan, has become the mainstay for older persons. One of every four persons past the age of 65 years is now receiving assistance. The 1949 cost of old age assistance was $1,380 million in contrast to the payments of $688 million under the Old Age and Survivors' Insurance program. After withdrawing the sums paid to dependents, the actual sums going to pensions, was $546 million. The average monthly benefit under the old age insurance program was $25.93 as compared with average assistance payments of $43.38. The growing cost of such assistance has of course also alarmed the state and local governments. The Governors of 11 western states recently demanded liberalized pensions in order to relieve them of the burden.

We are therefore challenged to develop a Federal law which generously advances the adequacy of old age pensions. While the bill passed by the House of Representatives makes a substantial advance, it is far from adequate. Nor do we believe that a Federal system can at any time establish such high standards as to be able to suffice unto itself for all people.

We endorse the proposed terms suggested by the Advisory Council on Social Security at the beginning of 1949 as a minimal program. It should supplant the one adopted by the House. It recommended immediate extension of the system to all persons gainfully occupied with the exception of clergymen and members of religious orders. To make the program immediately valuable, it proposed that benefits be raised to 50% of the first $75 of the beneficiaries' average monthly wage and 15% of the remainder up to $350 per month. The minimum pension would be raised to $20 and the ceiling on family benefits would be set at three times the primary benefit, or 80% of the average monthly wage, whichever is lower. The benefits for a single retired worker would be raised from the current $26 per month to $55; for a man and wife, from $41 to about $85; and for widow and two children from $49 to $118. To accelerate the eligibility of many persons the applicants would only have to have worked one-half the time from the start of the system to age 65. Earnings up to $35 per month would be no bar to receipt of benefits, and benefits in excess of that sum would be reduced by $1 for each dollar of earnings. A rate of 1.5% of employee earnings, contributed by both employers and workers, would finance the plan for the first period.

The House plan restricts the coverage, and establishes benefits which would result in a single retired workers' benefit of $50 and a man and wife would receive $80. The benefits would be calculated up to a maximum of $300 per month. Earnings of older workers under $50 per month would be exempt from calculation of the benefits.

The liberalized plan proposed by the Social Security Council had the almost unanimous support of all groups. It would provide a sound base on which to develop supplementary systems. Its economic feasibility has been confirmed repeatedly by study. Any other system can only pretend to meet the needs of the great mass of organized and unorganized workers. The American labor movement has been in the vanguard of this fight and has pressed for the adoption of this legislation when many of the current advocates and snipers at union programs were arrayed against it. It is now arrayed solidly behind the most liberal program which can be secured.

Private Pension Systems

The second issue on which there is agreement is the propriety of establishing a supplementary system of pensions or retirement benefits in private industry. There was considerable controversy for a time on whether such plans shall be a subject for collective bargaining, but that issue has been removed. The present systems in a definite sense are devised both to bridge the gap between the present inadequate Federal plan and a more adequate one supplemented by a system of permanent retirement benefits for all workers.

There is much controversy on the exact form this supplementary system should take. The limitations of private systems as now constituted and the financial costs involved have greatly affected the current systems. Existing union-negotiated plans must not be conceived as the final word on the form in which these payments will eventually evolve. The plans were hastily developed and are adaptations of the earlier pension systems. There is a challenge ahead of all students of this problem to examine the issue to help define the specific direction in which the evolving plans may ultimately move. The older students of the problems of pensions, particularly the consulting actuaries, must shed their traditional thinking and do more imaginative work. They have obfuscated the present controversies because they have not clearly diagnosed the differences between the present pension movement and the privately sponsored employer systems. They have been outraged at the new departures only because they have not fully appreciated the nature of this new movement.

In order to fully state the basic problem which we now face in the development of an old age pension system, it is necessary to distinguish between two types of private pension systems. They may be designated superannuation pension plans and retirement benefit plans. In some completely funded private plans, varying combinations of these basic types have been discerned. But in the future we shall have to recognize more clearly the aims which the plans are designed to realize.

Superannuation Plans

In the first class of pension plans, which by and large includes the vast majority of the plans now being negotiated by unions, the retirement of the superannuated is being sharply emphasized. This is a carryover from the emphasis in the liberal executive pension programs and for that reason, if for no other, needs complete reevaluation. It is designed to remove or permit the retirement of aged persons with long service with the company, whom the employer no longer desires to keep on the payroll. The provisions for compulsory retirement are hangovers from executive plans which were intended to handle the executive who was reluctant to retire even though his presence obstructed efficient operation of the organization.

The plan is designed to take care of a most select group of workers; namely, those who meet certain age and service and other supplementary requirements. It is not constructed to help all persons who might retire no matter how generous the allegations may be in the preamble of such a plan. The qualifications established for the pensioners will tend to limit the group. Mortality, labor turnover and employee service records will comb out substantial proportions of the employees. Mr. Eugene Grace in his statement to stockholders on Dec. 19, 1949, confidentially stated that "Bethelehem's experience has shown that only a relatively small percentage of employees . . . would normally receive pensions because the great majority of them either die or otherwise terminate their employment before they reach a pensionable age."

The plan or industry superannuation approach to pensions must therefore be considered to be an emergency program designed to make up for the deficiencies in our Federal legislation and the failure of industry to organize a real pension plan. It seeks to take care of the superannuated or the persons who can no longer be productive in an existing organization. The vast majority of the persons who had been employees of companies with plans and who will attain pensionable age will not be taken care of. They will have to rely on the Federal pension and other resources.

Those who might normally qualify may not enjoy these benefits for other reasons such as the liquidation of businesses, the financial stringency of specific establishments, or the deficiencies in the provisions in the fund for protecting the claimant's rights. Moreover, these plans suffer from many other defects since they are inherently unable to deal with problems of rising prices, or the needs of those who do not qualify. The recent tendency among employer-operated systems to provide supplementary benefits to pensioners and to provide benefits to ineligible employees illustrates these issues.

Two basic types of superannuation pension systems now exist for employees. These have been shaped by the exigencies of individual plans and industries. There are first the limited liability plans, which provide for funds to be set aside, typically by employers alone, to be used for the retirement of persons eligible for the pension. The fund's liability is limited to the amounts placed into it. The number of persons retired is determined by the fund's resources. There are no uncertainties as to the financial undertaking, which is to guarantee the pension rights to persons who are retired, and the number so selected is determined with an eye to the resources and the cost of such pensions for the designated persons.

Some union-negotiated plans are in the above category. The criticisms directed against them by actuaries and students of social insurance stem from the fact that they are attempting to endow the plans with purposes which far transcend their current undertakings.

The second is the all inclusive liability type which entitles all employees who survive the retirement age and meet other specific qualifications, to pension benefits of the type agreed upon. Contributions must be made and funds established to meet the full liability assumed under the plan. The plan is typically represented by many of the recently negotiated plans. The variants of these plans are numerous. Major differences arise on issues of normal and optional retirement ages; compulsory retirement; retirement benefit formulae; methods of determining credited past service; maximum benefits; eligibility for the system; contributions; cash payments at termination of service or death; vesting; and methods of funding the liabilities under the plan. They meet a substantial part of our current emergency needs of affording pensions to the superannuated.

Retirement Benefit Plans

No matter how sound the above supplementation of the Federal system may be, it cannot be the answer to the demand of the mass of people for adequate retirement benefits. At best it is an emergency provision designed to take

Continued on page 42

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Continued from page 41

The Choice Between Retirement Benefits or Superannuation Plans

care of the immediately pressing problems within an organization. To the extent that supplementation of Federal pensions is likely to continue, and it is probable that such supplements will continue in a society where there are variations in earnings and rewards, and many prosperous companies and industries, the above systems will finally have to be supplanted by a more satisfactory program which seeks to take care of the great mass of workers. This must be a system which currently credits retirement benefits to all workers and not merely to the select few aged which have the specific qualifications within a particular industry or plant.

If the present discussion has produced any new basic concepts of what we are trying to do, it is that the pension is a deferred wage. The nature of the recent collective bargaining process has highlighted this fact. The pension program has been substituted for a wage increase. The benefits have to be widely shared by all workers in a bargaining immediately after the emergency created by past failings has been overcome. The deferred wages must be paid to all. The supplementary pension program must establish pension rights for all, both young and old.

It is therefore likely that we shall see within the next few years a radical change in the nature of our pension programs negotiated by trade-unions. The present ones will be supplanted by a liberal Federal system supplemented by a retirement benefit plan which guarantees retirement benefits to all engaged in the class of employment where a supplementary system has been established. The students of private pension systems and the public authorities who are responsible for thinking of the problems of integration and supervision must bend their attention in that direction. We must begin to examine the procedures for such a transformation and the types of mechanisms which will best serve the demand for permanent retirement benefits as supplements to a liberal federal program.

Initial progress has been made in this direction in one of the private programs through the vesting provision. Under such plans the employee who terminates his employment before he is eligible for retirement gains a right to a part or all of the benefits already purchased by the employer's contributions in his behalf. In contributory plans, there is frequently an additional requirement that the employee leave his contributions and the interest thereon within the plan. At the retirement age the person is eligible for a paid-up annuity. The plans now differ as to the period after which they gain these vested rights. Few plans allow immediate vesting of all contributions in the interest of the participant. The more common practice is to defer the vesting until an employee had been a member for a number of years or to graduate the percentage claims to the annuities according to service.

But this type of vesting provision has been used in only a limited number of plans. In addition, the period of deferment until the claims are established have been deterrents to mobility. They are at best initial attempts at establishing true retirement benefits. But since they were conceived in the framework of the superannuation plan, the vesting privileges have been limited.

The supplementary pensions developed by the private pension systems must be increasingly conceived of as permanent retirement benefit claims which accrue to the individual with each period of service. They are a deferred wage which automatically comes with service. The realization of these rights are not deferred but are immediately established.

This type of retirement claim can be operated as private pension programs as they are now. But the many objections to long-term solvency of such plans, the financial and investment problems that they present, and the need for the simplification of the methods of accounting and payment of final benefits, justifies our working out a federal system of annuities which can be purchased with these retirement benefit annuities. Such a plan now operates in Canada. We therefore urge that such a federal annuity program be organized to permit the current purchase of retirement benefits for all workers. With the organization of such a mechanism, the newer pension programs developed through collective bargaining will provide a supplementary benefit to all workers covered by the agreement without any of the drawbacks of existing plans.

Need for Federal Disability Benefit Systems

In the current discussion of old age pensions, one must not lose sight of one of the most serious problems; the care for the permanently disabled person who has not attained the pensionable age. Unfortunately most of the private pensions and union-negotiated plans are inadequate on this score. It is essential that every program of old age pensions extend similar benefits to the disabled. The economic problems of the disabled are even more intense than those of the aged and are less adequately taken care of.

We endorse as a minimum program the recommendations of the Advisory Council on Social Security. Payments would be made to those permanently disabled who after a waiting period of six months are demonstrated to be suffering from disability which will be long-continued and of indefinite duration. Stringent eligibility requirements are set; a worker has to have a minimum of 40 quarters of coverage and has to show employment during at least one-half of the time within the period immediately preceding the onset of his disability. The benefits for the disabled would be equal to those of the retired person but there would be none for the dependents.

Jobs for Older Workers

One area on which considerable additional work has to be done is that relating to jobs for older workers. We know that their number is rising. The life span is increasing. Workers are continuing to be productive for longer periods. As the medical and psychiatric sciences continue to improve they will extend both life itself and the productive years of life. Constructive studies have been made and original contributions offered in this field. But the work toward increasing the specific opportunities must be pressed not by pious declarations but by definite constructive projects. (See Solomon Barkin, "The Older Worker in Industry," New York, 1933, for detailed discussion of techniques.)

Conclusion

The present pension movement is the result of the deficiencies in our Federal pension program and the inadequate provisions for retirement by individual employers. The delay experienced in modernizing an obsolete insurance program and the willingness of employers to negotiate a careful program have catapulted us into the present situation. There is need for haste to make up for our tardiness in liberalizing the Federal old age pension law. The recommendations of the Senate Advisory Council on Social Security should become the nation's minimal program for immediate legislation. This should embrace both the provisions for old age pensions and disability benefits.

The current private pension plans are designed primarily as superannuation benefits to take care of the accumulated liabilities to the older persons in American industry. As our debt to them is met, we must convert the private systems into a system of supplementary retirement benefits currently credited to each and every worker. To ease the administration of such a system, the Federal government should provide the mechanism whereby the annuity credits may be currently purchased through trust funds in behalf of the individual worker.

In our drive for a well developed system of old age pensions, we should also plan for more extensive employment for older persons.

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Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

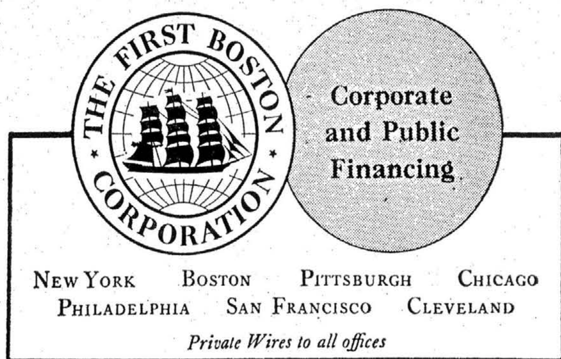
Aid Investment & Discount Co., Akron, Ohio
Feb. 27 (letter of notification) 36,500 shares of common stock (par $1). **Price**—$8.12½ per share. **Underwriter**—Otis & Co., Cleveland. **Proceeds**—For working capital.

Alberta (Province of) (3/22)
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. Expected March 22.

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.



• **Andrew County American Legion Memorial Park, Savannah, Mo.**
March 8 (letter of notification) $50,000 of bonds. No underwriter. Proceeds to develop a 20 acre public park.

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. **Bids**—To be received up to 11:30 a.m. (EST) on March 21, at office of American Gas & Electric Service Corp., 30 Church Street, New York, N. Y.

• **Armstrong Rubber Co., West Haven, Conn.**
March 8 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock and 3,000 shares of class A no par value common stock, to be sold at $40 and $14 per share, respectively, by Frederick Machlin, Executive Vice-President of the company. **Underwriter**—F. Eberstadt & Co., Inc., New York City.

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.

• **Associated Development & Research Corp.**
March 9 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$2.50 per share. **Underwriter**—Bioren & Co., Philadelphia, Pa. **Proceeds**—For loans to General Computing Machines Corp. and Transonic Corp. and for general corporate purposes. **Office**—150 Broadway, New York, N. Y.

Associated Grocers, Inc., St. Joseph, Mo.
Feb. 23 (letter of notification) 1,500 shares preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To erect a new warehouse and for working capital. **Office**—804 S. 4th Street, St. Joseph, Missouri.

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.

Beverly Gas & Electric Co.
Dec. 20 filed 33,000 shares of capital stock (par $25) to be offered to stockholders at the rate of 1½ shares for each two shares now held, at $30 per share. No underwriter. The proceeds will be used to pay off $575,000 of notes held by the New England Electric System and bank loans.

• **Boston Edison Co.**
March 14 filed $18,000,000 of first mortgage 30-year bonds, series B, due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; First Boston Corp.; Harriman, Ripley & Co., Inc.; White Weld & Co. Proceeds will be used to pay $12,000,000 bank loans and for redemption of $6,000,000 25-year 3% notes due 1970. Expected about the middle of April.

• **Brown & Sharpe Mfg. Co., Providence, R. I.**
March 3 filed voting trust certificates for 693,100 shares of common stock (par $10) to be issued to stockholders depositing these shares with the voting trust dated Feb. 1, 1950.

Canam Mining Corp., Ltd., Vancouver, B. C.
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**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Indefinite.

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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.

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 $28 per share, at 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.

• **Consolidated Engineering Corp., Pasadena, California**
March 6 (letter of notification) 1,000 shares of common stock (par $1) to be sold directly to Robert L. Smallman at $5 per share. No underwriter. Proceeds are for working capital. **Office**—620 N. Lake Avenue, Pasadena 4, Calif.

Cook Coffee Co., Cleveland, Ohio (3/27-31)
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. Expected during last week of March.

• **Cribben & Sexton Co., Chicago, Ill.**
March 6 (letter of notification) 2,000 shares of common stock (par $5) at the market price ($4½ or more), to be sold by Robert C. Caldwell, Indianapolis, a Director. No underwriter—"any broker." **Office**—700 N. Sacramento Boulevard, Chicago, Ill.

• **Curtis Publishing Co.**
March 9 (letter of notification) 500 shares of prior preferred stock at $53 per share, the proceeds going to the Curtis Estate Trustees. **Underwriter**—To be offered through Hecker & Co., Philadelphia. No underwriting commitment.

• **Delaware Power & Light Co. (4/5)**
March 8 filed 232,520 shares of common stock (par $13.50) to be offered to stockholders of record April 5, 1950, at the rate of one share for each six held, and then to be offered employees with a maximum purchase of 150 shares per employee. **Underwriter**—(For unsubscribed shares) to be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); Harriman, Ripley & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Price**—To be filed by amendment. **Proceeds**—To finance construction for the company and two subsidiaries. **Bids**—Expected to be received up to 11:30 a.m. (EST) on April 5.

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.

• **Emery Air Freight Corp.**
March 6 (letter of notification) 600 shares of common stock (par 20¢). **Price**—At market (about $2.50 per share). **Underwriter**—Reynolds & Co. **Proceeds**—To selling stockholder.

NEW ISSUE CALENDAR

March 20, 1950
Jamaica Water Supply Co., noon (EST) — Bonds
Lone Star Steel Co. — Common

March 21, 1950
Appalachian Electric Power Co. 11:30 a.m. (EST) — Bonds
Texas Utilities Co., 11 a.m. (EST) — Common

March 22, 1950
Alberta (Province of) — Debentures

March 23, 1950
Seaboard Air Line RR. Noon (EST) — Equip. Trust Ctfs.

March 27, 1950
Cook Coffee Co. — Common

March 28, 1950
Monongahela Power Co. — Preferred
Northern Indiana Public Service Co. 11 a.m. (CST) — Bonds

April 1, 1950
Gundel (J. B.) & Co., Inc. — Common

April 4, 1950
Georgia Power Co., 11 a.m. (EST) — Bonds
United Representatives Inc. — Debentures

April 5, 1950
Delaware Power & Light Co. 11:30 a.m. (EST) — Common

April 10, 1950
Utah Fuel Co., 11 a.m. (EST) — Common

April 21, 1950
Kansas City Power & Light Co. — Common

May 2, 1950
Public Service Electric & Gas Co. — Bonds

May 22, 1950
Iowa Public Service Co. — Preferred

Equitable Gas Co., Pittsburgh, Pa.
March 2 filed an unspecified number of shares of common stock, to be sold by The Philadelphia Co., Pittsburgh. On March 15 it was announced that 2,000,000 shares would be publicly offered. **Price**—To be filed by amendment. **Underwriters**—Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.

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.

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.

• **Florida Grocers Building Co., Tampa, Fla.**
March 7 (letter of notification) 770 shares of common stock at $100 per share. No underwriter. Proceeds are for working capital.

Garfinkel (Julius) & Co., Inc.
Feb. 2 (letter of notification) 5,000 shares of common stock (par 50c) to be sold by Mrs. Dee M. Schmid, Washington, D. C., at the market price of between $19⅝ and $16¾ per share. **Underwriter**—Auchincloss, Parker & Redpath, Washington.

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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.

• **Gerber Products Co., Fremont, Mich.**
March 10 filed 140,000 shares of common stock ($10 par value), of which 10,000 will be offered to employees directly. **Underwriter**—A. G. Becker & Co., Inc., Chicago. **Price**—To be filed by amendment. **Proceeds**—To expand and for working capital.

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 at $28.75 per share. Rights are expected to expire March 31. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—For additional working capital.

Gold Ranch Mining Corp., Los Vegas, Nev.
March 3 (letter of notification) 100,000 shares of common stock to be offered at par ($1 per share), the proceeds to be used to buy mining and milling equipment and provide for construction. No underwriter. **Office**—El Portal Building, Las Vegas, Nev.

Grand Rapids Stadium, Inc.
Jan. 27 (letter of notification) 1,004 shares of 6% noncumulative participating preferred stock at $100 per share. No underwriter. Proceeds to pay costs of erecting stadium. **Office**—2500 Turner Ave., N. W., Grand Rapids, Mich.

Granmesa Petroleum Co., Inc.
Jan. 25 (letter of notification) 2,295 shares of common capital stock at $100 per share. No underwriter. Proceeds for oil and gas leases, drilling equipment and expenses. **Office**—874 Texas Avenue, Grand Junction, Colorado.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. Offering—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. Underwriters—Names by amendment and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. Proceeds—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations and to provide working capital.

• **Gundel (J. B.) & Co., Inc., N. Y. City (4/1)**
March 8 (letter of notification) 10,000 shares of class A common stock and 2,000 shares of class B common stock to be offered at $20 and $50 per share, respectively. Proceeds will be used to place first mortgage loans on homes and for other realty transactions. **Office**—209 West 125th Street, New York 27, N. Y.

Gyrodyne Co. of America, Inc.
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**—80 Wall Street, New York City.

• **Hahn Aviation Products, Inc., Phila., Pa.**
March 9 (letter of notification) 100,000 shares of capital stock to be offered at par ($1 per share). Proceeds for the manufacture and sale of a patented aviation spark plug. No underwriter. **Office**—2636 No. Hutchinson Street, Philadelphia 33, Pa.

• **Hoffman Radio Corp., Los Angeles, Calif.**
March 9 filed 50,000 shares of 66⅔ cents par value common stock. (In addition, warrants outstanding for purchase of 45,000 shares of common stock to be purchased at $4 per share may now be exercised.) The 50,000 block is being sold by Frances E. Hoffman and Jane Leslie Hoffman, wife and daughter of H. L. Hoffman, President of the company. **Underwriters**—William R. Staats Co., Los Angeles, and Paul H. Davis & Co., Chicago. **Price** — To be filed by amendment. **Proceeds** — For working capital.

• **Housecliff Co.**
March 7 (letter of notification) 50 participation units at $900 per unit. Proceeds to be used to produce the play tentatively entitled "House on the Cliff."

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.

Continued on page 44

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Continued from page 43

● **Hytron Radio & Electronics Corp., Salem, Mass.**
March 10 filed 200,000 shares of 6% cumulative convertible preferred stock ($8 par value) and 440,000 shares of common stock (par $1), of which 40,000 shares of common stock will be sold by four officers of the company. **Underwriters**—Barrett Herrick & Co., Inc., New York, and Sills, Fairman & Harris, Inc., Chicago. **Price**—$3 for the preferred; the common stock price to be filed by amendment. **Proceeds**—To finance expansion of Hytron and its subsidiaries.

● **Incorporated Investors, Boston, Mass.**
March 13 filed 985,658 shares of common stock (par $5). **Underwriter**—The Parker Corp., Boston. Business—An open-end diversified management company.

● **Iowa Electric Light & Power Corp., Cedar Rapids, Iowa**
March 13 filed 108,834 shares of cumulative preferred stock (par $50) and 925,000 shares of common stock (par $5). These new stocks, along with cash, will be used to retire 49,290 shares of series A 7% preferred stock, 15,605 shares of series B 6½% preferred stock and 43,939 shares of series C 6% preferred stock. All unissued shares will be offered by underwriters. **Underwriters**—The First Boston Corp., New York, and G. H. Walker & Co., Providence, R. I. **Proceeds**—Will be used to redeem unexchanged shares of old preferred stock at $102.50 per share.

Iowa Public Service Co. (5/22)
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 May 22.

Jamaica Water Supply Co. (3/20)
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 was 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 March 22). **Underwriter**—For common stock: Blyth & Co., Inc. heads 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. **Bids**—For purchase of bonds will be received up to noon (EST) on March 20 at the New York Trust Co., 100 Broadway, New York, N. Y. **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. Statement effective March 10.

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.

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.

● **Lit Brothers, Philadelphia, Pa.**
March 13 filed $6,000,000 sinking fund debentures (subordinated) due March 1, 1970. **Price**—To be filed by amendment. **Underwriter**—Group to be managed by A. G. Becker & Co., Inc. **Proceeds**—To retire $5,987,000 of 6% preferred stock.

Lone Star Steel Co., Dallas, Tex. (3/20)
Jan. 25 filed 592,185 shares of common stock (par $1), to be offered to common stockholders on a two-for-five basis. **Price**—$4 per share. **Underwriters**—Straus & Blosser, Dallas Rupe & Son, and Estabrook & Co. **Proceeds**—To build cast iron pressure pipe foundries (estimated to cost $1,250,000) and to discharge part of current indebtedness. Expected either March 17 or 20.

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.
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. Offering postponed. Expected end of next week.

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.

● **Mountain States Telephone & Telegraph Co.**
March 10 filed 183,918 shares of capital stock, to be offered to stockholders of record March 27 at the rate of one for each five shares; rights to expire, about April 28. **Underwriter**—None. **Price**—At par ($100 per share). **Proceeds**—To pay indebtedness to its parent, American Telephone & Telegraph Co., and for corporate purposes, including construction.

National Research Corp., Cambridge, Mass.
Feb. 14 (letter of notification) 4,000 shares of common stock (par $1), to be offered at the market price for the account of Clara A. Coolidge and others. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston. **Office**—70 Memorial Drive, Cambridge, Mass.

● **New Majestic Mining Co., Provo, Utah**
March 7 (letter of notification) 100,000 shares of capital stock at 5 cents per share. No underwriter. Proceeds are to settle with the Reconstruction Finance Corp.

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. **Bids**—To be received up to 11 a.m. (CST) on March 28 at Harris Trust and Savings Bank, 115 West Monroe Street, Chicago, Ill.

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. Standard Gas & Electric Co., owner of 550,041 shares, plans to subscribe to the 55,004 shares to which it is entitled. **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 $30 per share on the basis 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. Statement effective March 14.

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.
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 March 27 or earlier.

● **Palmer Agriculture Enterprises, Inc., Tempe, Arizona**
March 6 (letter of notification) 100,000 shares of class A caiptal stock at par ($1 per share). No underwriter. Proceeds are to pay debts, buy new equipment and provide working capital. **Office**—928 E. 13th St., Tempe, Ariz.

● **Pepsi-Cola Co.**
March 8 (letter of notification) 750 shares of capital stock (par 33⅓¢) to be offered by Walter S. Mack, Jr., President, at Market ($11.62½ per share). To be offered on the New York Stock Exchange through Delafield & Delafield, New York City.

Pepsi-Cola Co.
Feb. 28 (letter of notification) 3,500 shares of capital stock (par 33⅓¢). **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.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

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.

Remington Rand Inc.
Feb. 20 (letter of notification) 26,600 shares of common stock (par 50¢), to be purchased in the open market and resold to employees at cost ($11.25 per share).

Rotella Beverages, Inc. (N. J.)
Feb. 17 (letter of notification) $100,000 10-year 5% convertible income debentures, at par, in New Jersey only. No underwriter. Proceeds for additional working capital. **Office**—45 Downing Street, Newark, N. J.

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.

Sinclair Oil Corp.
Jan. 27 filed 598,700 shares of common stock (no par) to be offered to officers and employees of the company and subsidiaries under a stock purchase plan. These shares are either held in the treasury or will be reacquired. The maximum number of shares which can be sold under this plan in a five-year period is 598,700, or 5% of the outstanding shares. **Proceeds**—For general funds.

Slick Airways, Inc., San Antonio, Texas
Feb. 10 (letter of notification) $194,000 of 4% convertible income debentures, due 1957 (non-interest bearing until March 1, 1952), and 19,400 shares of common stock (par $10), into which the debentures will be convertible. **Underwriter**—Fridley & Hess, Houston. **Proceeds**—For general corporate purposes.

South Carolina Electric & Gas Co., Columbia, South Carolina
Nov. 22 filed $22,200,000 first and refunding mortgage bonds, due 1979. **Underwriter**—Names by amendment (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. Expected this month.

● **Southern New England Telephone Co.**
March 9 filed 400,000 shares of common capital stock (par $25) to be offered common stockholders of record March 28, 1950, at the rate of one new share for each seven held. Rights will expire April 21, 1950. **Underwriter**—None. **Price** — At par. **Proceeds** — To repay advances from American Telephone & Telegraph Co. and for further construction.

Standard-Thomson Corp.
Feb. 1 (letter of notification) 21,500 shares of common stock to be sold at the market price of about $4.50 per share by Reginald N. Webster (President), Lillian M. Webster and John M. Kimball, Lincroft, N. J., and Audrey J. Webster, Greenwich, Conn. **Underwriters**—Lee Higginson Corp., Carreau & Co. and Reich & Co., New York.

● **Stanwood Oil Corp., N. Y. City**
March 8 (letter of notification) 15,000 shares of common stock (par 20¢). **Price**—$1 per share. **Proceeds**—To selling stockholder. **Office**—420 Lexington Avenue, New York, N. Y.

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State Bond & Mortgage Co., New Ulm, Minn.
Feb. 27 filed $500,000 of series 1305 investment certificates; $1,000,000 of series 1207-A accumulative savings certificates, and $10,000,000 of Series 1217-A accumulative savings certificates. No underwriter. An investment company.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds** —Funds will be applied to the purchase of equipment, road construction, exploration and development.

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.

• **Tennessee Gas Transmission Co.**
March 14 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be filed by amendment. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York. **Proceeds**—To be added to general funds for use in construction.

• **Texas Gas Transmission Co., Owensboro, Ky.**
March 9 filed 213,306 shares of common stock (par $5), owned by 10 stockholders. **Underwriter**—Dillon, Read & Co., Inc., New York. **Price**—To be filed by amendment.

Texas Utilities Co. (3/21)
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**—To be received by 11 a.m. (EST) on March 21 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 Virginia Water Service Co., Charleston, West Virginia**
March 6 (letter of notification) subscription warrants for 17,647 shares of common stock (no par) and a like number of shares to be issued upon exercise of the warrants at $16.75 per share. Warrants issued to stockholders of record March 13 to expire March 27, to subscribe on a 1-for-14 basis. **Underwriters**—Shea & Co., Inc., Boston, and Blair F. Claybaugh & Co., New York, to head a group of 30 dealers. **Proceeds**—For construction.

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. Probable underwriters: Morgan Stanley & Co.; Clark, Dodge & Co.; F. S. Moseley & Co.

• **American Gas & Electric Co.**
March 3 announced company plans in May to sell $27,000,000 of serial notes (to mature either in 1-to-15 years or 1-to-20 years). Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; First Boston Corp.; Harriman Ripley & Co., Inc.

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.

• **Brooklyn Union Gas Co.**
March 8 company announced it plans to issue $8,000,000 of mortgage bonds and sell 186,341 shares of convertible preferred stock which may have a par value of $40 per share. Latter will be offered for subscription to common stockholders on a one-for-four basis and may be underwritten by Blyth & Co., Inc. and F. S. Moseley & Co. Probable bidders for bonds include: Blyth & Co., Inc. and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Harriman, Ripley & Co., Inc. and First Boston Corp. (jointly). **Proceeds**— To retire bank loans of $14,625,000, and to pay part of cost of conversion from manufactured to natural gas.

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.

• **Carolina Natural Gas Corp.**
March 10 company told FPC cost of new construction will cost $7,332,200, to be financed by sale of common stock and debt securities.

• **Celanese Corp. of America**
April 12 stockholders will be asked to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.

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.

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.; Morgan Stanley & Co.; Lehman Brothers.

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.**
April 27 stockholders will vote on reclassifying 500,000 shares of unissued common stock (no par) into 500,000 shares of unissued preferred stock (par $50).

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.

Commonwealth Edison Co., Chicago
Dec. 13 it was indicated that $90,000,000 additional financing will be necessary for the period 1950-1953 to cover in part a construction budget of $290,000,000. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.

• **Dayton Power & Light Co.**
March 7 said to be planning sale, probably in May or June, of $7,500,000 each of common and preferred stocks. Probable underwriters: Morgan Stanley & Co.; Lehman Brothers; W. E. Hutton & Co.

• **El Paso Natural Gas Co.**
March 2 announced company will issue and sell (in addition to private financing) $6,500,000 convertible second preferred stock, first to stockholders. **Underwriter** — White, Weld & Co. **Proceeds**—For construction purposes. Expected in April.

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.

Gatineau Power Co.
Feb. 6 announced courts had ordered that at least $5,000,000 of common stock held by International Hydro-Electric System be disposed of by trustee of latter. First Boston Corp. as financial adviser to Gatineau has been engaged to develop a plan for liquidation of International.

• **General Motors Acceptance Corp.**
March 15 company was reported to be seeking a large amount of new financing (said to be around $300,000,000) from banks and private institutions.

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.

• **Green Mountain Power Corp.**
March 7 amended plan of reorganization filed with SEC provides for sale of approximately 100,000 shares of new common stock for cash to the public through underwriters, subject to prior subscription rights by present preferred stockholders. Hearing March 28. Exemption from competitive bidding has been requested. Probable underwriters: Harriman, Ripley & Co., Inc.; Goldman, Sachs & Co. **Proceeds**—To retire 4¼% notes and for working capital.

Gulf States Utilities Co.
Feb. 16 reported company may offer $7,500,000 preferred stock and $13,000,000 "new money" bonds later in April or May, this year. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co., Inc. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Glore, Forgan & Co.; Kidder, Peabody & Co.

Hamilton Watch Co.
Feb. 20 announced that stockholders on April 20 will vote on a proposal to authorize the directors to incur up to $3,500,000 of indebtedness on a long-term basis, so as to place the company in a position to do such financing when deemed necessary.

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

Continued on page 46

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Continued from page 45

& Co., Inc. Possible refunding of privately held $22,500,000 3¼% first mortgage bonds is also said to be under consideration.

● **Interstate Power Co.**

May 2 stockholders will vote on authorizing an issue of 50,000 shares of preferred stock (par $25). Company also planning to issue in late Spring $8,000,000 of bonds. A group headed by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. has been formed to bid on the latter issue.

● **Investors Telephone Co.**

March 31 stockholders will vote on approving long-term borrowing of up to $6,000,000, the proceeds to be used to redeem $2,320,500 first lien collateral 3% bonds due 1961, $359,000 first mortgage 3⅛% bonds of Platte Valley Telephone Corp., a subsidiary, and $150,000 of bank loans, with the remainder added to working capital.

● **Iowa Electric Co.**

March 10 reported that early registration with SEC is expected of an offering of about $18,000,000 preferred and common stocks through a negotiated deal. Probable underwriters: First Boston Corp. and G. H. Walker & Co.

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.

● **Keyes Fibre Co.**

March 14 company reported planning issuance of a new preferred stock and redemption of two present preferred issues:

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 issue of 480,000 shares of preferred stock (par $25), of which 160,000 may be presently issued, and to change the name of company to Laclede Gas Co. Probable bidders; The First Boston Corp. and Blyth & Co., Inc. (jointly); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—To be used to finance part of $20,000,000 construction program planned over the 1950-1953 period.

Louisiana Power & Light Co.

Feb. 6 reported company may sell between $4,000,000 and $6,000,000 of bonds, and refund the outstanding $6 preferred stock. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co., and Lehman Brothers (jointly); Shields & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.

● **Mississippi River Fuel Co.**

March 10 reported that early registration with SEC is expected of an offering of about 250,000 shares of common stock to common stockholders on a one-for-four basis. Union Securities Corp. may be underwriter.

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.).

Montana Power Co.

Dec. 20 reported the company may issue in a few months approximately $22,000,000 in new securities, which may include bonds and debentures and possibly some additional common stock. Financing of $10,000,000 or more in bonds may be undertaken in May. The proceeds are to be used for expansion and extension of its gas and electric lines. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; First Boston Corp.; Lehman Brothers.

New York Central RR.

Feb. 7 reported that offering of $9,000,000 equipment trust certificates is expected early in April. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly). Expected in April.

Northern Natural Gas Co., Omaha, Neb.

Jan. 20 announced that the company proposes to issue and sell at competitive bidding $40,000,000 of 2¾% 20-year debentures and to sell 304,500 shares of common stock on the basis of one share for eight shares now outstanding, the latter to supply from $9,060,000 to $10,657,500 of new capital. The net proceeds, together with other funds, will be used to finance the company's construction program. Probable bidders for the debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. 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 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.; Lehman Brothers. Proceeds would be used to pay off bank loans and to pay for new construction costs.

● **Peninsular Telephone Co.**

March 8 reported company may do some new finacing this year to pay for construction costs. Probable underwriters: Morgan Stanley & Co.; Coggeshall & Hicks.

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 $7,065,000 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 Edison Co.**

March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

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 Natural Gas Co.

Jan. 4 announced company has applied to the FPC for authority to construct natural gas facilities at an estimated cost of $32,520,000, which will be financed through the issuance of additional securities. Of the total cost, $18,360,000 will be applicable to the 1950 program, and the remaining $14,160,000 to be spent in 1951. This year's program will be financed initially by bank loans, which will be refunded later through the sale of bonds. The 1951 financing may be through the sale of $5,000,000 additional common stock to be offered to stockholders under preemptive rights. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly), and The First Boston Corp.

Southern Pacific Co.

Feb. 16 directors approved, subject to ICC approval, the offer to stockholders of record March 10, 1950 of the privilege to subscribe, at par, on or before March 31, 1950, for $37,727,600 of convertible debentures, due April 1, 1960, convertible into common stock at $55 per share. **Underwriters**—Blyth & Co. Inc. and Salomon Bros. & Hutzler and associates awarded the issue on March 9 who named a 3% coupon and $735,688.20 as underwriting compensation to be paid by company.

● **Spencer Chemical Co.**

March 10 company reported planning issue in April of 200,000 shares of common stock with Glore, Forgan & Co. and Kidder, Peabody & Co. as underwriters.

Texas-Illinois Natural Gas Pipeline Co.

Dec. 5 it was announced company plans to build a 1,400 mile pipeline, which it is estimated will cost between $140,000,000 and $150,000,000. James F. Oates, Jr., Chairman of Peoples Gas Light & Coke Co., stated financing of the new project would probably consist of 75% debt and 25% stock. Probable bidders: (1) for bonds: Halsey, Stuart & Co.; (2) for preferred stock: White, Weld & Co.; Glore, Forgan & Co.

Texas Power & Light Co.

Feb. 13 reported planning permanent financing probably to extent of $7,000,000 of bonds before August, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Carl M. Loeb, Rhoades & Co. and E. H. Rollins & Sons (jointly); Union Securities Corp.; Drexel & Co. and Hemphill, Noyes & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler. Funds will be used to finance construction costs.

● **Thompson Products, Inc., Cleveland, Ohio**

March 2 announced that stockholders will on March 28 vote on increasing the authorized common stock from 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 future financing, acquisition of property and other purposes.

Utah Fuel Co. (4/10)

The referee will offer at public auction at 11 a.m. on April 10 all of the 100,000 outstanding shares of stock of this corporation at the Guaranty Trust Co. of New York, 140 Broadway, New York. **Business**—Mining of coal in Utah and Colorado and manufacturing of coke in Utah and sale of said products.

Utah Power & Light Co.

Feb. 17 it was announced that company proposes during 1950 to issue and sell common stock on the minimum basis of one share of new stock for each eight shares of common now outstanding, and to issue and sell $10,000,000 of first mortgage bonds. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers; Carl M. Loeb, Rhoades & Co. **Proceeds**—To be used to repay loans and for construction.

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.

● **Wheeling & Lake Erie Ry.**

March 9 announced company plans to issue and sell $4,000,000 bonds early next month to refund a like amount of bank loans. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Kidder, Peabody & Co. (jointly); Salomon Bros & Hutzler; Lehman Brothers; Harriman Ripley & Co. Inc.

White (S. S.) Dental Mfg. Co.

Feb. 2 announced stockholders will vote April 4 on increasing the authorized capital stock (par $20) from 300,000 to 450,000 shares, through issuance of 150,000 additional shares.

Wisconsin Public Service Corp.

Jan. 19 announced Standard Gas & Electric Co. proposes to sell at competitive bidding all of the 1,625,000 shares of common stock (par $10) of this 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.

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Our Reporter's Report

The recent lag in moving high-priced, low-yield new corporate issues apparently is making for a considerable degree of caution on the part of underwriting firms.

At any rate that appeared to be the case in connection with this week's sale at competitive bidding of $15,000,000 of new 40-year debentures by the New Jersey Bell Telephone Co.

The offering attracted a total of six bids being, as it was, of the much-welcomed "Street" size, that is an issue which does not require the gathering together of great aggregations of banking capital.

Bids ranged all the way from the highest of 102.101 for a 2¾% coupon on down to the lowest of 101.05 for the same interest rate. The successful group, it is understood, embraced a total of 26 firms.

But at the final meeting, at which last minute pricing ideas were discussed, it appeared that the projected bid was a little too rich for a number of those present.

At any rate, report has it that some 14 of the firms decided to withdraw from the group. The bid was entered, however, and took the debentures which were subsequently priced for re-offering at 102.457 to return an indicated yield of about 2.65%.

Big Standby Deals Under Way

Two big "standby" deals got under way this week, one for the Commercial Credit Co., and the second for the Pacific Gas & Electric Corp.

The first such operation involves the offering of 427,948 shares of common stock to be used in redemption of the Commercial Credit's 3.6% cumulative preferred. Any unexchanged stock would be taken up by bankers for public offering and the proceeds applied to redemption of the preferred.

The Pacific Gas offering involves 1,650,156 shares of new common to shareholders of record March 14. "Rights" are due to expire April 5 and any unsubscribed stock will be taken down by bankers for reoffering.

Corporate Backlog

Current estimates put the unsold balance of new corporate issues around the $42,000,000 figure, or about double the total a week previous. This does not take into account rail equipment issues where the backlog was estimated around $31,000,000.

This is not considered a burdensome carry for corporate securities in a comparatively active market. And moreover, it is pointed out that the major portion is made up of issues of high investment quality, chiefly utilities.

In the case of equity securities, which have been finding brisk reception, the inventory problem is said to be small.

Appalachian Electric

Next Tuesday promises another day of brisk activity on the part of underwriters, since competition should be keen again for the new first mortgage bonds being put up for bids by Appalachian Electric Power Co.

This is another of those nicely proportioned projects, $25,000,000, which should attract a host of bids much as the New Jersey Bell's did on Tuesday.

Company officials and prospective bidders are slated to get together tomorrow to review and bring up to date the information set forth in the covering registration statement.

Southern Pacific

The outcome of bidding for the "standby" job on Southern Pacific's $37,727,600 of convertible debentures last week aroused no end of interest in underwriting circles and some observers still profess to be a bit bewildered.

The winning group bid 100, less an underwriting fee of $735,688, specifying a 3% coupon. The runner-up bid 100, less a fee of $464,049 for 3s. The issue is being offered first to stockholders of record March 10, with unsubscribed debentures going to underwriters.

The latter, it is understood, have been getting fairly active inquiry for the issue.

Business Man's Bookshelf

Common Sense Security Analysis—Manual analyzing principles of "Basic Strength Data"—Manual plus Basic Strength Reports for six weeks on a trial basis $5.00 (or booklet with recent report $2.00)—Dept. F-1, Investors Research Company, Mihran Building, Santa Barbara, Calif.

Economic Bulletin for Europe, Third Quarter 1949 — Research and Planning Division of the United Nations Economic Commission for Europe — Columbia University Press, 2960 Broadway, New York 27, New York—Paper —50c.

Economic Survey of Latin America 1948 — United Nations Department of Economic Affairs —Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—$2.

Economics of Pulp and Paper, The—Study analyzing the industry and appraising its particular problems and trends — John A. Guthrie—Bureau of Economic and Business Research, State College of Washington, Pullman, Wash.—cloth, $2.50; paper, $1.50.

European Steel Trends in the Setting of the World Market—Steel Division, United Nations Department of Economic Affairs —Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—$1.50.

Federal - State - Local Relations in Agriculture—John D. Black—National Planning Association, 800 Twenty-first Street, N.W., Washington 6, D. C.—Paper cumulative supplement No. 2—50c.

Historical Directory of the Banks of the State of New York —William H. Dillistin — Federal Reserve Bank of New York, 33 Liberty Street, New York, N. Y. —Paper.

Peace by Investment—Benjamin A. Javits—Funk & Wagnalls Company, 153 East 24th Street, New York 10, N. Y.—cloth—$3.50.

Relative Prices of Exports and Imports of Under-Developed Countries — United Nations Department of Economic Affairs—Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—$1.

Tax Systems, 12th Edition — A reference Book of Legislative and Statistical Information for All of the United States and for Numerous Other Countries and Jurisdictions—Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill.—fabrikoid.

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With a good clientele in New York and Jersey City desires position with an over-the-counter house. Best references. Box S 316, Commercial & Financial Chronicle, 25 Park Place, New York 8.

L. W. Knickmeyer With G. H. Walker Co.

L. W. Knickmeyer

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Lester W. Knickmeyer has become associated with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Knickmeyer was formerly Secretary of Albert Theis & Sons, Inc., with which he had been associated for many years.

Commercial Credit Co. To Redeem Pfd. Stock

Kidder, Peabody and First Boston Heads Underwriting Group.

Kidder, Peabody & Co. and The First Boston Corp. will head a group of investment firms which will underwrite Commercial Credit Co.'s forthcoming redemption of its outstanding 3.60% $100 par value cumulative preferred stock. The shares, called for redemption on April 14, 1950, are convertible into common stock at the rate of 1¾ shares of common for each share of preferred. The conversion privilege ends at the close of business on April 14, 1950. Any preferred shares remaining unconverted will be redeemed at the redemption price of $105.50 per share plus accrued dividends from April 1, 1950. As of March 13, 1950, there were outstanding 158,845 shares of 3.60% preferred stock and 277,978 shares of common stock were reserved for issuance to provide for the conversion.

FINANCIAL NOTICE

Notice to Security Holders of

THE DAYTON POWER AND LIGHT COMPANY

Earning Statement for Twelve Month Period Ended December 31, 1949

The Dayton Power and Light Company has made generally available to its security holders, in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended, an earning statement for the 12 month period ended December 31, 1949, which began after the effective date of the Company's Registration Statement, SEC file No. 2-7736, (effective November 19, 1948), relating to the $15,000,000 principal amount, First Mortgage Bonds, 3% Series A, Due 1978, of the Company. Copies of such earning statement will be mailed on request to security holders of the Company and other interested parties.

The Dayton Power and Light Company
25 North Main Street
Dayton 1, Ohio

March 14, 1950.

Bank of Montreal Makes Appointments

The Bank of Montreal announces the following appointments: John MacRae, formerly Superintendent of the bank's branches in British Columbia, has been appointed Assistant General Manager in Toronto in charge of the Ontario division. He succeeds W. T. Aikins MacFayden, who is retiring on pension after 44 years in banking.

Lawrence E. Tritschler, in charge of the bank's Chicago office since 1947, has been appointed Manager of the St. Peter and St. James Streets branch in Montreal. He is successor to W. H. Raikes, who has been appointed to succeed Mr. MacRae as Superintendent in British Columbia.

Eric B. Lavelle succeeds Mr. Tritschler as Manager of the bank's Chicago office. Previously, he had served as Manager of the Waterloo, Ont., branch.

DIVIDEND NOTICES

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a semi-annual dividend of 20 cents per share on the Capital Shares of the Corporation, payable March 31, 1950, to stockholders of record at the close of business March 21, 1950.

SAMUEL M. FOX, Treasurer

March 15, 1950

GENERAL REALTY & UTILITIES CORPORATION

4% Cumulative Income Debentures Due September 30, 1969

NOTICE OF PAYMENT OF COUPON NO. 11

Payment of the amount called for by Coupon No. 11 representing interest for the six months period ending March 31, 1950 on the above-mentioned Debentures of General Realty & Utilities Corporation, will be paid on March 31, 1950 at The Commercial National Bank and Trust Company of New York, Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION

By SAMUEL M. FOX, Treasurer

March 15, 1950.

LION OIL COMPANY

A regular quarterly dividend of 37½¢ per share has been declared on the Capital Stock of this Company, payable April 15, 1950, to stockholders of record March 31, 1950. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

March 8, 1950.

Dividend Notice

THE ARUNDEL CORPORATION BALTIMORE MARYLAND

The Board of Directors of The Arundel Corporation has this day (March 14, 1950) declared 25 cents per share as the regular quarterly dividend on the no par value stock of the corporation issued and outstanding, payable on and after April 1, 1950, to the stockholders of record on the corporation's books at the close of business March 21, 1950.

MARSHALL G. NORRIS, *Secretary*

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.

DIVIDEND NOTICES

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on April 15, 1950, to holders of record of such shares at the close of business on March 29.

E. H. BACH, Treasurer

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½c per share on the Preferred capital stock. They have also declared a dividend of 62½c per share on the Common capital stock. The dividends on both Preferred and Common stock are payable April 5, 1950, to stockholders of record at the close of business March 14, 1950.

WALLACE M. KEMP, Treasurer,

OLD TOWN RIBBON & CARBON COMPANY, INC.

DIVIDEND No. 30

The Board of Directors has declared a dividend of 30 cents per share on the Common Stock of the Company, payable on April 1, 1950 to stockholders of record at the close of business on March 21, 1950.

JEROME A. EATON, *Treasurer*

March 14, 1950

New England Gas and Electric Association

COMMON DIVIDEND NO. 12

The Trustees have declared a quarterly dividend of twenty-two and one-half cents (22½¢) per share on the COMMON SHARES of the Association payable April 15, 1950 to shareholders of record at the close of business March 20, 1950.

H. C. MOORE, JR., *Treasurer*

March 9, 1950.

New England Gas and Electric Association

PREFERRED DIVIDEND NO. 12

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% cumulative convertible preferred shares of the Association payable April 1, 1950 to shareholders of record at the close of business March 20, 1950.

H. C. MOORE, JR., *Treasurer*

March 9, 1950.

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND
COMMON DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending March 31, 1950, payable April 1, 1950, to holders of record at the close of business March 21, 1950.

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable April 1, 1950, to holders of record at the close of business March 21, 1950.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated, March 9, 1950

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — It is doubted seriously and with no exaggeration that the latest batch of 21 proposed government reorganizations submitted to Congress will cut as much as a dime from the expense of running the Federal establishment.

Instead these reorganizations if allowed to go into effect, will actually boost the cost of government. The only thing which had any bearing on costs was the President's proposal that the departmental administrative officers be given a subcabinet status with salaries of $14,000 per year.

These administrative assistants are powerful individuals, largely anonymous, who actually handle a great deal of the work for the secretaries and heads of departments. Whereas they get $10,000 or a little more now, they will be boosted to $14,000, and then they will all be entitled to government limousines to take them to work and their wives shopping, complete with drivers.

While Mr. Truman's proposed reorganizations hold no promise of saving any money, they do show that Mr. Truman knew just what he was doing when, shortly before the Hoover Commission on Organization of Government was ready to report, the President called ex-President Hoover to the White House, figuratively threw his arms around Mr. Hoover in public, and declared what a wonderful work was Mr. Hoover doing.

In this respect Mr. Truman's smartness was two-fold. In the first place it helped him get the law under which he can take the initiative in reorganizing the government. Without the prestige and publicity achieved by the Hoover report, the President's chances of persuading the Congress to give him some power to reorganize would have been dubious.

Second, the President has affixed the great seal of the Hoover report to everything he has done. The latest 21 reorganization plans, even though they concentrate more power in the Executive, and propose political objectives favored by the Administration, just drip with language to show that they are just what Dr. Hoover ordered.

In the process, the President has put the Congress to a lot of trouble. Just to "eliminate confusion" the President proposed to kill off the independent General Counsel of the National Labor Relations Board. While the President and organized labor want to kill the Taft-Hartley Act, the thing that the Big Labor boys want most is to do away with Robert Denham's independent status to open cases before the NLRB. Denham's job is the chief target of Labor. The President has been unsuccessful in persuading Congress to repeal Taft-Hartley.

But with this proposed "reorganization" one of the two Houses of Congress must take positive action within 60 days and by a vote of a majority of one of the two Houses (not a majority of those present), declare its disapproval of this trick or it will go into effect. In these busy times, that will take some effort.

* * *

Behind the Administration's move to set up a commission to study the "sick coal industry" is a variety of motives. These motives are primarily political, and only secondarily economic.

For one thing, it is hoped that such a study would tend to divert attention from the mess the Administration made of the coal situation, for having allowed it to get so far out of hand that it threatened the nation's entire economy.

For another thing, such a study probably would divert attention from the move sponsored by Senator A. Willis Robertson (D., Va.) to subject the unions to the antitrust laws. The coal strike was what brought this idea to hearings. Congress will not under present political line-ups, subject unions to the inhibitions of the antitrust laws, but the agitation irritates union leaders.

If a commission is conducting a full-scale study, this also will tend to divert attention from the effort of the Administration to flout the Taft-Hartley Act.

Finally, there are naturally among the bright Ph.D.'s of the Administration, a number of socialist doctrinaires who would like to have the commission slant a report in favor of nationalization of the industry. It is doubted, however, that the White House or its closest aides have as yet embraced this idea.

All in all, the proposed commission would be so obviously political in its make-up of Congressmen and government officials, as to dampen down respect for its work. It is already dampening down enthusiasm for the idea in Congress and there is a chance the commission will not be created.

A different interpretation of the "sick coal industry" problems came from Rep. Noah Mason (R. Ill.). He observed that whereas the wages in all manufacturing increased from $23.86 in 1939 to $54.41 in 1949, or 128%, coal miners' wages rose from $23.88 to $76.84, or 200%. He also asserted that whereas coal mine accidents in the decade decreased by 50%, in manufacturing generally they declined by only 10% and in railroading actually increased 50%.

"Taking all these facts into consideration," observed Rep. Mason, "the coal industry is a sick industry largely because, first, coal has been priced out of the market, and second, the great inconvenience caused the public through coal shortages, artificially created by the ruthless exploitation of dictatorial powers by one man, John L. Lewis."

* * *

Senator Paul H. Douglas (D., Ill.) has just learned what a few hundred other legislators have known all along, which is that two million government employees can't be wronged. The Senator got only 14 votes for his motion to suspend the rules of the Senate so as to cut three or four days a year off the sick leave employees can take. The opposition totaled 57. The Senator believes that if the sick leave abuse and the long annual vacations were curtailed, and that if the drones could be fired from the Federal payrolls, that the government could save several hundred millions annually. With this appraisal, few disagree.

The trouble is that two million government employees represent too many votes.

* * *

How this business of possible fines up to $5,000 per day for violation of Federal Trade Commission orders got into the final draft of the oleomargarine tax repealer as presented to President Truman is an illustration of how irrelevantly and whimsically the Congress sometimes operates.

The main impetus for getting the thing into the Senate bill was the dairy bloc. They hoped that if they could get into the oleo repealer a fine of $5,000 per day for violation of any order of the FTC, whether on misrepresentation in the sale of oleo or anything else, they would so scare the living daylights out of business generally as to make possible the killing of the oleo repealer. So the Senate adopted an FTC staff proposal for this purpose.

It didn't work this way, however, largely because the story did not get out generally until the oleo bill was well along in conference.

Then the southern conservatives, who wanted oleo legalized without penalty taxes, hesitated to kill off this "sleeper" for fear if they made a big effort to kill it, oleo would fail to get passed.

Finally, there was a hope that the proposed fine would not work out to be as bad as it sounded, a feeling of complacency that the lawyers for the FTC aided and abetted, by pointing out never, Oh, never, would they actually think of asking for a fine anywhere near approaching as much as $5,000 per day.

The way it works out, according to the official explanation is that such a stiff fine would in any case not be applicable until after an FTC order had been affirmed by the court and 60 days thereafter had elapsed, or unless the victim business failed to appeal to courts.

The FTC $5,000-a-day fine would apply to orders issued under the FTC and similar acts. The "liberals" are pushing the proposal to multiply by 10, or from $5,000 to $50,000, the fines for violation of the Clayton and Sherman acts. This proposition has hurdled the Celler subcommittee of the House Judiciary committee. It may get out of the full committee, in which case it will run into a pretty good fight on the floor of the House with a little of the odds in favor of passing. The "liberals" are straining hard to get the Senate to take up the Kefauver bill subjecting to the FTC ban, the acquisition by one company of the assets of another where such acquisition has the effect of "substantially lessening competition." This proposition passed the House last year.

* * *

Despite the limited rent control objective of the Administration, its chances of success are hardly rated as even. This being an election year, the Administration would like to say that it had rent control continued, for the sake of the big city vote. However, the Administration is willing, it is reported, to submit to a still further broadening of the present law, so long as it has something which it can call a rent control law on the books beyond June 30.

* * *

Note: Although the O'Mahoney idea of allowing the government to regulate and hence to prohibit price increases without its approval is advanced in this particular case only on the projected steel report of the Joint Economic Committee, this idea of government policing of price increases to ALL industry is an old idea of Senator O'Mahoney.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"When his cigar points up the market is good—when it droops down the market is bad!"

C. Wesley Roberts to Form Own Company

C. Wesley Roberts will shortly form C. W. Roberts & Co., Inc., with offices at 70 Pine Street, New York City, to engage in the securities business. Mr. Roberts was formerly Syracuse representative for G. H. Walker & Co.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB. — Gordon L. Evans is now associated with The First Trust Co. of Lincoln, 10th and O Streets.

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