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EDITORIAL

As We See It

Five Years and an Election

President Truman last week completed his first five years in the White House. Very shortly he will begin a "non-political" tour of the country's "whistle stops" in preparation for the forthcoming Congressional elections. The President's frame of mind and his general attitude toward the public and toward his own policies and responsibilities are markedly different now from what they were when he was so abruptly called to assume enormous responsibilities on April 13, 1945. Then, humble to the point of giving the impression that he did not have much idea of what ought to be done or what he intended to do, he is now full of self-confidence to the point of being cocksure of himself. It is this latter President Truman who will shortly set forth in support of his Fair Deal and those who have joined him on his "crusade."

It is precisely because this junket is political, not only in the ordinary sense of being designed to reelect Democrats to Congress but in the more general sense of being planned to give impetus to programs and policies with which many of the President's own party do not feel much if any sympathy, that it is of extraordinary importance that the rank and file of the people be fully aware of the real meaning of what is taking place. The truth is, of course, that the President is not waiting to get on the road. A so-called press conference on Thursday of last week, the first since the President completed his first half-decade in office, was obviously utilized

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Long-Run Repercussions Of Global Spending

By MELCHIOR PALYI

Dr. Palyi maintains prevailing pessimism about Europe's recuperative powers, which is being spread by British and other Welfarists, is unjustified. Concludes elimination of restrictions between nations, re-establishment of free markets domestically, reduction of incentive-kill taxation, stopping of inflationary budget leaks, and reinstating guarantee of private property and contractual rights, is all that is needed to wipe out existing restrictions between nations.

I

After 10 years of scarcely interrupted general prosperity—and who would consider the apparent reversal in 1949 as anything but a very mild let-down?—the anxious question arises: Can we expect to keep going on a record or near-record level of business activity, prices and wages and substantial profits? Have we reached the dreamland of eternal Full Employment? Or are we to fall victims once again to a huge financial illusion?

Dr. Melchior Palyi

Are we heading, in other words, for a "real" depression, and how remote is that prospect? Or have we seen the last of it, thanks to the Neo-Welfare State with its managed money, cheap interest rates, high taxes, compounded social securities, budgetary deficits, bolstered markets, guaranteed jobs and incomes, direct and indirect subsidies, bureaucratic checks and controls?

This is the long-run query—the outlook not just for this year or even the next. It boils down to the issue: is the post-World War II set-up "sound" in the sense that its price mechanism can function without a cataclysmic shake up?

Leaving aside the academic clap-trap that goes by the name of Business Cycle Theory: just what

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Mining Industry Must Retrench

By JAMES BOYD*
Director, U. S. Bureau of Mines

Government mining official warns non-ferrous metals operators to prepare for cut-backs when stockpiling finally ceases. Maintains Congress will not extend subsidy which is only hope of higher-cost producers. Disclaims over-pessimism for long-pull.

It is tricky business making prognostications. So many predictions that have been made by economists and by so-called experts have fallen flat. Furthermore the very age in which we live is an uncertain one. We are not only in a state of political transition throughout the world, but we are also undoubtedly in an important period of technological change.

James Boyd

It must be obvious to all of you that mining has been influenced to a high degree by political and economic events, many of which are of such a nature that the mining industry has relatively little influence in shaping them.

I cannot present too optimistic a picture to you for the immediate future, although I feel that from the long-range standpoint one need not be pessimistic about the future of the mining industry. The population of the United States is continuing to increase and with it has come an expanded consumption of metals on a per capita basis. With this expansion there has and will continue to come the demand for more goods and increased products from our mines and our fabricating plants.

World War II disrupted our national economy to a far greater extent than did World War I. Despite this disruption less time was lost reconverting to normal operation than in the period after 1918. In most industries reconversion has not presented too serious a problem. However, the time has now come when the backlog of

*A talk by Mr. Boyd before the American Zinc Institute, St. Louis, Mo., April 11, 1950.

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Next week's issue of the CHRONICLE will Include a Pictorial Section covering the Annual Dinner of the Security Traders Association of New York which will be held on Friday, April 21, at the Waldorf-Astoria, in New York City.

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

American Airlines Convertible Preferred—Chester W. Bigelow, Investment Counsel, Kansas City, Mo.

Grumman Aircraft—Lancaster M. Greene, Lancaster & Norvin Greene, New York City.

Southern Pacific Co. Convertible Debenture 3s of 1960—Edward R. Holt, Partner, Newburger, Loeb & Co., New York City.

Selected Companies Geared to Electronic Age—H. S. Munroe, Jr., Partner, Hay, Fales & Co., New York City.

Standard Oil Co. of New Jersey—John P. Satterfield, Partner, Hoppin Bros. & Co., N. Y. City.

CHESTER W. BIGELOW
Investment Counsel
Kansas City 6, Mo.

(American Airlines Convertible Preferred)

In choosing the security I like best for the future I want an issue that will give me a good return, reasonable safety, and an opportunity to participate in a growing business. I believe American Airlines convertible preferred stock most nearly fills the requirements I have in mind.

Chester W. Bigelow

Air transportation is one of the most rapidly growing industries in the country. Transportation in general is fundamental and in the high speed field air transportation has a virtual monopoly. No longer is it dependent upon subsidies from the government in the form of air mail contracts. Freight and express traffic are increasing very rapidly and the revenues they yield are already greater than mail revenue. Passenger traffic, of course, is the principal business, and this too is growing rapidly. The business is comparatively new, but it is old enough to be well etsablished, yet young enough to still have very great future possibilities.

In the past, American Airlines has had some difficult times. In fact, its very organization grew out of the government's cancellation of air mail contracts in 1934. From 1946 to 1948 the company operated at a loss. There were various reasons for this. Delivery of new equipment was slow. After it was received design difficulties developed and the new planes were grounded for several months. Expenses could not be brought under control immediately after the war, and to add further to the company's difficulties, its rates were reduced. As a result there were net losses for those years aggregating $8,835,392, and the dividend on the preferred stock appeared to be in danger. Price of the stock dropped to 47 in 1948.

1949 was the turning point for the company. A loss of $2,893,671 in the preceding year was turned into a net income of $6,511,237. Traffic continued to grow rapidly and rates were increased during the year. The company purchased $4,050,000 of its own bonds in the open market, thus anticipating sinking fund requirements to 1953. In addition, new equipment was ordered for 1951 delivery and $13,000,000 of government bonds were set aside to pay for it.

During the year American negotiated the sale of its 62% interest in American Overseas Airline to Pan American Airways subject to approval of the government. This sale is still pending, but approval has been recommended by the CAB examiner. If it should be consummated, American would receive approximately $10,800,000. This would add substantially to an already very heavy cash flow from depreciation charges. These charges in 1949 amounted to nearly $10,400,000. With good luck it is conceivable that American could retire its entire funded debt within three years. If this should happen, the convertible preferred stock would, of course, be in an exceptionally fortunate position.

American Airlines is the largest company of its kind in the country. In the year 1949 its operating costs were lower than those of any other air transportation company. All of its passenger equipment has been purchased new since the war. From the standpoint of equipment no other airline is so fortunately situated. American Airline 3½% convertible preferred stock is selling at approximately 72 to yield about 4.86%. Each share of the preferred is convertible into 4.75 shares of common stock at the option of the holder. The common is selling at about 11⅞, so that an investment in the preferred give one an option on 78% as many shares of common stock, as the same sum of money would purchase outright at the present market. The common, however, is paying no dividend, and an investment in it would obviously be quite hazardous.

LANCASTER M. GREENE
Lancaster & Norvin Greene
New York City

(Grumman Aircraft)

"Grumman on a plane or part has the same meaning to the Navy as Sterling on silver has to you" said the late Vice Admiral John S. McCain.

Lancaster M. Greene

Grumman on a manufacturing stock should eventually mean the "same as sterling on silver" to the financial analysts of our country.

Twenty years of profitable manufacturing through violent industrial and war convulsions is an impeccable record. This is one of the tests of a quality management. When this record is matched by 20 years of dividend paying the second stamp of quality is affixed.

When "Oscars" for outstanding performance are thus deserved and are combined with a record of always paying the same or an increased dividend for 20 years then the shares of this company deserve a very special place indeed in the affectionate esteem of investors and in the respectful regard of analysts.

Competitors have said that Grumman has enjoyed a special sheltered place with the Navy. The fact is that this place is really very exposed and is maintained against aggressive and able competition only through advanced designs and the lowest cost per pound of plane production.

The largest Air Force orders Grumman has received thus far have been for the new hospital rescue plane, the Albatross, a large load carrying amphibian which is designed to avoid porpoising on rough seas. This plane is being ordered in volume by the Air Force, the Navy, and the Coast Guard and its outlook for years is good.

We hope the management of Grumman may eventually bow to the desire of investors for publication of earnings on quarterly or even monthly basis as the stock becomes more widely owned. The directors now own 170,000 shares of the 1,000,000 outstanding. Railroads report monthly earnings and most utilities now do likewise. This is the analyst's ideal. Grumman management may also bow to the investor's normal desire for spacing dividends in regular quarterly payments.

As these conventional procedures of financial public relations are followed, market appreciation of Grumman shares will show a higher appraisal of its excellent record in our opinion.

This desire has its counterpart in the desire of workers and their wives for regular take-home pay, even in preference to bonuses at Christmas. Dividends are the take-home pay of savers who buy equipment to increase worker productivity and hence make wage increases possible.

Labor relations at Grumman are exceptional. A large portion of Nassau and Suffolk County residents seem to have worked for Grumman at one time or another. In talking with Long Island people I have met many who had been workers at Grumman. Without exception they are proud of this association and have a very high regard for the management of the company. Labor in these counties is composed largely of home owners. These independent individuals, with their high regard for the management, have refused to be unionized. Productivity of Grumman labor is unusual, helping to account for the low cost of its products to the taxpayer.

In the Portrex games in the Caribbean recently the Grumman jet, the "Panther," is reported to have out performed all other jets of the Navy and of the Air Force.

The desire of Admiral Forrest Sherman to provide more antisubmarine protection is well publicized in line with this policy. The Grumman "Guardians" are being delivered at an increasing pace. The "Guardian" team consists of two planes, a long range search plane and a partner "Guardian" to come in and abolish a submarine when located.

Increased deliveries and a still greater reserve capacity make earnings growth expected and the comfortable working capital makes it easy for the management to pursue a dividend policy of 60 to 70% of earnings.

Over the years we have bought Grumman as low as 8¾ and we continue to purchase it at current levels in the middle 20s. We find its yield helps widows and orphans to piece out their income with what we regard as no more than the normal risk of owning shares of a well managed industrial concern.

If the American people are going to desire more planes in their effort to keep the peace, then Grumman as a superior designer and producer is likely to have an increased share. It is also likely to be better appreciated by investors and speculators. One does not have to read beyond front page news to learn public policy.

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Business in the 1950's

By PROFESSOR JOSEPH L. SNIDER*
Harvard Business School

Professor Snider says while we may expect some downturn in business and commodity prices before the year-end, 1950 will be about as good as 1949. Scouts the possibility of a serious business depression during the decade, particularly if we act with intelligence.

I am always embarrassed when I am introduced as a forecaster, as I think you either already know, or will soon know, as your business experience proceeds the problems inherent in forecasting and, particularly, in attempting to say anything about the outlook in Wall Street.

Dr. Joseph L. Snider

I think it is a matter of statistical record that the stock market is the hardest thing to forecast. However, I am, for better or for worse, involved in the study of business conditions, and have been for some time, and I will undertake to make a few observations which I hope may be of some possible use to you.

Before I finish this talk, I am going to dwell on a few other things too, and venture into some areas that you may possibly feel are inappropriate for a statistician, or economist, or forecaster to enter into. But I believe that some of these other areas are of equal, if not superior, importance for us to think about, and to try to do something about as we look ahead into the years before us in business and finance.

The Short-Run Outlook

Now, first of all, just a word or two about the short-run business outlook. I think that the short-run outlook—and by that I mean the rest of this year—is signally reassuring, somewhat more reassuring than it looked six months ago. We are in quite a strong position now, I think, with respect to many factors, and although we may have problems—and probably will have some moderate downturns in business and commodity prices from the present level before the year is out—my view is that this year, as a whole, will be just about as good as the year 1949 was.

More Postwar Readjustments

I think that we have had, since the end of 1948, an inventory readjustment, about which you have heard a good deal, as a principal reason for the downturn which we had in the first half of 1949. I think, however, we still have some more postwar downward readjustments to go through.

We have not yet, in my opinion, come to the point where we will have a definite downward readjustment in automobile production and in building, but I believe those two readjustments are definitely ahead of us. In other words, we have had readjustments in soft lines mostly, and we yet have to experience, I fear, a postwar readjustment downward in some of these durable goods lines.

Now, I believe that that downward readjustment in these other lines may, perhaps, be achieved without any serious consequences in the general business picture. And that leads me very quickly to my broader question, which I want to take most of my time in discussing, namely: are we likely to have a serious business depression in the decade on which we are entering?

There are several reasons which are advanced by various people to support the conclusion that we are going to have a serious business depression in the years ahead. One of these lines of argument is that the rhythm of fluctuations of business is such that we have a depression every three or four years, and since we haven't had one now for more than four years, one is due any time.

If you go back and examine the the records, as a matter of fact, as various authoritative scholars have done—Wesley C. Mitchell, for example—we do find that on the average of about three to four years there has been in the country's history a severe business depression or recession. So the evidence does suggest that one is due some of these days, or certainly some of these years.

Past Depressions

Another line of support for the notion that we are due for a business depression is that we have, as a matter of fact, had a severe business depression after each of our previous great wars.

After the Civil War there was a protracted business period of depression in the 1870s, and after World War I there was, as you well know, a period of protracted depression in the 1930s.

It seems to take a number of years after the end of a war for the forces and situations to develop to bring on a severe depression. So the supporters of this notion maintain that we are certainly due for one in the 1950s.

Then there is that type of support which is presented most effectively in Dewey and Dakin's book, entitled "Cycles—the Science of Prediction," which some of you may be familiar with, in which the authors bring together a tremendous amount of statistical data from many sources to support the conclusion which they arrive at, that in 1951 or 1952 the coun-

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*Special transcript for the "Chronicle" of Prof. Snider's talk before the Investment Association of N. Y. in New York City, April 13, 1950.

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Investment Companies

By JOHN McG. DALENZ*
Vice-President, Calvin Bullock

Mr. Dalenz, participating in investment course, traces the rise of the investment trusts in Scotland, England, and the U. S. Maintains very strong and sound industry has developed out of the depression experience. Emphasizes advantages of diversification. Stresses appeal to small and elderly investors. Advises consultation with broker or dealer to determine type of fund to choose.

Ladies, you have undoubtedly heard of investment companies, mutual funds, open-end funds, closed-end funds. I have been honored by the sponsors of this series, Messrs. Shaskan & Co., to come as a representative of that industry and tell you about these companies.

John McG. Dalenz

In order that we have a full appreciation of investment companies as they are today, it would be well worth our while to review briefly the background and the history of these companies, and the reasons that brought them into existence. May I, therefore, take a few minutes first to deal with this early phase.

Financial historians have unearthed in various countries certain companies which they regard as the forerunners of the modern investment company, but for practical purposes let us take the year 1873. And the place—Scotland.

The story of the early Scottish investment companies is most interesting. Although the birthplace was Scotland, the country responsible for their creation was the United States.

It was my good fortune to spend over 10 years before the war as manager of Calvin Bullock's London office, and one of my collateral duties was the keeping in touch with various Scottish and English investment fund managers for the benefit of my firm. As time went on I developed some excellent friendships with many of them. Over those years I was constantly fascinated with the early history of those investment companies and the reason for their coming into being.

Great Britain during the early part of the 19th century enjoyed a period of great wealth such as has probably never been witnessed before or after in any country. This period marked the beginning of the industrial age and England earned the title of "Shopkeeper of the World." Their manufactured goods poured out all over the world and enormous profits and wealth returned. A new and large class of wealthy merchants came into being. These men built themselves large country estates, city mansions, acquired yachts and race horses—and still had more money left over than they knew what to do with.

In those days they could not readily buy stocks of English manufacturing companies for they were largely family-held and were not then traded in on the London and other Exchanges. Moreover, there were very few government bonds available; therefore, they were forced largely to invest their surplus funds abroad. This happened to coincide with the opening of the American West and the building of our early railroads, and British money poured into them.

Even up to 1914 American railroad stocks and bonds accounted for around 70% of the turnover on the London, Manchester, Glasgow and other British Exchanges.

In the period prior to 1870, most of these merchants had never been to the United States, or had seen very little of it, and thought of the country as a huge wilderness, populated with Indians, but a country of great potential—indeed, a land of opportunity. And how right they have been proven. Nevertheless, investment of money in this manner was, by our present-day standards, an extremely hazardous undertaking.

The Start in American Railroads

As I was able to piece the story together, one wealthy merchant in Dundee realized one day that he had a large sum of money tied up in American railroads and yet knew very little about them, their relative merits, or their prospects. So he decided to take a bright young clerk in his office in Dundee and send him to America to look over these railroads at first hand, and report back to him what he found. The yound man travelled throughout the West, judged that certain cities would some day grow, and their connecting railroads would grow with them, but that others were so situated that they would probably languish. On his return to Dundee the young man recommended that certain of these stocks and bonds be sold and others purchased in their place, all based on his first-hand study and appraisal.

As time went on it developed that his recommendations were so good that the switches made in the merchant's list became extremely profitable. I presume he mentioned this, and probably with some pride, to his other wealthy merchant friends, because several of them then suggested that if he were to send the young man to America again they would be glad to share in the expenses of such a trip if they too could get the benefit of his first-hand information and his subsequent reports. It therefore became obvious that a new business awaited some enterprising spirit to do this sort of thing, not for two or three people, but for a great many people.

Thus in 1873 the first modern Scottish investment company was formed in Dundee and its securities offered to British investors. The founder was a young Scotsman by the name of Robert Fleming.

It was specifically stated in the prospectus of this company that its purpose would be primarily for the investment in American railroad securities. In the years that followed, Mr. Fleming made regular trips to the United States for this and his later companies, and in time he became regarded, in informed circles, as undoubtedly the greatest authority the world over on American railroad securities. It was my good fortune to meet Mr. Fleming 20 years ago, although by then he was an elderly gentleman. He formed numerous other companies and over the years the Fleming investment companies have been among the finest investments in the world. The banking firm of Robert Fleming and Co., which manages them, is one of England's greatest financial houses.

Now, the later development of the Scottish and English companies is of particular interest to us because, when investment companes were started in this country some 45 years later, history definitely repeated itself.

Getting Into Speculation

Like any new industry, other people got into it and many companies were formed. Some had their primary mission as investing in Argentine securities and others in other types. Many of these other early founders and managers were men of sound judgment, like Robert Fleming, and had their feet on the ground. Then, of course, the inevitable happened. The "get-rich-quick" boys got into it. They formed companies with the inducement that they would make a lot more money a lot more quickly than the Fleming type of company would. This inevitably was achieved, or attempted, by borrowing larger amounts, which most of us think of as margin buying, or by investing their funds in highly speculative securities. Everything went fine until the first major financial crisis and, ladies, that is the time when we are able to tell which of our captains of finance have feet of clay.

In 1890, there was the so-called Baring Crisis which brought to England a period of financial catastrophe similar to our 1929 disaster. The great and powerful banking house of Baring Brothers in London was in financial difficulties. Stock market prices had catastrophic declines, and thousands of speculators had their troubles.

The Fleming investment companies sailed through this period with flying colors, whereas the "get-rich-quick" promotions crashed. There followed a period of many changes in the British investment company world. Stockholders of the ill-fated companies got together and voted out their managements and sent delegations to Robert Fleming and others of his calibre and invited them to take over the management of their companies.

Ever since, the bulk of the British investment companies has been concentrated into five major groups of which the Fleming group is by far the largest. Some of these Fleming investment companies today are located in Dundee, some in Edinburgh and some in London, but they all have one thing in common—management by the firm of Robert Fleming & Co., described as "merchant bankers," who, by pooling the fees of

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*Transcript of the seventh lecture of a series on "Investment Planning for Women," given under the auspices of Shaskan & Co., at the Hotel Barbizon, New York City.

"Rolling Adjustments" and The Stock Market

By WILLIAM WITHERSPOON
Statistical & Research Department,
Newhard, Cook & Co., Members, N. Y. Stock Exchange

Market analyst holds some industries will experience temporary turning-down while others are booming; and consumers' non-durables, now in the doldrums, will be booming by 1951. Holds subsequent decline in currently prosperous industries does not mean "Depression." Predicts similar "rolling adjustment" in stock market.

Weather or Not?

The Easter Season has come and gone but "Old Man Winter" hangs around with ice storms belting the northern section of the United States and chill winds blasting the inhabitants of the south. Milady did not spend so much for her Easter bonnet and gay feathers. Department store sales have not had the spark of life that many had anticipated earlier in the year and now that Easter has passed there is probably not as much incentive for the feminine element of our population to buy a Spring outfit.

William Witherspoon

This "bleak" Easter experience of the department stores is cited only to illustrate a concept of our economy which is extremely important to remember at the present time and during the next several years. That is to say, there are going to be recurrences of "rolling adjustments" from year to year and even from quarter to quarter. Some industries are going to experience a turning down or leveling off for a time, while other industries are booming. This is somewhat similar to the experience of last year except that the general plane of business has a slightly different inclination.

The downturn in business a year ago was not caused so much by the rolling adjustment as it was by the inventory cut-backs. This reduction in the inventory position was superimposed upon the rolling adjustments occurring from industry to industry and, therefore, the coined term to describe the business experience of a year ago might be misinterpreted as it is here applied to the developments in our economy this year. A "rolling adjustment" does not mean an over-all recession but merely a shifting of consumer demand from industry to industry.

At the present time, consumer preferences seem to be in the direction of durable goods and new construction, while the non-durable industries take a back seat. The automobile, steel, building, house furnishings and television industries are, at the present time, enjoying unprecedented prosperity, but clothing, food and certain services are not in as great demand. The weather, no doubt, is playing some part in this non-durable trend, but even under more favorable weather conditions it is dubious whether or not retail sales of clothing would have jumped very significantly at this Easter season. Money is being spent elsewhere.

Non-Durables in 1951

However, the great demand currently being manifested for consumers' durables will, most certainly, be reflected in the non-durable element of our economy later in the year or at least by 1951. Employment is rising in these active industries and payrolls are on the ascendency. Hence, more people are earning more money in these trades and it will not be long before they will be going to the department stores to spend some of their earnings. This may be reflected in a pickup in clothing and other non-durables this coming Fall and may spur along the Christmas trade so the Index of Department Store Sales might show marked improvement toward the end of this year over the corresponding periods of last year.

This sort of an increase in the non-durable section of our economy might occur somewhat at the expense of the presently prosperous durable section. Retail sales of automobiles, for example, might decline somewhat toward the end of the year as compared with the tremendous volume that this industry is currently enjoying and such a decline might be more than offset by an advance in those industries which are now at the end of the procession. These shifts are entirely normal and are to be expected but many observers will probably cite sporadic declines in certain industries as being preludes to the long-expected business recession, or they may call it the beginning-of-the-end of our prosperity.

Therefore, the lack of "oomph" in the department store segment of our economy during this Spring season should not necessarily be blamed upon the unseasonal wea-

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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

The slightly lower trend of total industrial production noted two weeks ago was carried over into the past week. However, output continued to hold moderately above the level for the similar period in 1949. The trend of employment in the week ended April 1 showed total claims for unemployment insurance virtually unchanged from that of a week earlier.

These current indications of a slightly lower rate of business activity may be offset by the encouraging note struck by the National City Bank in its monthly letter for April which states in part:

"The settlement of the coal strike has removed the chief obstacle in the way of Spring business, and in general the outlook for the next few months is now very satisfactory. In many respects the first quarter has been an active and promising period. While industrial production indexes were held down by the coal stoppage, the Chrysler strike, steel mill curtailment and the effects of coal and steel shortages on other industries, both consumer and business buying has held at high levels. In the aggregate, manufacturers have added to their backlogs of unfilled orders. Many of the heavy industries particularly, including machine tools, are in a better position than they were at the beginning of the year. This is also true of some though not all non-durables. Paper, copper, zinc and other materials and products widely used through the industries, which are therefore useful measures of general conditions, are in strong demand.

"Department and apparel stores report a disappointing Easter trade in soft goods. Some curtailment has appeared in primary textile production, especially rayon. However, any inference that overall consumer buying is lagging or purchasing power diminishing would be incorrect. The total of personal incomes, augmented by the veterans' insurance refunds, has reached a new high (using the seasonally adjusted annual rate reported by the Department of Commerce). Total retail sales in both January and February were 3% above a year ago; declines in soft goods were more than offset by increased sales of automobiles and home furnishings. Retail sales of automobiles have broken all records, despite Chrysler's inability to supply its dealers."

The report of the President's Council of Economic Advisers to Congress the past week to the effect that there was an upturn in nearly every business index during the first quarter was also encouraging. Corporate profits in that period were estimated at an annual rate of $30,500,000,000, or a billion dollars more than in any quarter of last year.

* * *

Steel operations the current week are scheduled to expand to 100% of capacity, representing the greatest production in the history of the industry.

Reviewing the present demand for steel, the magazine "Steel" this week declares that business is booming in steel consuming industries with steel mill order backlogs increasing on virtually all products.

Consumers are buying actively for inventory and some are expanding operations seasonally.

Automotive requirements continue undiminished and building needs are expanding. The upswing is across the board. Foundries are busier and are ordering more pig iron. All of which adds up to an unusually strong market condition with mill deliveries extending into summer assuring high-level steelmaking well into third quarter. So promising is the outlook, this trade paper observes, that trade opinion increasingly expects no serious letdown in activity this year, barring grave automotive labor trouble. This is a significant reversal of view held a few weeks ago. In addition, stability continues in all sections of the steel market pricewise.

* * *

Chrysler Corp. made what it called its "final offer" to the striking CIO United Auto Workers in a move to end the 82-day-old walkout. The union rejected the offer, but Walter A. Reuther, UAW President, said the company's proposal was a major step toward settling the pension dispute. Conceding that Chrysler had offered to set up an actuarially sound plan to provide $100 a month pensions, including social security, the union turned the

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"Rolling Adjustments" And the Stock Market

ther but should be charged to the unusual degree of activity in other segments of consumer spending. Likewise, there should be no reason for thinking that a subsequent decline in the currently prosperous industries means depression. With only minor fluctuations in the aggregate volume of total business, the declines in one industry should be more than offset by advance in other industries. As the adjustments continue to revolve in our economy we need not be fearful until Gross National Product is substantially above $300 billion annually or more than $3 for every dollar of active money supply; it is now in the neighborhood of $260 billion and $2.50, respectively. Hence, there is sound reason to believe that the "rolling adjustments" experienced during the next few years will be just that, and nothing more.

The Stock Market

The stock market exceeded its 1946 high in the Industrial Average on April 12, and many traders appeared to take significant note of this occurrence. This development, however, does not mean that the market has passed its resistance level by entering new high ground. There are many issues which have not reached their 1946 highs nor are they even close to their previous tops. American Telephone, for example, reached a high in 1946 of 200¾ as compared with current quotations of around 155. Therefore, even if the Average advances to 225, or even 250, there will probably be many issues meeting selling resistance as they individually approach or reach their previous high point.

This variation in prices is a form of the "rolling adjustment" described in the first section of this article. The oils, for example, were in the vanguard of the market during the Spring of 1948 when the Industrial Average reached a top of 193.16. Since then, and until very recently, this group has been the forgotten industry in investment circles. Standard Oil of New Jersey, the bellwether of the oils, advanced to 92⅞ in 1948 and has only recently, begun to move upward to current quotations of around 71. As the cycle of investment psychology returns to these issues, Jersey may experience a substantial volume of selling above 85-90, but the Industrial Average by then may be substantially higher than current levels.

In the face of all of this anticipated selling, as disgruntled investors finally are able to liquidate without sustaining a loss, the market will be subjected to rather continuous selling pressure. On the other hand, this selling will supply investment grade stocks for even the larger volume of investment demand by trusts, estates, and institutional funds as well as individual investors. Therefore, the significance of the Industrial Average penetrating the 1946 high appears to be more academic than practical but it does, nevertheless, reveal the demand for high-grade equities.

Eugene Roe to Become Emanuel, Deetjen Partner

On April 27 the New York Stock Exchange will consider the transfer of the Exchange membership of W. Strother Jones to Eugene T. Roe. It is understood that Mr. Roe will become a partner in the Stock Exchange firm of Emanuel, Deetjen & Co., 120 Broadway, New York City.

Observations . . .

By A. WILFRED MAY

"The Prudent Man" and the Stock Market

Some Implications of the New Law Making Common Stocks Respectable in New York

PRUDENCE, *n.* *1. Practical wisdom, as distinguished from speculative wisdom, or profound learning and insight; the wisdom that conduces to moral virtue; the ability to regulate and discipline oneself through the exercise of the reason; as, the cardinal virtue of prudence.*

2. Obs. a. Knowledge; wisdom. b. Providence.

A. Wilfred May

3. Skill or sagacity in the management of practical, esp. business, affairs; circumspection or discretion in selecting, adjusting or utilizing means to a desired end; provident or cautious use of resources;—sometimes with an implication of self-interest; as, to forget prudence in his desire for pleasure; owing to his prudence during prosperous times.

Syn.—[sic] caution, circumspection—Prudence, Calculation, Foresight, Forethought. Prudence implies caution, circumspection, or economy, esp. in the practical affairs of life; Calculation often connotes cold or selfish prudence; as "It very often happens that prudence, which has always in it a great mixture of caution, hinders a man from being so fortunate as he might possibly have been without it" (Spectator); "It consorted with common prudence, with the simplest economy of life, not to be wasteful of any odd gleanings" (H. James); "If we judge from his diary, Longfellow was never subject to overmastering impulses, but always acted with foresight—not from selfish calculation, but from sane and temperate judgment" (C. F. Johnson); "The terrible men are the men who do everything in cold blood, icily, with calculation, infinite patience, and infinite pleasure" (Lafcadio Hearn). Foresight as here compared, implies prudent care for the future; Forethought (which is sometimes equivalent to foresight) suggests rather due consideration to contingencies; as "a system of economy, which would make a random expense without plan or foresight . . . not easily practicable" (Burke); "In choosing the Yankee dialect, I did not act without forethought" (Lowell). Cf, Prudent, Wise, Careful.—From WEBSTER'S NEW INTERNATIONAL DICTIONARY. Second Edition, Unabridged.

Vagueness a Crucial Investing Influence

The breadth of the concept of *Prudence* as demonstrated in this full text of the dictionary definition, is the keynote of the various implications—both market and economic—of New York's joining with the 20 "common stock States" next July 1. For the new statute, which is making financial history in permitting New York fiduciaries to invest in anything other than fixed-interest bonds, mortgages and shares of Savings and Loan Associations, is being widely heralded as the "Modified Prudent Man Law" or "Prudent Man Investment Statute."

The Classic Judicial Statement of the Prudent Rule

Generality and vagueness regarding the *Prudence* concept likewise obtains in the legal sphere, as is evidenced by the classic original statement of the rule in Massachusetts in Harvard College vs. Amory (which statement in varying form has run through all subsequent cases like a theme through a symphony), to wit:

"All that can be required of a trustee to invest is that he conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of the capital to be invested."

Similarly abstruse, and self-contradictory, too, is the rule laid down in the famous case of *King vs. Talbot*, which is now being looked on as the guide for the definition of Prudence in New York State. Although the field of securities choice has now been widened to include preferred and common stocks, the old definition of "prudence" will be retained as the guide-post. This opinion starts off:

"The meaning and measure of the required prudence and diligence is that the trustee is bound to employ such diligence and such prudence in the management of the estate as in general prudent men of discretion and intelligence in such matters employ in their own like affairs."

Interpretation of the term "in such matters" above is already worrying trust men and lawyers.

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Opportunity vs. Security In Insurance Company Investing

By THOMAS B. McCABE*
Chairman, Board of Governors of the Federal Reserve System

Noting a shortage of equity capital at reasonable cost to businessmen, Chairman McCabe characterizes as profoundly disturbing the long-run implications of situation in which stock financing is too dependent on retained earnings. Asserts this raises questions of fair deal for stockholders, tax return to government, and doubts over maintenance of competition. Suggests study of whole field of productive investment, not merely common stocks, for making insurance funds available prudently and constructively.

We hear a great deal today about the alleged shortage of funds for equity financing in spite of the fact that current savings are very large and that personal savings are at the highest level in our history. We also hear some voices today that question whether there is a shortage of equity financing in view of the current high level of investment expenditure in our economy and the contribution to this expenditure made by equity funds, particularly equity funds in the form of retained earnings.

Thomas B. McCabe

My statement last August on the equity capital situation presented my basic thoughts on this subject. The widespread and favorable response to this statement, including comments from leaders in your industry, gave impressive indication of the concern of many thoughtful leaders about the need for a more adequate flow of venture capital.

However, I want to state here again my personal position on this problem. I feel that there is a shortage of equity capital—that is, of equity capital at a reasonable cost. I base that judgment primarily on the fact that the businessman who wants to obtain equity capital in the market finds it very costly to obtain.

I recognize that some aspects of the high cost of equity capital are possibly transitory. But my studies of the subject have convinced me that there are stubborn, structural factors in the situation which must be dealt with over the longer-run period. These may involve special institutional adaptation as well as modifications in the security laws and in the tax structure. These other factors affect particularly the availability of equity financing to smaller established concerns and newly launched enterprises, and present a very serious obstacle to the progressive emergence of newer types of industry.

I do not regard the large investments now being made from retained earnings as conclusive with respect to the problem of whether a shortage of equity capital exists. If opportunities for investment are large, it is natural that some favorably-situated enterprises should make an effort to take advantage of them. If a shortage of equity capital exists on the market, these investments would have to be made predominantly by those concerns which do not have to go into the market for equity funds because they can obtain them by retention of earnings.

Price is the recognized, sensitive indicator of the relationship of market supply to market demand. The current price of equity financing relative to debt financing is certainly high by any modern standards. Furthermore, analysis of the factors making the current price of equity capital high shows that several inflexible elements are very important. To me, the evidence adequately confirms the assertion of businessmen everywhere that outside equity financing is difficult to obtain on terms which would be reasonable for them to accept.

Internal Financing Dangers

At this point, I should like to say that I am profoundly disturbed by the long-run implications of a situation in which equity financing is too dependent on retained earnings. It raises not only the question of a fair deal for stockholders and of the tax return to the government, but also it has disturbing implications with respect to the maintenance of competition in our economy. Ultimately, over-reliance on retained earnings as a source of equity would lead to an over-concentration of industry and to a lessening of the competitive forces on which we rely to keep our industry dynamic. Sound ways must be found—and I hasten to emphasize "sound ways"—to open up the channels of outside equity financing. Clearly, they must be opened up if concerns, large as well as small, with lower ratios of retained earnings, are to be able to compete effectively in our expanding markets.

Impact on Insurance Companies

What is the significance of this equity capital problem to the investment policiies of insurance companies? We are all conscious of the ferment that is stirring in the insurance world with respect to their investment activities, with the movement that is on foot to seek changes in legislative restrictions that, in some states, limit or prohibit insurance companies from investing in common stocks.

I stated my position on this controversial question last August as follows:

". . . consideration [should] be given to a liberalization of the investment opportunities open to fiduciary institutions, particularly the life insurance companies. In view of the large volume of individual savings flowing into private pension and insurance reserves, the legal restrictions on insurance companies and other fiduciaries which prohibit them from investing in corporate stocks should be reviewed. These restrictions, rightly established many years ago as safeguards needed at that time, may, in the light of changed savings and investment patterns, now be out of date. I recommend that the life insurance companies, in cooperation with the proper state authorities, explore fully the opportunities for investing in common stock with the aim of modifying these restrictions."

That is still my position. I feel that a careful review of our legal restrictions on the investment opportunities of fiduciary institutions is in order. I would now be inclined to make one addition to that position, namely, that the study, in so far as it applies to the life insurance companies, be broadened to include the whole problem of the role which insurance companies should properly play in relation to the equity requirements of our growing economy, and that it not be limited to the question of whether or not life insurance companies are to be permitted to invest in common stocks. In making this addition I wish to emphasize the word "whole." I think it would be a grave mistake to limit the scope of the study merely to the question of whether the insurance companies are to be permitted to enter the market and add to their portfolios a diversified list of "blue chips."

Security vs. Yield

From your "inside" view, the shortage of equity financing poses

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*From an address by Mr. McCabe at dinner meeting sponsored by 10 Massachusetts life insurance companies and the Graduate School of Business at Harvard University, Boston, Mass., April 13, 1950.

From Washington Ahead of the News

By CARLISLE BARGERON

A few years ago, during the war, I had occasion to accompany a group of A. F. of L. leaders in a visit to Bill Green to demand that he do something about the National Labor Relations Board's determination to cut the CIO in on the Kaiser shipyards pie. In the Portland, Ore., yards alone the A. F. of L., or 11 of its constituent international unions composing the Metal Trades Department, had 90,000 members which netted about $3,000,000 a year in dues. Under CIO prompting the NLRB was determined to throw the yards open with a view to letting in the CIO with its cheaper dues and inflammatory demagoguery.

Carlisle Bargeron

The leaders of the international unions waiting upon Bill Green that day knew there was nothing he could do but they wanted to needle him into a fighting spirit. Bill was then past 70, getting $25,000 a year and the story was rather general that he was to be retired. He had been playing ball with Roosevelt, and these international union leaders wanted to taunt him about not being able to get anything from Roosevelt in return.

Old Bill fussed and fumed and finally said the thing to do, gentlemen, is to strike the yards, this notwithstanding he was posing as a great patrioteer who had agreed to a no strike pledge during the war. One of the international leaders said calmly:

"We can't win the strike, Bill; not more than 30% of the workers are bona fide trades unionists."

Bill then allowed he would go to see then Secretary of the Navy, Frank Knox and lay down the law to him. His hecklers left, chuckling over what a bad time they had given him. Bill subsequently passed the word that he had arranged a conference with Knox and for sheer devilment the international union heads went along to see how he would perform. Knox didn't show up for the conference but was represented, along with the Maritime Commission and the Army, by young uniformed aides. Bill invoked all the sins against, and the sacrifices of, labor since the Magna Charta and concluded with a ringing declaration that war or no war, the A. F. of L. had to have its rights in the Kaiser shipyards or there would be chaos. The young aides were visibly impressed and assured Bill that his words would be in their bosses' ears within 30 minutes. The veteran labor leader, Ed McGrady, who had quit the struggle between the worker and capitalism, to become labor relations consultant for RKO and who was then on loan to serve in that capacity for the Secretary of War, looked on in silent amusement, and later reported to the War Secretary not to be alarmed. He understood these performances.

Congress finally bailed the A. F. of L. out, then being overwhelmingly pro-A. F. of L. as against CIO. Old Bill was being given about six more months of activity.

Then came the Taft-Hartley Act, and ever since Bill has been going up and down the country shouting what he intends to do to those who support it. He has been given something new to rant about, something about which to show vigor, the militant labor leadership. Instead of being retired, his salary has been doubled. In the meantime, by way of being vigorous and militant, he has led the A. F. of L. more and more into the camp of the CIO. It has now ceased to have any more friends in Congress than the CIO. Both organizations are being looked at through the same critical Congressional eyes.

In Administration high places, Phil Murray and Walter Reuther still rule the roost. Bill Green is seldom asked in or consulted. He just simply tags along to the tune set by the CIO.

His most recent move was to offer to join up with the CIO's political action efforts. A. F. of L. members are being taxed to support its political league and it is Bill's offer to tie up this league with the CIO's Political Action Committee headed by Jack Kroll, Russian born, who succeeded the Russian born Sidney Hillman, who had at his right hand all during the war when he served as co-director of the War Production Board, one John Abt, long since definitely revealed as a Communist. Phil Murray during these times had Lee Pressman, similarly revealed.

So decadent is the A. F. of L. becoming that the aging Bill Hutcheson, President of the carpenters and a lifelong Republican, recently began assessing his carpenters for the political activities of the A. F. of L. Either he is succumbing to the CIO's pace of vigor and militancy or he is chagrined over the Republicans' never accepting his bid for the Vice-Presidency.

Recently I was talking with a railroad brotherhood leader whose organization the Taft-Hartley Act does not affect. His members, too are being assessed to defeat the supporters of the Act, particularly Bob Taft.

"Oh, I don't care anything about the Taft-Hartley Act," he said, and then after some hesitancy, "but Taft is an isolationist."

His union's organ, the weekly newspaper "Labor," was one of the most vociferous isolationist publications in the country. But the railroad brotherhoods, the A. F. of L.—all of them are falling under the CIO sway of vigor and militancy. It isn't going to do them any good, either.

20th Century Growth of Dominion of Canada

The current Monthly Review issued by the Bank of Nova Scotia gives an interesting and informative outline, with charts, of Canada's development during the last century. For copies of this review, featuring a two-page description of "Canada's 20th Century Growth," write the bank's general office at Toronto, Canada, or its New York branch at 49 Wall Street.

Four With Shillinglaw Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — William O. Davis, Edwin S. Galusha, Ernest L. Gates, and Frederick A. Komarek, have become affiliated with Shillinglaw, Bolger & Co., 120 South LaSalle Street.

With First Securities

(Special to The Financial Chronicle)

CHICAGO, ILL. — William O. Nice has been added to the staff of First Securities Co. of Chicago, 134 South LaSalle Street, members of the Midwest Stock Exchange.

Dean Witter Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Meade F. White is now affiliated with Dean Witter & Co., 632 South Spring Street. He was formerly with J. A. Hogle & Co.

With Lawrence Smart

(Special to The Financial Chronicle)

NEW ORLEANS, LA.—Stanley Guerin has become connected with Lawrence F. Smart, Hibernia Building.

Herbert B. Schwabe Opens

SPRINGFIELD, MASS. — Herbert B. Schwabe is conducting an investment business from offices at 35 Sumner Terrace.

Van Drake Corporation

Van Drake Corporation is engaging in a securities business from offices at 11 Park Place, New York City.

Realism About Business Bigness

By HON. CHARLES SAWYER*

Secretary of Commerce

Characterizing attacks on bigness as "part of the folklore of the American people," and asserting there is no area of debate in which is found more plain "bunk." Secretary Sawyer declares real solution of the many related problems depends on eliminating wild unsupported statements. Says growth in size of market and increased competition have reduced relative production share of larger corporations to less than half century ago.

Charles Sawyer

A few months ago, on a farm in central Ohio where two of my sons were employed, a tremendous skeleton was plowed up. It was found to be the bones of an American mastadon. Full grown, this beast stood 14 feet high, weighed six or eight tons, and with his great curved tusks looked as if he could handle all comers. Conditions in that distant era were favorable for mastodons. With plenty of warm sunshine, cool water, and lush prairie grass, this huge hairy beast could get by and even prosper.

What was it, twenty thousand years ago, which caused the death of this big animal?

Was it disease? Was it weakness caused by sloth and idleness, because, being so large, he didn't need to fight? Was it the result of a battle with another beast stronger and more alert — or a battle with many smaller, weaker beasts, individually more alert and in combination stronger? Did he die because he was so big he could no longer function—or because he needed so much to eat that food was no longer available? Did he lose the desire to live? Or was the Pleistocene climate so hostile that he finally gave up the struggle? We will never know; we do not have the facts. We do know that he did not die by government decree.

I am impressed constantly with the need for facts with which to do some clear and basic thinking about bigness in the Twentieth Century and what it means to the future of our economy. We need more than emotions, or yesterday's facts or yesterday's standards.

Many Things Are Too Big

According to the standards of yesterday, many things are too big, including business and government. This has been true for each generation of Americans. We have always had the problem of matching old standards against changing conditions. Accompanying growth in size there must be continuous efforts to find workable balances between the impersonal, centralized power of bigness and the personal virtues and advantages associated with smallness. Both industry and government must be big enough to work effectively, but not so big as to pass the boundaries of human understanding or concern for the individual welfare, rights and freedoms of all Americans. Business, no less than government, must serve the public interest in order to flourish.

We Americans think big. We have pioneered and prospered in a big country with mighty rivers, vast forests, lofty mountains, and sprawling plains. We have built big. At first with big muscle-power and later big machine-power, we have made dams and docks, highways, railroads, mines and mills, and mass-production factories bigger than those of any other nation. We believe they are better. We rejoice in our growth and look back with satisfaction upon our history of continued expansion. We know the benefits that bigness can bring. We face the world with self-assurance rooted in the power of bigness.

We are greatly impressed by size—by bigness. We have been used to thinking that "bigger" means "better." On my fact-finding tour last year, I was told at many cities about their marvelous growth. With the population figures frequently came the question: "Isn't it wonderful?" I asked occasionally, What is so wonderful about mere size? Are the people happier? Do they have better homes? Are there more opportunities for useful employment and for recreation that increase the joy of living? It is normal for cities, like many other things, to grow; but is there any real merit in size itself?

While we Americans worship bigness, we are afraid of it. Most of us are apprehensive of the giant corporation, fearful about the large labor union, and have a deep dislike for big government.

As a people we instinctively suspect great power, concentrated in a few hands. We do not wish that a small number of persons should take, wield, or have power to make decisions which affect the daily lives and future destinies of millions of others. We do not like to take chances on the benevolence of despots, private or public.

In our public affairs, we have managed over a period of years to develop workable controls and balances governing the use of power by our elected or appointed officials. The development has been gradual. It has proceeded from accepted principles set forth in the Constitution and the Bill of Rights.

Many Problems From Concentration

In the field of industry and commerce, however, concentration of power and large size present many problems. Even discussion is difficult. There is no area of public debate in which is found more plain "bunk." To arrive at real answers to the problems which are presented by the growth of private enterprise and the concentration of control, it is necessary to eliminate wild and unsupported statements. The solution is difficult enough without misinformation and downright misstatement of fact.

What facts do we now have? We do know that one of the basic Federal statutes governing business performance is 60 years old. We know that the Sherman Anti-Trust Act was passed when large size was frequently the result of combinations for curbing or corrupting competition.

Struggles against the sins of absolute economic power have been going on for a long time. In the 1500's there were in England laws against **engrossing, regrating,** and **forestalling.** Although the words are strange, the meanings are familiar: cornering the market, acting in any manner to raise the price of food, and buying up commodities on the way to market in order to extract higher prices.

Part of the economic motive for this country to declare its independence from England in 1776 was the desire to escape from monopolistic trade restrictions imposed by the Crown on its Colonies.

By the year 1890, bigness in American business had become another name for badness. The evils of the octopus trusts were evident. The benefits, the economies of large-scale mass production and distribution, were not. If the sponsors of the Sherman Act believed that this law would prevent business enterprises from getting bigger, they were mistaken. Business units have grown to stupendous size.

Standard Oil, reorganized in 1899 as a New Jersey holding company, was capitalized at $110 million. This corporation was broken up in 1911 by a decision of the Supreme Court. Today all but the smallest of the subsidiaries are larger than the parent company. But today Standard Oil companies compete with many other firms eager and able to get business in ever-expanding markets.

International Harvester, an industrial ogre in 1902 with 85% of farm machinery production in the bag, was created by the consolidation of the five largest makers of farm machinery. Although this firm has grown bigger, it is today only one of four top firms in that business, all four of which together in 1947 accounted for slightly over 50% of the output of all farm machinery—in other words, less than two-thirds of what International Harvester itself controlled 48 years ago.

United States Steel, when formed in 1901 with a capital of slightly over $1 billion, controlled some 60% of the entire iron and steel capacity of this country. Its control ran as high as 85% in certain branches of the industry. United States Steel has grown bigger and bigger. And yet as of 1947, and probably as of today, United States Steel controls only a little over 30% of steel output in this country.

The Gobbling-Up Charge

It is currently stated, and believed by many, that the big companies have gobbled up practically all of the little companies. The fact is that between 1940 and 1947 all corporations in the country with assets over $100,000,000 added only 2.1% by the acquisition of other businesses. Their share of total assets acquired during this period amounted to 0.8% of all industrial assets. Many of the big companies have grown, to be sure, but the large part of this growth has come from retained earnings and new financing.

Furthermore, whereas in 1900 there were approximately 21 business firms for each one thousand persons, in 1949 — after all the gobbling up of the little firms was supposed to have taken place — there were 26 business firms per thousand people.

I do not suggest or imply the desirability of relaxing prosecution for illegal mergers to restrain trade. As a matter of fact, the threat of prosecution may have been a deterrent and an explanation of this modest increase. Furthermore, I suggest to big business the wisdom of avoiding even legal acquisition of small companies, when such acquisition would represent nothing more than a good bargain and not any fundamental need.

There are, of course, many very large firms in existence, and their power and operations are vast. We

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*An address by Mr. Sawyer before the Minneapolis Chamber of Commerce, Minneapolis, Minn., April 13, 1950.

Business Outlook Favorable Throughout 1950

By HENRY J. SIMONSON, Jr.

President, National Securities & Research Corporation

Mr. Simonson, after analyzing general business trend, economic developments, corporate earnings, dividends, and security prices, concludes business activity will remain high for balance of year and, as result, stock prices generally will be higher than current level.

At a recent meeting of our economists and the executive members of our Research Staff, it was unanimously concluded that the year 1950 will be another good year for careful investors.

H. J. Simonson, Jr.

Following are the composite conclusions on the general trend of business, economic developments, corporate earnings, dividends and security prices for the remaining months of the current year:

Industrial Production: The Federal Reserve Index of Industrial Production (1935-39=100) averaged 176 in 1949. It is estimated for March, 1950, at 183. We believe this Index will average about 181 for the period between now and the year-end.

Gross Product—National Income — Personal Income: For 1949 Gross National Product was $257.4 billion, National Income $221.4 billion, and Personal Income $209.9 billion. We expect the totals for 1950 will be: Gross National Product $258 billion, National Income $223 billion, and Personal Income $213 billion.

Employment: The average number of people employed in 1949 was 58.7 million and unemployment averaged 3.4 million. Unemployment was last reported for March, 1950, at 4.1 million and employment at 57.5 million. Employment during the remaining months of 1950 should average over 59 million, and unemployment should not exceed 5 million in any month.

Cost of Living: The BLS Consumers Price Index (1935-39=100) averaged 169.1 in 1949. It was last reported for February, 1950, at 166.5. The trend during the remaining months of 1950 is expected to be only slightly down, the Index averaging about 166.

Labor, Wages and Strikes: Taft-Hartley law repeal or amendment is not expected this year. Increased labor costs due to wage increases, social insurance and pensions are expected in many industries this year. A small increase in strikes is expected for the remaining months of 1950 as compared to the same period last year.

Commodity Prices: The BLS Index of Wholesale Commodity Prices, 900 Series, (1926=100) averaged 155 in 1949. (The Index of the new series of 115 Commodities was last reported March 23 at 152.1.) During the remaining months of 1950 we expect the Index (900 Series) to average about 149.

Farm Income: Farm income for 1949 amounted to approximately $27.7 billion. For the first three months of 1950 farm income is estimated at $5.6 billion as compared to $6.1 billion for the first quarter of 1949. Total farm income for the year 1950 is expected to be about $25 billion.

Farm Legislation: The Brannan Farm Plan is not likely to become law, but farm supports will be continued.

Retail Trade: Retail trade for 1949 amounted to about $128.2 billion. For the first three months of 1950 retail trade is estimated to approximate $32 billion which would be equal to that for the first quarter of 1949. Total retail trade for the year 1950 is expected to be approximately $126 billion.

Plant and Equipment Outlays: For the year 1949, Plant and Equipment outlays by business were reported by the SEC and Commerce Department at $18.1 billion. The total for the year 1950 is expected to be $15.5 billion.

Construction: Dollar volume of all U. S. construction in 1949 amounted to about $19.3 billion. The first quarter of 1950 produced a new high record in construction of $4.4 billion—up 18% from the first quarter of 1949. Total U. S. construction for the year 1950 is expected to be about $20 billion.

Housing: Federal law on rent controls will likely expire and jurisdiction return to the States. Extension of FHA will be granted by Congress but there will be no aid to housing to those in the middle income groups.

Inventories and Manufacturers' New Orders and Sales: Inventories at the 1949 year-end were approximately $53.6 billion and at the end of January, 1950 (last month reported) they were $54.1 billion. Inventories are expected to advance to about $55 billion by the end of 1950. Manufacturers' new orders amounted to $205.6 billion in 1949. We expect they will total about $212 billion in 1950. Manufacturers' sales in 1949 amounted to about $213.4 billion. We expect they will total about $221 billion in 1950.

Money Rates and Bond Yields: During the year 1950 short-term money rates are expected to remain practically unchanged. Long-term money rates are expected to be very slightly higher. Municipal bond yields should remain firm and high-grade corporate bond yields are not expected to change much, but the trend is toward slightly higher yields during the balance of this year.

Common Stock Yields: For the year 1950 we expect the yield on Moody's 200 stocks to average about 5.8%. (The average yield for 1949 was 6.6%.)

New Security Offerings: The following was the total value of new security offerings during the years mentioned:

	Bonds and Notes (Billions)	Preferred Stocks (Millions)	Common Stocks (Millions)	TOTAL (Billions)
1949	5.0	432	736	6.1
1948	6.0	492	614	7.1
1947	5.0	762	779	6.5
1946	4.8	1,127	891	6.9

During the year 1950 we expect corporate bond financing to change little from 1949 but an increase of about 10% over 1949 is expected in preferred and common stock financing in 1950.

Social Security: The number of persons covered by old age benefits will likely be increased. No socialized medicine legislation is expected. Any Federal aid to education seems unlikely this year.

Government Spending: Military expenditures will exceed original budget estimate of $13.5 billion. ECA Program expenditures will be reduced substantially. Financial aid to unproductive countries of the world (Truman's Point 4), if granted, will provide for an expenditure considerably less than asked for by the President.

Government Budget and Debt: We estimate that the U. S. Budget for the fiscal year ending June 30, 1950, will show a deficit of about $5 billion. The Government Debt at the 1949 calendar year-end was $257.1 billion — and it will no doubt increase in the year 1950. The new U. S. Budget for the fiscal year ending June 30, 1951, indicates a deficit of $5.1 billion. On this basis the U. S. Debt will be about $263.8 billion on June 30, 1951.

Federal Taxes: We believe there will be no change in Federal corporate or personal income taxes this year. Excise taxes are expected to be reduced on many items. Payroll taxes are unlikely to be increased. The current depletion exemptions applicable to oil and mining interests will not be changed. We expect some legislation to close loopholes that are used as tax escapes for individuals or corporations. We also expect

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Dealer-Broker Investment Recommendations and Literature

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

Can Oils Turn the Corner — Study of the current situation in the industry — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Common Sense Security Analysis—Manual and also weekly stock analysis reports available for six weeks on a trial basis for $5 — Dept. C-25 Investors Research Company, Mihran Building, Santa Barbara, Calif.

Common Stock Program for Investors — List prepared to assist investors in revising their portfolios—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Also available is the 1950 edition of the firm's manual of **St. Louis Bank Stocks.**

Favorite Fifty — Analysis, by dollar value, of listed stocks most popular with professional management—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of the **Lionel Corp.** and a tabulation of favored **Common Stocks for Investment.**

Fire & Casualty Insurance Stock Manual—10th annual issue, available to NASD members—White & Company, Mississippi Valley Trust Building, St. Louis 1, Mo.

Nebraska Municipal Subdivisions 1949-1950—Statistical information—Wachob-Bender Corporation, 212 South 17th Street, Omaha, Neb.

New York City Bank Stocks—Comparison of earnings and other statistics as of March 31, 1950—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Portfolio Management — A list of suggestion stocks, with switch suggestion—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Also available is an analysis of the current market.

Preliminary New York Bank Earnings for first quarter—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Prospects—Probable 1950 high of six stocks—what to buy and what to hold—send 10 cents to Tillman Survey, 120 Union Street, Providence 4, R. I.

Rhode Island Banks — Circular —Brown, Lisle & Marshall, Turks Head Building, Providence 3, R. I.

This Is Capital Appreciation—Method of measuring comparative strength of buying and selling in the whole market — $1.00 — included with the book are latest reports on an interpretation of the market; relative strength measurement on 460 stocks and 42 industry groups; and buy, hold, sell or sell short recommendations on a specific list of stocks—ask for Report C-102, Mansfield Mills Company, Larchmont, N. Y.

Western Canadian Oil & Gas—Memorandum on **Atlantic Oil Company, Limited, Peace River Natural Gas Company, Limited,** and **Princess Petroleums, Limited**—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

* * *

Aetna Standard Engineering Co. —Circular—First Cleveland Corp., National City East Sixth Building, Cleveland 14, Ohio.

Also available is a circular on **Joseph & Feiss Co.** and **Texas Utilities Co.**

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

Aro Equipment Corp.—An analysis and study—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Also available is an analysis of **Undervalued Steel Shares.**

Central Public Utility 5½s of 1952 — Recent Moody's opinion available—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Columbia Gas System, Inc. — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Costa Rica Bonds — Analysis—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Grinnell Corporation — Bulletin —Boenning & Co., 1606 Walnut Street, Philadelphia 2, Pa.

Also available is an analysis on **Missouri Public Service Co.**

Madison Gas & Electric — Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

McDonnell Aircraft Corp.—Circular — Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio and 150 Broadway, New York 7, N. Y.

Also available are circulars on **Olympic Radio & Television, Inc.** and **Terminal Tower Co.**

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

Mexican Railways—Circular — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Public National Bank & Trust Co. of New York—Circular—C. E. Unterburg & Co., 61 Broadway, New York 6, N. Y.

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

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

Rudolph Wurlitzer — Revised analysis — Raymond & Co., 148 State Street, Boston 9, Mass.

Sharp & Dohme, Inc.—Circular —Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Strawbridge & Clothier — Analysis—H. M. Byllesby and Company, Inc., Stock Exchange Building, Philadelphia 2, Pa.

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

What Kind of Monetary System Does Business Really Want?

By SIR THEODORE E. GREGORY*

British Member of the Currency Commitee at the Bank of Greece; Formerly Economic Adviser to the Government of India; and Dean of the Economics Faculty, University of London

International monetary authority asserts simple solutions are inadequate to solve current business problems. Maintains world is suffering from two types of problems: (1) the hangover from both World Wars; and (2) modern worldwide acceptance of Keynesian social philosophy. Warns acceptance of welfare state-ism involves enormous assumptions about future value of money. Points out to American business leaders and politicians that while Western World has suffered no major depression in long while, brutal measures of monetary readjustment might involve severe short-run recession and large-scale unemployment.

How does the business world want the monetary mechanism to behave? I do not want to waste any time on defining the monetary mechanism. In my mind, it includes treasuries or central

Sir Theodore E. Gregory

banks, commercial bankers, the standard of value, and all the other complex organizations and individuals and individualities who are concerned with the day to day operation of the monetary machine.

When I think of the business world, I think of all those agencies, and all those instrumentalities whose function in life is circumscribed by the fact that their perpetual existence depends wholly or mainly upon their ability to overmatch their monetary income by their monetary outgo.

Not all agencies in the modern world are in that unfortunate position. There are some who can rely upon direct or indirect subsidies from other sources. But the business world—and that, in a monetary economy is co-extensive practically with the whole or what we call private business and some conceptions of public business — has to face, the monetary machine has something which is objective, autonomous, and external to their own operations.

And this business world has to ask itself—or if it doesn't ask itself, it should ask itself—how it wants the monetary mechanism to behave.

Now, before I begin to speak about the intensely interesting but, at the same time, intensely difficult problems of the present moment, I think it is just as well to remove a few misconceptions.

Misconceptions

In the first place, it never has been true and it is not true today that all businesses necessarily take the same view about how the monetary mechanism should behave. Let me take a few very obvious examples:

Periods of rising prices are, in general, favorable to producers. They are also favorable to equity holders. They are intensely unfavorable to bond holders. The whole vexed question of the reform of European exchange rates does not, in fact, involve the same attitude of mind on the part of all businessmen.

In countries like the United Kingdom at the present time, for example, those persons who are engaged in producing from British raw materials for the British home market, tend to gain if the British exchange is undervalued. And one might illustrate the same point from a whole range of other examples.

At any rate, I want to make it clear that the business world has not at all times, and in all places, necessarily the same attitude towards the operation of the monetary machine.

In the second place, even if business did have a completely unequivocal, a completely unified point of view as to how the money should behave and how the monetary authorities should react, the monetary authorities have got to take others' points of view into account as well as the point of view of the business community.

That is true to an intense extent, as I hope to make clear in a minute, of the model group, and it has always been true. It was true even in the 19th Century, when the business world, taken as a whole, had far more influence over governments and monetary organizations than it has at the present time, because even in the 19th Century, war and revolution involved monetary policies which were at times directly antithetical to the interests of the business community.

Creatures of Environment

Thirdly, I think it is well to bear in mind that we are all creatures of our environment and that a solution which may appear—or, indeed may be—the best, under the circumstances, may generate conditions which in the long run are extremely unfortunate, not only to the authors of the policies, but to the business world as a whole.

I will take one celebrated example, which has been, I think, insufficiently studied, both in the United Kingdom and in the United States. In the 20's of this Century, two very great men, two men of the most undoubted public spirit, the late Lord Norman and the late Mr. Benjamin Strong, invented what all of us then young economists thought was a solution of the international banking problem.

When countries lost reserves to each other, instead of allowing the full impact of these losses to operate upon the internal economic situation, one offset the losses of reserves by the expansion of banking trade. The result was, for instance, in the United Kingdom, we didn't realize, for example, that the pound sterling was overvalued for many years; and you in the United States did not realize that the boom was being continued to an extent which was altogether disproportionate and unreasonable.

Nobody can say that these two men were acting in their own private interests. They were acting from the best of motives. But then, nevertheless, I think the proposition which they initiated, in the light of history, proved to be extremely mistaken.

Fourthly, we talk, all of us, in terms of institutions, and in terms of mechanisms. But in fact what we are really meaning is this: Are men—and, in the modern world, men and women—whose foresight is necessarily limited — and even if you grant the utmost extent of good will—and I am afraid in the modern world, one can not always take good will absolutely for granted —well, what was the conclusion of all this?

Simple Solutions Inadequate

The conclusion, I think, is a very simple one. But at the same time, a very important one. If the world, including the business world, is to overcome the difficulties of the present time, it seems to me extremely unlikely that simple solutions are going to meet the problems of the age.

There is a tendency, particularly in the United States, that I think also exists in other parts of the universe, to think that in the 19th Century there is some kind of a Golden Age in which all these things were to be simple, and in which businessmen could conduct their affairs without ever having to think of the monetary mechanism at all.

That, I believe, is a most grotesque and unreasonable over-simplification of the past. The 19th Century, if you look at it with the eye of a historian, never really existed as the Golden Era to which we all look back with perfectly justifiable nostalgia.

Golden Age of London

I only want to remind you that when this school, this bi-centennial we are celebrating today, was founded in the 19th Century—in 1900, the United States had had a long period of agitation on monetary matters. The resumption of cash payments after the Civil War (the Bind-Italia controversy), the gold panic of 1894, the celebrated speech about mankind being crucified on the cross of gold, all that shows that even in the 19th Century in either country, monetary problems were not quite as simple as we now think them to be, and if one thinks of what Europe is like in the 19th Century, one finds to one's astonishment that the Golden Age of the 19th Century was, in fact, merely the Golden Age of the City of London.

But over a large part of the universe, including India, the Far East, South America, Russia, Australia, the Balkans, Spain, in all these countries, the monetary problem was always as impractical as the monetary problem of the world is at this present time.

Well now, I want to spend a few moment discussing exactl; what are the problems from whic: we are suffering at the presen: and what is meant to think abou: the solution of these problems. The world is suffering at the present time, or submitting at the present time, to two types o: monetary problems.

The first I shall describe as th hangover from World War I, an: even to a greater extent, fron World War II. The second grou are the monetary problems whic: arise from the almost general acceptance in the modern world o: the social philosophies, the origins of which can be associate with the name of the late Lor: Keynes and various distinguishe writers of his school.

The Hangover Problems

The first I shall describe as the hangover problems. Now, what are the hangover problems? They are very serious. They haven't by any means been solved, and we ought to recognize quite clearly what they are.

First, permanent, or quasi-permanent changes, in the relative strength of the national economies. This war has resulted, for better or for worse, in the relative decline of the economic strength of Western Europe, and a perimitive rise in the economic strength of the United States.

The concrete fault which this relative change in the position of the countries concerned ex-

Continued on page 34

*An address by Sir Theodore before the Convocation to commemorate the Golden Anniversary of the School of Commerce, Accounts, and Finance of New York University, New York City, April 10, 1950.

Argentine Official Interviewed on Economic Relations With U. S.

By HERBERT M. BRATTER

His Excellency, Ramon Cereijo, replies to six questions propounded by "Chronicle" correspondent regarding Argentine-American economic and trade relations.

WASHINGTON, D. C.—During his stay in Washington as head of the Argentine delegation to the meeting of the Inter-American Economic and Social Council, His Excellency Ramon Cereijo, Minister of the Treasury, kindly consented to answer several questions for the "Commercial and Financial Chronicle." The replies, like the questions, were submitted in writing. They are of special interest at this time, in view of the prospect of improving political and economic relations between Argentina and the United States as a result of the visit of Assistant Secretary of State Edward G. Miller, Jr., to Buenos Aires recently and the conversations Dr. Cereijo now has had with U. S. officials in Washington. The Minister is following his Washington talks with meetings with private bankers and others in New York and elsewhere, subsequent to which he expects to return to Washington about April 20.

Ramon A. Cereijo

A free translation of Dr. Cereijo's replies was provided by the writer.

Questions and Answers

Questions submitted by Mr. Bratter and the replies of Dr. Ramon Cereijo are presented herewith:

Q. Has your visit to Washington been a success from the standpoint of opening the way to closer economic and financial relations between Argentina and the USA?

A. As is known, my trip had as its object the extraordinary session of the Inter-American ECOSOC. Taking advantage of my stay here, logically I have maintained contact with the officials of the government and with representatives of private enterprises connected with my country and this exchange of opinions, together with the accomplishments of the Argentine-American Mixed Commission and the results of the visit of Mr. Edward G. Miller to my country, has served to consolidate the relations between Argentina and the United States in an atmosphere of frank cordiality and full understanding.

Q. Do you expect any financial and economic aid from this country, for example from the Export-Import Bank? How about financial aid from private banking sources?

A. As I have had the opportunity of showing it, the entire problem of economic relations between the United States and Argentina reduces itself to a question of promoting commerce between the two countries and among the means designed for that purpose one finds financial credits from banks to Argentina and American trading houses, these being normal devices in commercial practice.

Q. What does Argentina expect to do about cleaning up the frozen balances held in the names of American exporters but heretofore inconvertible into dollars? Will small creditors receive any preferential treatment over large creditors? How soon can a solution of this problem be expected?

A. The Argentine Republic through its own decision and at great sacrifice, consonant with its traditional good credit, has earmarked 30% of its dollar receipts from exports to the USA and other countries using that exchange unit for the payment of private commercial debts arising from the importation of merchandise. By this process said debt has been reduced to half, or about $100 million, adhering to a rigorous order of chronological priority. Whatever new method is studied must necessarily be within the general solution of the promotion of mutual trade.

Q. Do you foresee any changes, for example in foreign exchange regulations of Argentina, which will make it easier for Argentina to export to the USA and vice versa?

A. Because of the devaluation of the pound sterling, last October, the Argentine Republic effected a readjustment in the scheme of its various rates of exchange and these measures as well as those taken as a result of the studies of the Argentine-American Mixed Commission, have permitted an appreciable increase in Argentine exports to the United States, reflected in the trade totals reached last December and in the early months of this year.

Q. Are Argentina's bilateral trade and payments agreements with European countries tending to cause inflation in Argentina through the inability of Argentina to obtain enough European goods to counterbalance the Argentine products exported under those agreements? If so, do you foresee any steps in Argentina to curb that inflation?

A. The bilateral agreements never have constituted the desideratum of Argentine commercial policy and, apart from that, my country has had to resort to that system because of international economic circumstances, in particular because of currency inconvertibility. Logically, and just like the rest of the world, it has suffered the repercussions of that situation.

Q. Specifically, what treatment can American investments expect in Argentina, what assurances?

A. The Argentine Republic in its Constitution and in all its laws grants the broadest guaranty to foreign capital which collaborates with the national labor to develop its greatness. All its provisions are in this sense of the greatest liberality and foreign capital is in a situation of absolute equality with domestic capital.

COMING EVENTS

In Investment Field

APRIL 20, 1950 (N. Y. City)
Security Traders Association of New York Bowling Tournament with Investment Traders Association of Philadelphia at the Ten Pin Alleys, New York.

APRIL 21, 1950 (N. Y. City)
Security Traders Association of New York Annual Dinner at the Waldorf-Astoria.

APRIL 21, 1950 (N. Y. City)
Wall Street Riding Club tri-club gymkhana at the riding headquarters Split Rock Riding Academy, Pelham Manor, N. Y.

APRIL 26, 1950 (Chicago, Ill.)
Investment Analysts Club of Chicago meeting, main dining room, Chicago Bar Association, 5:45 p. m.

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

May 2, 1950 (Dallas, Texas)
Dallas Bond Club cocktail party at the Downtown Club, 4:30-6:30 p.m. for visiting dealers and wives en route to Texas Group IBA spring meeting.

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).

May 30, 1950 (Dallas, Tex.)
Dallas Bond Club annual field day at the Dallas Country Club.

June 2, 1950 (New York City)
Bond Club of New York annual field day at Sleepy Hollow Country Club, Scarborough, N. Y.

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

June 8, 1950 (Boston, Mass.)
Boston Securities Traders Association Thirty-first Annual Outing at New Ocean House, Swampscott, Mass., with golf at the Tedesco Country Club nearby.

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.

June 16, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual field day at Whitemarsh Country Club.

June 23, 1950 (New York City)
New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead, Long Island.

June 26-27, 1950 (Detroit, Mich)
Security Traders Association of Detroit & Michigan, Inc., and Bond Club of Detroit joint summer outing and golf outing at Plum Hollow.

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.

Missouri Brevities

George K. Baum & Co. and **Prescott, Wright, Snider Co.,** both of Kansas City, are publicly offering an issue of 2,980 shares of 5% cumulative prior preferred stock, 1950 series, of **Harzfeld's, Inc., of the same city.** The stock is offered at par ($100 per share) and accrued dividends. It is the intention to use the net proceeds to repay short-term loans outstanding and for expansion and improvements. The company also operates a smaller store in Columbia, Mo. It presents and features smartly styled and fashioned wearing apparel and accessories for women's, misses' and children's use. **Harzfeld's** reports net income after Federal income taxes of $182,554 for the year ended Jan. 31, 1950, as compared with $237,200 for the preceding fiscal year and $314,358 for the year ended Jan. 31, 1948.

* * *

Monsanto Chemical Co.'s sales for 1949 were 2.7% above 1948, despite the fact that total manufacturers' sales of chemicals and allied products in 1949 were 6% below 1948, William M. Rand, President, informed stockholders at the annual meeting in St. Louis on March 28. Mr. Rand said that the company's postwar expansion was essentially completed in 1948 when $30,000,000 was added to the property account for a total of $102,000,000 over a five-year period. The year 1949 was a year of consolidation and digestion of the expansion which increased the property account over $102,000,000 in the past five years, he said. This does not mean, however, that **Monsanto's** growth is considered completed, Mr. Rand added. There were 2,940,769 common shares represented at the annual meeting.

* * *

The 30,000 kilowatt generating plant under construction by the **Arkansas - Missouri Power Co.** near Campbell, Mo., was approximately 78% completed as of March 15, 1950. It is expected that this plant will go into production in June. Net income of the company for the year ended Dec. 31, 1949, amounted to $447,150, equal to $2.02 per outstanding share of common stock, which included approximately seven cents per share attributable to allowed earnings previously reserved under the Arkansas Rate Plan. Earnings for the previous year were $1.77 per outstanding share.

* * *

Spencer Chemical Co., Kansas City, on April 10 filed a registration statement with the SEC covering 250,000 shares of common stock (par $6) which are to be sold for the account of selling stockholders through Glore, Forgan & Co. and Kidder, Peabody & Co. The offering price is to be filed by amendment.

* * *

Net profits of **Pickering Lumber Corp.** were estimated at $1,175,000 for the fiscal year ended March 31, 1950. This is equal to $2.43 per share on 478,059 shares of common stock, and compared with a net of $1,470,471, or $2.98 per share on 493,494 shares, for the preceding fiscal year. The company purchased 15,889 shares of common stock for $351,117, or at an average of $22.10 per share. Current assets at March 31, 1950 totaled $3,331,379, while current liabilities totaled $850,000. Net working capital was $2,481,379, against $1,786,548 a year earlier.

* * *

Holders and registered owners of **St. Louis Southwestern Ry. Co.** genereal and refunding mortgage 5% gold bonds, series A, due July 1, 1990, are being notified that all of these bonds will be redeemed on July 1, 1950, at 105% and accrued interest. Redemption will be made at the Chemical Bank & Trust Co., New York, N. Y., corporate trustee.

* * *

In its annual report for the year 1949, the **Kansas City Southern Ry.** states that its railway operating revenues were $38,746,239, as against $41,552,708 for 1948. Net income before dividends amounted to $7,228,968, compared with $8,745,061. Preferred dividend appropriations totaled $840,000 in each year, while common dividend appropriations in 1949 were $2,038,396, against $509,599 in 1948.

* * *

The net profit of **Black, Sivalls & Bryson, Inc.** for the year 1949 was $1,142,460, equal to $3.02 per share on the outstanding 359,962 shares of common stock. This compared with $2,435,458, or $7.89 per share, in 1948. Sales amounted to $16,288,605, against $17,310,035.

* * *

Joplin Water Works Co. for 1949 reports total revenues of $314,360, against $305,514 for 1948. Net income was $36,392, compared with $27,017.

Kobbe & Co. Elects Judge Vice-President

At a recent stockholders meeting, William E. Judge was elected vice-president and secretary of Kobbe & Co., Inc., 55 Liberty Street, New York City, to succeed Douglas C. Alexander, who recently resigned. Mr. Judge has been associated with Kobbe & Co., Inc., for the past several years in their trading department.

Fantasy of Figures—Responsibility of Accountants

By ALDEN R. WELLS

Vice-President, J. H. Goddard & Co., Inc., Investment Advisor, Boston, Mass.

Quoting Mr. Voorhees, Chairman of Finance Committee of U. S. Steel Corporation, that American industry is not in as sound situation as accounting figures indicate, Boston Investment Advisor contends, because accepted accounting practices rest on delusion that dollar is a true yardstick, real facts of business concerns are not indicated in accounts. Attacks rigidity of accounting law and procedure, as furnishing erroneous statement of earnings in many cases. Holds SEC rulings partly accountable for situation.

"The main fact today is that American industry is not in nearly as sound financial position as it is too often prone to think it is. This is a complacency that is ominous. It is a common fallacy to suppose that war breeds prosperity. But such a supposition flies in the face of inner conviction and certain knowledge of the awful wastes of war in lives, wealth, and resources. How, then, do people derive the notion from the records we compile that everything is happy, healthy, and prosperous? I think the answer is that war breeds a fantasy of figures and the fantasy is too often mistaken for fact. War wrenches the economy as nothing else does; the economic changes wrought are of seismic proportions. On cost accountants rests the responsibility for accounting for the cost of economic change over and beyond their habitual practices, so that management and social decisions, often of a portentous sort, may rest on the facts as they are and the truth as it is." (Enders M. Voorhees, Chairman of the Finance Committee of the United States Steel Corp.)

Alden R. Wells

When the war ended currency and bank deposits had risen $90,709 million[1] in four years. An increase of 98% over the total $91,963 million at the end of 1941 created an inflation potential and, to some extent, indicated the size. During these four years persons, as well as institutions, both public and private, deferred all possible expenditures. To the vast majority those four years gave the appearance of prosperity. Once war activity is eliminated from calculations, however, not only as non-recurring but non-constructive, the reality was decidedly different. Reality was more nearly a major four-year depression with consumption at subsistence level. This condition combined with price ceilings and $189 billion of government deficits prepared the way for an explosion at the end of war and price controls.

Unfortunately, most economists, including those influencing the Administration, were under the delusion that the war boom was similar to a peacetime boom and would produce a recession. Thus they were mentally ill-adjusted to cope with the sequel. Evidence also points to the probability that this was also true of businessmen and the financial community.

Factual Evidence Needed

Where widespread confusion exists as to the basic condition of our economy, the only cure is a succession of factual evidence that will eventually orient those making economic decisions. Instead of factual evidence, there was instead a fantasy of figures—as Mr. Voorhees reports—which served to produce even greater distortions. As the opening quotation states, these unreal figures were supplied by cost accountants whose responsibilities include the statement of "facts as they are." Because accountants failed to do this, postwar years which might have been used to correct the distortion of the war were instead years that added to the distortions. For this we shall shortly pay.

In this article I will try to show how this fantasy of figures was created, the direct responsibility of accountants, some of the consequences, and finally the condition of our economy as a result of these events.

The incorrect basic premise creating these accounting fantasies is now sufficiently well known to be covered briefly. Accepted accounting practices rest on the delusion that the dollar is a true yardstick. As a unit of measurement, it will on this assumption measure the comparative value of different goods purchased at the same time and similar goods purchased at different times. All these goods can then be combined at stated intervals into an income statement and balance sheet expressed in the single unit of measurement—dollars. Casual readers of financial statements, and many not so casual, assume that the physical facts behind this dollar summation are truly represented. Or, looked at another way, they assume all of those dollars are identical with the dollars at that point resting in their pocket. That, of course, is not true.

A real estate operator would not add to his chance of success if he sent a half-dozen surveyors to subdivide his property, each with instruments trued to six different ideas as to the length of a yard. Any action taken on the basis of such a survey would automatically produce fantastic results. Yet, in essence, businessmen are compelled to make their decisions on accounting figures that suffer the same distortion.

Current sales are stated in the same dollars the businessman carries in his pocket. The reported cost of those sales is a combination of dollars which may be three times or one-third as valuable as current dollars. All of these various dollars are, however, combined into one cost dollar with the understanding on the part of most businessmen, as shown later, that this cost dollar has the same value as the sales dollar.

Balance sheets reflect as much fantasy. At the top, cash is expressed in the same dollars as sales. Below this the inventory may be expressed in dollars three times as valuable as cash dollars. Discovering the true physical facts behind the inventory dollar is a matter of educated guesswork. Farther down the column the property account is equally fantastic. Two similar plots of land bought before and after the war at prices as much as 200% apart would be lumped together as though the combined figure reported some objective fact. With reported assets virtually meaningless, it follows that on the liability side the owner's equity has little meaning. Despite this it is frequently referred to as a base for measuring fair profits or fair taxes. Later on I shall refer to these two paragraphs when I quote the reasons given by the Committee on Accounting Procedure of the American Institute of Accountants for not making some vital changes.

Well-informed students of accounting today agree that this accounting confusion exists, but the number who understand the implications are distinctly limited; otherwise we would not have just gone through four years during which the trend of business contained so many surprises for our leading economists. But when the question arises as to who will eliminate the fantasy from the figures, the accountant replies: "Not I, management is the responsible body. Management should explain to stockholders, government, labor, and the public that reported figures are not correct. Furthermore, they should do it through the medium of footnotes to the statement certified by me as correct." This point of view will be documented later in the article.

When Arthur M. Schlesinger, Jr., wrote in "The Vital Center": "The businessman rescued society from the feudal warrior, only to hand it over to the accountant," he did not specify whether he was thinking of accountants in their professional status or all those who make decisions using figures based on income statements and balance sheets. If the latter, this observation is simply an echo of Burnham's "The Managerial Revolution." If the former, he came nearer the truth than indicated by the context.

No one will deny that the accountant's function in business is important. How and why it is important is not as clearly understood. Even less well understood is the fact that accountants are their own court of last resort in determining how they shall present their figures.

Accountants themselves do not admit that they exercise any real control. They point out that they are elected by the owners and are subject to the owner's control. They believe they are hired to compile records according to practices established for the purpose of protecting the owners against dishonesty. They do not, according to this view, create the practices but rather apply them. If so, accountants are merely bookkeepers and may be considered as clerks without initiative or responsibilities. Many important accounting firms in practice act on this assumption. The best face that can be put on this interpretation of the accounting function is a resemblance to lawyers whose duty it is to interpret the law, but not to make it. Accountants, however, also made the law.

The American Institute of Accountants maintains a Committee on Accounting Procedure that from time to time issues statements expressing its view on what constitutes accepted accounting procedure. The Institute itself is a national organization of certified public accountants. Like similar professional organizations, it strives constantly to increase the professional status of the accountant which, in turn, increases his value to the community. The Committee is composed of 21 men drawn from the topmost rank of the profession. Obviously, any decision of theirs is treated as authoritative by the rest of the profession. This alone does not make them a legislative body, because they cannot enforce their decisions.

The SEC's Position

Legislative power was conferred on the Committee through the medium of the American Institute by the Securities and Exchange Commission and the New York Stock Exchange. Several years ago the management and directors of one of our major corporations decided that depreciation based on original cost materially distorted their income statement. They thereupon decided to rectify the distortion—at least partially—by increasing the report on depreciation costs nearer to current costs. Their accounting firm approved this procedure. I would like to emphasize that here all parties—directors representing the owners, management, and accountants representing the owners—agreed on a proper presentation of the facts as they understood them. No more responsible body of men in their respective spheres could be brought together.

Last year the Securities and Exchange Commission and the New York Stock Exchange had occasion to review this action. They decided both in this instance and as a general rule that information could not be placed in the income statement if thereby the public accountants were forced to report that this information did not correspond with accepted accounting practices. Furthermore, an accounting practice would not be considered as accepted until it was so stated by the American Institute of Accountants. The SEC and the New York Exchange have at least two important powers to enforce their decisions. No public financing can be undertaken until the SEC has passed on the presentation of the information. No stock may be listed on the New York Stock Exchange, or if it is listed, can remain on unless the company's financial reports meet the standards set up by the Exchange.

Clearly, the American Institute of Accountants by this ruling have legislative power not subject to either management or owner control. It is, of course, unfortunate to have this area of law nebulous in the minds of the parties concerned. When responsibility rests in a place where it is neither wanted nor admitted, as mentioned earlier, that area is one of anarchy. How wide that area is may be determined by a brief review of the accounting function.

The Accounting Function

Sometimes we forget that, save in service industries, the decisions of businessmen determine the useful movement of physical goods and labor. Their judgment in the processing of goods by employees determines the success or failure of each individual enterprise. Corporations with tens of thousands of employees and billions of individual operations would grind to a complete halt if some method were not available to summarize these operations into a form that can be grasped by the human mind. The only known common denominator that can be used to combine such factors as wages, raw materials, and work in progress, is the dollar. All the elaborate statistical representations of physical events are based on this one unit of measurement. "Management and social decisions,

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1 Money in circulation and held by Treasury and Federal Reserve Banks, not including gold coin, bullion nor gold and silver certificates, plus demand and time deposits of all banks.

Excellent Results From Peru's New Policies

By EMILIO G. BARRETO
Peru's Delegate to Inter-American Meetings of UN Economic & Social Council

Peruvian official declares his country's devaluation and new economic policy has curbed inflation; improved balance-of-payments position; unprecedentedly increased foreign exchange; built up essential imports at lower prices; lowered free-market exchange rate; and made possible a 1949 surplus. Reports elimination of price controls and nearly all subsidies, permitting direct action of free competition.

I shall briefly describe Peru's recent experience in connection with the devaluation and its effects, as well as the results of the new monetary and economic policy followed in this connection.

It may be said that the devaluation has two important aspects: an active one as a positive measure for correcting a fundamental disequilibrium in the domestic economy; and a passive one in the effects a devaluation in some countries has on the others.

The long inflationary process experienced by various countries during and after the war and the application of strict exchange and price controls created disequilibrium in the relationship of prices and costs, in many cases reducing productive activity and the actual volume of exports and aggravating the disequilibrium in the balance of payments and the fundamental disequilibrium in the economy.

Controls Futile

It was thought that this situation could be corrected by the application of controls which, instead of remedying the fundamental causes of the disequilibrium, only made futile attempts to remedy the effects, serving as a smoke screen to conceal the continuation of the inflationary process, aggravate the fundamental disequilibrium in the economy and give rise to the creation of black markets and the development of speculation. All this was likewise responsible for the practical inefficacy of the controls, and became the strongest obstacle to the reestablishment of economic equilibrium.

And the fact is that, in following the mirage of controls, certain fundamental principles were disregarded.

Basic Causes Must Be Attacked

From the point of view of a sound and effective technique, a fundamental disequilibrium in the economy can only be corrected by attacking the basic causes which have produced and continue to produce it, and not by merely curbing its effects. If the serious disequilibrium is caused by inflation and, through controls, the official exchange rate is artificially held at a level other than its real value on the market, the only sound way to reestablish equilibrium is by curbing inflation and permitting the nominal value to adjust itself freely to the real value of the monetary unit. In a buyer's market such as the present international market, real exchange rates and an appropriate relationship between prices and costs are, from a competitive point of view, of primary importance for developing domestic production and stimulating exports, as well as for discouraging unnecessary imports, the real exchange rates and the free play of supply and demand serving as powerful correctives for the disequilibrium in the balance of payments.

These fundamental principles were disregarded during the long period of inflation, and strict controls were used as a means of maintaining artificial rates inconsistent with the real value of the monetary unit, which aggravated the disequilibrium and impeded the reestablishment of normalcy. In fact, the disparity between the real and the nominal value of the currency, by affecting the normal relationship between prices and costs, discouraged production, which dropped in volume as compared to previous years, making it necessary to import many commodities which were formerly produced in the country. The practical inefficacy of the controls and the creation of black markets gave rise to the fact that real prices were governed in the last analysis not by the official exchange rates or prices, but by the black market prices, whose quotations became increasingly high as manipulators and speculators refined their techniques of frustrating controls, all this bringing about a relaxation of morals and social unrest.

Decrease in Production and Exports

Under these conditions, a continuous decrease was noted in the volume of production and exports; productive activity was discouraged while speculators and middlemen made fat profits; the consumers, who were supposed to be benefited by the low official exchange rates and prices, were most harmed, because they had to pay black market prices and stand for hours in the rain or sun in interminable queues waiting for the few articles left available by speculation and the cornering of markets. Commercial stocks were exhausted and it was impossible to obtain the equipment, raw materials and tools necessary for the normal maintenance of domestic production. Because of steady deterioration and the lack of replacements, equipment for production underwent a serious process of depletion which tended increasingly to reduce the volume and capacity of domestic production.

The Good Results

This, in brief, was the situation which had to be met when Peru adopted the new monetary and economic policy which has given such good results. The new monetary and economic policy has made it possible, first of all, to curb inflation, to let the monetary unit find its equilibrium level in the free market, improving the balance of payments position; accumulate foreign exchange in 1949 and on an unprecedented scale; increase imports of essential articles, making it possible to take care not only of demand, but to accumulate sufficient commercial stocks to stimulate competition; to lower the free-market exchange rate from more than 22 soles per dollar to approximately 14 soles per dollar, at which it is currently quoted; to lower the prices of many import articles and other products, both by the action of free competition and by the drop in the free-market exchange rate as well, which has permitted imports to be made more cheaply. Lastly, there has been a surplus for the fiscal year.

But the question will be asked as to what measures have produced such a notable change and such excellent results? The answer is simple and may be summarized in a few short sentences:

Inflation was checked by not carrying out new extraordinary issues of money to cover fiscal deficits, directly or indirectly. The only issue of currency which took place was to acquire the foreign exchange, dollars, gold and sterling, which had been accumulating in the Institute of Issue in 1949, a large part of which has already been utilized advantageously, thus reabsorbing the money issued against it.

The free sale on the market of total exports proceeds was permitted, although gradually and by means of the certificate system.

The official parity, which for several years had been fictitiously maintained, was suspended, and the exchange rate has been permitted to find its real equilibrium level on the free market.

Lastly, price controls and nearly all subsidies were eliminated, permitting the direct action of free competition.

The adoption of these measures has obviously required a firm resolve to overcome the inevitable obstacles, opposition and fears. But the success has been so complete and the results so conspicuous and positive that it may well be said that Peru's experience now serves as a beacon on the stormy sea of controls.

Bank of America Plans To Issue Subscription Rights to Stockholders

A proposal to issue to all present shareholders rights to subscribe for new common stock of the Bank of America at a preferential price of $20 per share is to be placed before the bank's shareholders at a special meeting scheduled for May 2 in San Francisco. Recent quotation of the stock is about $28.50. On this basis the rights would be worth about $29 million to the shareholders of record May 11, who would have an opportunity to subscribe for a total of 3,412,684 of the new shares on the basis of one new share for each six shares owned. The rights would expire June 1, 1950. Under the proposal, the board of directors will dispose of an additional 111,212 shares at the best price obtainable.

The Comptroller of the Currency has consented to issue permits for a number of additional branches, which should add materially to the bank's increasing earning power, following the proposed increase of capital, the announcement states. The Comptroller has also given tentative approval to the proposed increase and the method designed to effect it.

Issuance of the new shares would round out the number outstanding to 24 million and would increase the capital funds of the bank to a figure in excess of $380 million, exclusive of the reserve for possible loan losses of $45 million. The total capital funds and reserves of the bank are at a new high and will exceed those of any other bank by approximately $50 million.

L. M. Giannini, President, states that the bank is continualy broadening its services and developing new ones for the constructive employment of its capital funds and deposits, and the funds realized from the proposed sale of additional shares of stock, besides making possible the advantageous establishment of new branches above mentioned, will add materially to the ability of the bank to improve further its community building activities.

Connecticut Brevities

The Aspinook Corp. has agreed to purchase the Apponaug Co., Apponaug, R. I., a cotton printing and finishing firm. Aspinook recently liquidated its Lawrence Print Works division. The proposed acquisition would permit the company to continue in the printing and finishing business and to further diversify its operations in the textile printing, dyeing and finishing trade. The Lawrence Print Works plant will be sold at auction on May 2.

* * *

Earnings of **Landers, Frary & Clark** for 1949 were $2.20 a share compared to $2.76 in 1948. Included in the figure for 1949 are non-recurring gains of about $0.75 a share after taxes on sales of certain patents and inventions. The balance sheet shows a working capital of over $12 million and a current ratio of about 4-to-1. The plant expansion and modernization program has largely been completed, and no major investments in plant or equipment are anticipated in the near future. Recently the company announced that it is discontinuing the manufacture of cutlery, which in 1949 only accounted for 3% of total sales. During the first two months of 1950 sales were substantially ahead of the same period a year before.

* * *

Derby Gas & Electric Corp. earned $1.91 per share in 1949 compared to $1.25 in 1948. The increase in earnings was largely due to lower costs of fuel, for total revenues were only slightly above the level of the previous year. During the year expenditures for new plant amounted to $722,342 and the value of net plant and property at the end of 1949 was $9,323,598. Of the total consolidated capitalization, 39% is represented by debt and 61% by capital stock and surplus.

* * *

Verplex Co. of Essex, manufacturer of lamp and parchment shades, has acquired a new plant containing 14,000 square feet. The new facilities, which were formerly occupied by Essex Machine Works, are located on a 9-acre plot adjoining Verplex's present factory.

* * *

Associated Spring Corp. reported earnings of $2.23 a share for 1949 on sales of $27.2 million. During the year the company sold its Dunbar and Manross plants and transferred their operations to the main plant of the Wallace Barnes Co. division in Bristol. New construction and improvements at the Forestville plant were completed with the exception of new rolling mill equipment to produce additional cold-rolled flat spring steel. This new mill is expected to be in full production by the first of July. During the year the number of stockholders increased from 2,216 to 3,074, largely due to the marketing of a substantial block of stock during September.

* * *

Stockholders of **New York, New Haven & Hartford Railroad** have approved the terms of the reorganization of Boston Terminal Co., providing for acquisition of the South Station by the railroads using it and for settlement of bondholders' and reorganization claims. As a step towards reorganization of Boston & Providence Railroad Corp., the New Haven stockholders voted to approve purchase of all the outstanding Boston & Providence 5% debentures for a flat price of $3,250,000.

* * *

Fuller Brush Co. sales for 1949 were $32.5 million compared to $31.7 million the previous year. The increase was largely due to the rise in sales of the new cosmetic line to $3.35 million. Moderately increased costs resulted in somewhat lower earnings at $4.75 on the class A common, compared to $6.05 in 1948. The financial position of the company continues to be strong, with working capital at $7.1 million and cash of $1.95 million.

* * *

New Britain Machine Co. has sold its Chestnut Street plant and property to Stanley Works and will consolidate its entire operations in the newer Cedar Hill plant. Transfer of operations will be carried out one unit at a time and will not be completed until April, 1952.

With Geo. Eustis

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Richard S. Wessler has become affiliated with Geo. Eustis & Co., Traction Building, members of the Cincinnati and Midwest Stock Exchanges.

With Gordon Macklin Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Irena Barnum has become associated with Gordon Macklin & Co., Inc., 1010 Euclid Avenue. Miss Barnum was formerly with Finley & Co.

Field, Richards Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Albert L. Herrick has been added to the staff of Field, Richards & Co., Union Commerce Building.

McFarland Opens

LA GRANGE, ILL.—Thomas E. McFarland is engaging in a securities business from offices at 744 South Spring Avenue.

The Printing Press And the Treasury

By ORVAL W. ADAMS*
Executive Vice-President, Utah First National Bank, Salt Lake City

Mr. Adams declares there are real human rights bound up in the "body-and-soul money" accumulated over the years by hard-working, independent, self-reliant Americans, millions of which is in the country's savings banks. Maintains stored-up monetary value represents the returns from labor; and that its earner has right to protection as to its safety and security in substantial purchasing power, as to its right to be invested, and as to reasonable compensation for its services.

Money performs three functions: a measure of exchange, storehouse of value, and a medium of exchange. In all three of these, or in any one, inflation can occur and can do so at the same time.

Orval W. Adams

In the first function (measure of exchange) loss of purchasing power in inflation can occur through debasement. In the second (storehouse of value) inflation can occur through the over-issue of paper money—printing press money, if you please. Printing press money is money not created through the production of goods and services. Inflation in the third function (medium of exchange) occurs when human emotions or mob psychology become aroused causing people, as the purchasing power of the dollar decreases and printing press money increases, to invest their hard-earned money in goods; in other words to flee from money into things.

Three-Headed Inflation

Inflation has already begun in all three of these functions. Our elected representatives are the only ones who can stay inflation's treacherous journey as it goes on to the forest-fire stage.

The government, after three years of operating under a balanced budget, on Aug. 4, 1949, resumed deficit spending, and at a time of full production, full employment and collecting in the neighborhood of $40 billion in taxes. The deficit started out moderately at the rate of about $200 million. It is now well known that the deficit will exceed $10 billion in the next two fiscal years; and this $10 billion will be superimposed on an already existent $257 billion debt—and in a time of peace, mind you!

With Federal spending, therefore, out of control and the government committed to arm the western democracies and provide assistance for rehabilitation on a world-wide scale, the dollar question surges to the front as the most vital issue.

With dollars divorced from redeemability in gold and a printing press anchored in the U. S. Treasury—and those in charge of the printing press devotees of the welfare state (or farewell state)—the U. S. A. is a victim, in the words of Virgil Jordan, who is the chancellor of the National Industrial Conference Board, "of government by subsidy, bribery, and robbery; a government willing to steal, and convert to fake money the savings of its citizens to satisfy its lust for ever increasing power." He said also: "The welfare and protection promised for the future in return for votes can only be called the cruelest and most colossal fraud that has ever been practiced on a credulous people."

*An address by Mr. Adams before The Logan Rotary Club, Logan, Utah, March 30, 1950.

The Forgotten People

Who are these credulous, forgotten people to whom he refers? I know. Sometimes we are moved to tears by the lamentations of politicians concerning the sad fate of some unidentified forgotten people. Scarcely have the politicians ever pointed out exactly who these forgotten people are, and for whose welfare they possess such grave concern. We bankers know and have identified them. They are not a myth. They exist. They are among us in flesh and bones—in our banks, owners of insurance policies, in building and loan associations. They compose the great middle class of America. They are not generally pointed out as being the victims if the onslaught of inflation is not curbed. They are not noisy or complaining. On the contrary, the real forgotten men and women have daily remained inarticulate. They have no organization, no pressure group. They issue no propaganda. They conduct no parades and make no fiery speeches or denunciations. They have no banners or implements. They have no controls, no press. They issue no publicity. They have no spokesmen, no defenders — not even us, you and me, nor their unofficial custodians the bankers of America. They have no lobby in Washington. They are the unknown, defenseless savings depositors. Their number is legion. They represent the very backbone of our citizenship; truly they are the victims and bear the brunt of a blundering economy. They represent the class of thrifty investors, the men and women who, by rigid economies, by self-denial, from the sweat of their brows, have built up savings accounts, accumulated funds in insurance policies. It is their money, large and small, invested in innumerable business concerns throughout the land. They have practiced self-denial, scrimped and saved in the hope of providing themselves with adequate old-age security. It is the savings of these people that represents the seed corn of a government of free men. Something must be saved for these people. If they are not saved, all of us are lost.

The Saver

Not so long ago I was at my desk in a savings bank. It was interest-pay-day. A woman presented her passbook at the savings window. She was a woman dressed in gingham, with three little bashful girls by her side. After having presented her book for the purpose of having six months' interest credited to her account, she with her little girls, made her way to the front door. As she passed my desk, I stopped her and said: "Lady, may I please look at your savings passbook?" She knew I was an officer and acceded to my request. In that book was a deposit of $5 000. Some little of the principal had been withdrawn. By request she told me whence the $5,000 had come. This was her story: Her husband, while in the line of his duty as a switchman, was killed. He had purchased a life insurance policy in the amount of $5,000, payable to his wife, the mother of his three little girls. This fatherless family lived in a rented home. One of the girls was six; she was in school. The others were younger. The woman had drawn some of the principal, as well as the interest, and was doing some domestic work to conserve as much of her savings deposit as possible. Her earning ability, plus the $5,000, was all in the world she had to provide for herself and her three little girls. Imagine her predicament if through inflation this body-and-soul money should lose its purchasing power. The standard of living of this little family was dependent on the preservation of the purchasing power of this money. Education, hospitalization, culture, self-reliance, were interwoven in these dollars.

All of us have heard the spellbinders say that there is no relationship between money rights and human rights. Would anyone dare take issue with me or you that human rights and purchasing power in this particular case are not one and the same? Is it not logical to assume that when purchasing power is destroyed, so also are human rights?

Here is another example: A man came into the bank. He was 68 years old, a bachelor. He had $10 000 saved. His accumulations were the result of many years of saving a little of his earnings. He owned a little home. For a living he sharpened saws, repaired locks, and made keys. I talked with him. He told me his life's story. At 65 his arm became afflicted with some kind of paralysis. I remember very well his having difficulty getting his savings passbook out of his inside pocket. It was fastened in that pocket with a safety pin. He was a thrifty man. He prized his self-reliance. Having self-reliance, he had accumulated this money so that in the days when his earning power would be lost to him he would not become a public charge. He was an unassuming fellow. Nobody knew that he had any money.

Would anyone argue with me that there were no human rights bound up in this body-and-soul money accumulated over the years by these independent, self-reliant Americans? Human rights and dollars are humanitarian blood brothers.

The Millions of Savers

There are millions of such examples in the savings banks of this country. Practically all of our soldier boys carry life insurance, government and otherwise. Visualize, if you will, the injustice that would be done to these boys if the insurance money so wisely provided should lose its purchasing power through uncontrolled inflation. It is within the power of government to forestall such a tragedy. Failure to do this would be nothing less than the betrayal of a sacred trust.

In primitive times labor was almost exclusively of the hands. Negotiations were between one man and another with no intermediary. The American dollar is that intermediary in our country. Rewards and returns were simple and tangible. Every transaction was complete in itself. This was when barter was the method through which exchanges of services and goods were transacted. Then came what may be termed representative labor, and not until this time did any great progress occur in the world. Men began to acquire property as a result of their earnings. Property took the form of savings, representing the margin of value between earnings and living expenses. Investment of the margin was made in land or cattle or sheep at trading posts, or a cargo of salable articles. The flocks and herds of Abraham represented the results of labor. From them he drew a competence, sustained himself, and by careful management acquired an unusual measure of this world's goods.

As men worked and struggled with the slowly yielding forces of nature, it was with the purpose, first, of storing up wealth, and then either having their property earn for them or their savings produce an income for them as against the day when they themselves would no longer toil. The land would bring forth abundant harvests and the herds would provide milk and meat for food and wool and hides for clothing — every product being inherently and progressively representative labor. By this process man was enabled to obtain returns both from the labor which he himself performed with his own hands and from his talent or management proceeding from his own brain. He has found these servants aiding him in his work and adding to his resources. For those of this earlier day representative labor was deemed worthy of its hire. Eventually, money entered into the picture as a convenient method of providing a medium of exchange, a storehouse of value, and a measure of value. Compensation for the labor of the individual assumed purely a monetary form. Likewise, money became the token of representative labor, the agency whereby return in the form of interest was produced. Primitive man in his comparative isolation fought to protect his property against usurpation. So modern man must defend the dollar, which represents the fruits of his earnings.

The stored up monetary value, representing the returns from labor, becomes his servant. In behalf of this servant *he has a right to ask that it be protected, first, as to its safety and security in substantial purchasing power,* second, as to its right to be invested, and third, as to its reasonable compensation for its services. He realizes that under our modern economy money labors just as industriously and productively as does he himself. In this he finds incentive for progress and more abundant living for him and his family. This desire for progress, sometimes referred to as a profit motive, has actuated men from time immemorial. It will always be so. If the uses of money are to serve any good purpose they must be permitted to yield a margin of profit in the form of interest or dividend, as well as be protected in purchasing power. Nothing is more devastating to the morale of a thrifty people than to observe their investments grow idle and insecure.

In the physical world, floods and storms winds and waves, heat and cold, constantly challenge the security of property. As for money, its safety and its opportunities for employment are determined by economic movements, by political decrees. The agencies of destruction to physical property are well identified and for the greater part understood. This is not the case with respect to the forces which affect the stored up products of labor—money.

In thinking of money as representative of stored up labor, let us consider your neighbor and mine as its possessor. It is they individually and collectively who hold the great material wealth of this nation, even though some folks

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Joins Ames, Emerich

(Special to The Financial Chronicle)

CHICAGO, ILL.—Roy S. Reed has become associated with Ames, Emerich & Co., Inc., 105 South LaSalle Street, members of the Midwest Stock Exchange. He was previously with Swift, Henke & Co.

Mutual Funds

By ROBERT R. RICH

Fund Application Refused By Ohio Securities Division

32% Sales Load First Year in Periodic Plan Cited "Excessive"

A prominent Mutual Fund was refused permission to sell its securities in the State of Ohio, Ernest Cornell, Chief of the Division of Securities of the State of Ohio, announced to the "Chronicle."

Citing a sales load of 32% for the first year in the Fund's periodic investment plan as violating the permissible maximum of 9% in the State of Ohio, William I. Johnston, Assistant Chief of the Division, in a memorandum on the refusal of application stated: "The last of these three plans [the periodic investment plan] has been the subject of extensive inquiry by this Division. The crucial point of this inquiry concerns the position of the holders of the Accumulative class of shares relative to the holders of other classes of shares. Although voting and other rights pertaining to shares held are equal for all classes, under certain important conditions automatic penalties with regard to effective loading and liquidating charges obtain to the holders of Accumulative shares." [*Editor's Note:* The full text of the Johnston memorandum is given on adjoining page.]

The periodic investment plan, which is comparatively new and used only by a small number of investment trust companies in the industry, is intended to appeal to the investor of limited means who cannot afford to buy his shares outright and who must pay for them on a monthly plan basis.

"If the investor is unable to carry on throughout the eight-year program," Mr. Cornell remarked, "and demands delivery of the shares already paid for, he will be subjected to a penalty and a selling load or commission in excess of the amount of the load provided for in our so-called Q-3 Regulations 20 and 21."

The New York office of the Fund, commenting on the Ohio ruling, stated that their periodic plan shares were being sold in about 12 or 13 States. They further stated that, unlike an insurance program, there was no lapse involved if a "periodic plan investor" could not make payments for a considerable length of time. The sales load charge of 32% would only be an "automatic penalty" if the shareholder demanded delivery of shares for which he has already paid.

In addition to the "periodic plan," the Fund also has a "systematic investment plan." With the latter plan, the "load" is evenly divided over the period of investment, instead of being graduated from a very heavy "load" to an increasingly lighter one. Presumably, this plan is used in States with maximum load regulation. The Fund stated that the three advantages of the periodic plan were: (1) the investor saves more, (2) the investor benefits from dollar averaging, and (3) and retained dividends are compounded.

Section 27 (a) of the Investment Company Act of 1940 states that the sales "load," over-all average, cannot exceed 9%, and not more than one-half of the first 12 monthly payments or their equivalent may be deducted for "sales load" in a periodic plan program, with the proviso that the "sales loads" within the first year must be uniform, and that the decreased "sales load" for the period after the first year must also be uniform.

Wellington Fund Refuses to Vote Proxies at Montgomery Ward Annual Meeting

Walter L. Morgan, President of Wellington Fund, declared that, as a refusal to endorse the policies of Mr. Sewell Avery of Montgomery Ward, Wellington Fund will not vote its proxies at the Montgomery Ward annual meeting. [*Editor's Note:* Full text of Mr. Morgan's statement is given on adjoining page.]

Mr. Morgan stated that the Wellington Fund would dodge its responsibility by simply not voting its shares of Montgomery Ward and at the same time remaining silent. He also discarded the other alternative of selling the Fund's holdings of Montgomery Ward because he believed that the market value of such shares has been depressed by Mr. Avery's policies.

Mutual Funds Break 2 Billion Mark

New high records in total assets and sales of shares of open-end investment companies, were attained during the first quarter of 1950, the National Association of Investment Companies announced. Total assets, which have increased in every year since 1941, exceeded $2 billion for the first time in history.

Total net assets of 94 mutual funds on March 31, 1950, were $2,119,455,000, an increase of $145,908,000 over Dec. 31, 1949, and $557,304,000 since March 31, 1949.

Sales of shares during the first quarter of 1950 amounted to $140,356,000, compared with $125 850,000 for the last quarter of 1949 and $78,798,000 for the March quarter a year ago. Net sales, after redemptions, were $84,325,000, compared with $85,199,000 for the previous quarter and $54,447,000 for the first quarter last year.

The report covers all the open-end of mutual fund members of the association, but does not include the closed-end members.

Eaton and Howard Funds Reach New Highs

Eaton & Howard Balanced Fund in quarterly report for three months to March 31, 1950, shows the fund at a new high of $54,162,933, an increase of $3,538,595 since the beginning of the year. The 1,953,301 shares outstanding are owned by 11,861 shareholders. Asset value per share was $27.73 compared with $27.14 at the beginning of the year.

Eaton & Howard Stock Fund in quarterly report for the three months to March 31, 1950, shows the fund at a new high of $3,986,607, an increase of 25% since the beginning of the year. Asset value per share was $18.56 compared with $18.22 on Dec. 31, 1949.

Two Funds File

Supervised Shares, Inc., Des Moines, on April 17 filed with the SEC a registration statement covering 400,000 shares of 25c par value capital stock. Underwriter is T. C. Henderson & Co., Inc.

Gas Industries, Inc., Boston, on April 17 filed with the SEC a registration statement covering 1,000,000 shares of $1 par value

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Open-End Statistics — March 31, 1950

94 Open-End Funds
(000's omitted)

Total Net Assets

	3-31-50	12-31-49	3-31-49
42 Common Stock Funds	$1,019,136	$942,952	$725,446
26 Balanced Funds	587,941	540,932	416.479
26 Bond & Specialty	512,378	489,663	420.226
94 Total	$2,119,455	$1,973,547	$1,562,151

Sales

	1st Quarter 1950	4th Quarter 1949	1st Quarter 1949	Full Year 1949
42 Common Stock Funds	$60,640	$57,765	$30,882	$168,049
26 Balanced Funds	46,800	40,514	27,005	129,046
26 Bond & Specialty	32,916	27,571	20,911	88,431
94 Total	$140,356	$125,850	$78,798	$385,526

Repurchases

	1st Quarter 1950	4th Quarter 1949	1st Quarter 1949	Full Year 1949
42 Common Stock Funds	$23,510	$15,590	$7,295	$35.569
26 Balanced Funds	10,319	7,950	4 932	22 518
26 Bond & Specialty	22,202	17,111	12,124	49.500
94 Total	$56,031	$40,651	$24,351	$107 587

Net Sales

	1st Quarter 1950	4th Quarter 1949	1st Quarter 1949	Full Year 1949
42 Common Stock Funds	$37,130	$42,176	$23 586	$132 480
26 Balanced Funds	36,481	32,563	22,074	106 528
26 Bond & Specialty	10,714	10,460	8,787	38,931
94 Total	$84,325	$85,199	$54,447	$277,939

	1st Quarter 1950	4th Quarter 1949	1st Quarter 1949	Full Year 1949
New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)	116,393	95,428	57,140	272,203

**Figures compiled by National Association of Investment Companies.*

Continued from page 14

Mutual Funds

common stock. Underwriter is Colonial Associates, Inc., Boston.

* * *

Text of Ohio Refusal to Permit Sale of Fund Shares in State

(Ed. Note: Name of Fund Deleted)

Following is the complete text of a memorandum by William I. Johnston, Assistant Chief of the Division of Securities, Department of Commerce, State of Ohio, concerning filing No. 12931, an application by Mutual Fund to register its shares for sale in Ohio.

Shares of the applicant investment trust are offered in three classes: (1) Fund Shares and (2) Bond Shares, both sold outright, and (3) Accumulative Fund Shares, sold on "periodic investment plans."

The last of these three plans has been the subject of extensive inquiry by this Division. The crucial point of this inquiry concerns the position of the holders of the Accumulative class of shares relative to the holders of other classes of shares. Although voting and other rights pertaining to shares held are equal for all classes, under certain important conditions automatic penalties with regard to effective loading and liquidating charges obtain to the holders of Accumulative shares.

Not True Instalment Plan

It has been determined, to the satisfaction of the Division, that the periodic purchase plan (which will be described) is not a true instalment plan, and thus does not fall under the Ohio Bond Investment Act, which Act is administered by the Superintendent of Insurance. Although a definite period of time of eight years is involved before the plan is completed, yet the investor can terminate at any time within said period of eight years and receive whatever shares of the fund have been credited to him. However, the manner in which the sales load or selling commission is removed creates the condition of an automatic penalty for any early termination of the plan. Thus, it can be shown that inherent in the plan are some of the penalty aspects of the instalment contract, specifically, that under the plan, many investors must pay a selling commission or sales load substantially in excess of the 9% maximum permitted under Regulation Q-3, paragraph 20, of the Division of Securities Regulations, which reads as follows:

"Restrict the maximum load or commission to be charged upon the sale of common shares issued by the trust to nine per cent (9%) of the offering price to the public of such shares. As used in this paragraph, 'offering price to the public' shall mean the asset value as hereinafter defined plus the load or commission charged adjusted to the nearest full cent. As used in this paragraph, 'asset value per share' shall be determined by dividing the value of the net assets of the trust by the number of shares issued by the trust and outstanding plus the number of shares sold by the trust though certificates have not been issued at the time of calculation."

Division of Securities, Regulation Q-3, Paragraph 20.

Conversely, it might be stated, many investors must liquidate under charges in excess of the 1% maximum permitted under the Division of Securities Regulations Q-3, paragraph 21, which reads as follows:

"Restrict the maximum fee to be charged upon repurchase of shares issued by the trust to one per cent (1%) of the liquidating value per share. As used in this paragraph, 'liquidating value per share' shall have the same meaning as 'asset value per share' defined in Paragraph 20 of this Regulation. Any such repurchase fee shall be credited to the trust and not to the sponsor, directly or indirectly."

Division of Securities, Regulation Q-3, Paragraph 21.

The provisions and terms of the instant plan state that the load for selling shall not exceed 6%, of the offering price of the shares. This figure, however, is based upon the assumption of a completed eight year plan. The load is deducted from payments in the following manner: "From the first payment received, there shall be deducted Forty Dollars ($40.00) for each . . . ($125.00) paid; from the next eleven payments . . . there shall be deducted ($8.00) for each $25.00 paid; from each succeeding payment . . . (25c) for each $25.00 paid." In addition to these amounts there are deductions for special service fees for the Custodian, and for stamp taxes.

Sales Load of 32%

On a $2,500 plan, then, these deductions would be made from the first 12 payments (one of $125 and 11 more of $25 each): as sales load, $128; as custodian service fees, $1.55; for Federal issuance tax, $2.75. Thus, if an investor was forced, through emergency conditions, to terminate his plan at the end of one year, he would have paid directly $128 out of $400, or 32%, as a sales load. If such investor was forced to terminate his plan at the end of two years, he would have paid, aside from service fees mentioned above, the sum of $131 out of $700 total payments, or a sales load of 18.71%. Even though deductions for sales load are only 1% after the twelfth payment, the investor must have continued his plan for more than four years before the effective load which he is paying is under the 9% maximum limit permitted under Q-3, paragraph 20, of the Ohio Securities Act.

Now, in any plan involving an investment period of as long as eight years, cycles of change in income status and other emergency conditions are bound to result in many lapses and early terminations. This division has no objection to the plan of periodic purchase wherein each purchase is a complete contract, the regular selling load being deducted from each payment. The investor in such a plan is in no sense of the term "locked into" the plan of the company. But in the plan which is the subject matter of this application, the investor must be locked in in this manner, to wit: if he is to avoid paying a load substantially in excess of the legal limit, he must not terminate his contract within a period of less than four years. The division must regard such a condition as an effective discrimination against one class of shareholders.

Prospectus Notes Penalty

The prospectus of the Fund gives publicity to the penalty aspects of the plan thus: "The plan should not be started by a person who does not contemplate carrying out the program in full . . . Experience has shown, however, that persons who must purchase investment trust shares on a $25 per month basis need at least equal, if not indeed more, protection against termination penalties than direct purchasers of such shares."

After careful examination of the application and the data and information contained in the exhibits supporting the same, and all other available information, this division is unable to find the offering of shares. The Fund, in compliance with the spirit and letter of Regulation Q-3, paragraphs 20 and 21 of the Ohio Securities Act. The division must, therefore, refuse subject application.

Respectfully submitted,
WILLIAM I. JOHNSTON,
Assistant Chief.

* * *

Text of Morgan Statement Relative to Voting of Montgomery Ward Proxies

Following is the full text of a statement by Walter L. Morgan, President of Wellington Fund, concerning the fund's refusal to vote its proxies at Montgomery Ward's annual meeting, April 28.

As president of Wellington Fund, I have received many inquiries in recent weeks as to how Wellington Fund intends to vote its 8,000 shares of Montgomery Ward stock at the latter company's annual meeting on Friday, April 28, 1950.

Last year Wellington Fund voted its proxy exclusively for the re-election of one Montgomery Ward director—Mr. Donald Crawford. We did this because we could not endorse the policies of Mr. Sewell Avery as Chairman of Montgomery Ward and because Mr. Crawford had indicated confidence that Mr. Avery would proceed promptly to buttress the executive staff of the Montgomery Ward Company. This has not been done.

This year we again must refuse an endorsement of the policies of Mr. Avery. Therefore, to show our disapproval of these policies and as a further protest against these policies we will not vote our shares at all at the forthcoming annual meeting of the Montgomery Ward stockholders.

We take this position because we have a definite responsibility to our shareholders in situations of this kind. Wellington Fund shareholders number 44,000 and are scattered throughout the 48 states and several foreign countries. They have a definite interest in the policies of Montgomery Ward as it affects their investment, and it is our task to protect, represent and speak for this interest, when necessary. And when it is necessary to speak, we speak as investment managers with no desire to participate in industrial management.

We would dodge our responsibility by simply not voting our shares of Montgomery Ward and at the same time remaining silent. Such a course would nullify the very position we have taken in this situation. Moreover, we have a public responsibility to make our views known.

Another alternative open to us would be to sell our shares of Montgomery Ward. But such action would be against the interest of our shareholders at this time because we believe the market value of the Montgomery Ward shares has been depressed by Mr. Avery's policies. One indication of this is the fact that the stock is selling at 54-55, even though the published net working capital per share on Jan. 31, 1950, was $64.80 a share and the earnings for the fiscal year then ended were $7.13 per share.

It is disturbing that under Mr. Avery's policies Montgomery Ward continues to show an unfavorable trend of sales and profits as compared with Sears Roebuck. In recent years the gain in sales of Montgomery Ward has been much less than the gain in Sears' sales. This is understandable in view of the non-expansionist postwar policies at Montgomery Ward. But when sales were declining in 1949 and Mr. Avery's depression policy should have paid off, Ward's sales declined more than the sales of Sears.

It is disturbing also that Mr. Avery continues to show inability to get along with his top executives. In 1948, Montgomery Ward lost at least 10 of its top executives. During the past year, there has been additional evidence of this condition. A director—Mr. Donald McLenna, an insurance executive—has declined to stand for re-election. Also a top Vice-President, Mr. Morris Ginsburg, was let out by Montgomery Ward at the close of last year.

Such a condition creates serious weakness in the Montgomery Ward situation. A change in the company policies or the resignation of Mr. Avery could eliminate these adverse factors.

With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — J. Pierce Gannon, Jr., has become affiliated with Harris, Upham & Co., 523 West Sixth Street. He was previously with Dean Witter & Co.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Carl E. Carlson and Oscar Pascarella have been added to the staff of First California Co., 300 Montgomery Street.

With Wagenseller & Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William F. Phillips is with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Lester & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert J. Natol has been added to the staff of Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Crawford McL. Sites has joined the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

Joins Stephenson Firm

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — William G. Johnson, Jr., is with Stephenson, Leydecker & Co., 1404 Franklin Street.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Donald C. Holmes is with Cantor, Fitzgerald & Co., Russ Building.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—John B. Hull has been added to the staff of Hamilton Management Corp., Boston Building.

President's Economic Advisers Report Strong Upswing in All Lines of Business

First quarter's boom is said to include practically every index, the only trouble spot being unemployment.

The year 1950 has started with an upswing effective in practically every segment of the nation's economy, according to the latest


Leon H. Keyserling   John D. Clark

report given to the Congress by the President's Council of Economic Advisers. Confirming details of the first quarter's activity are spelled out in the April 1950 instalment of the Council's "Economic Indicators," which it now makes available to the Joint Committee on the Economic Report, to the Congress as a whole, and to the general public.

The Council states that industrial output recovered more than the ground which had been lost because of the coal strike; and that national income advanced in contrast to its decline during every quarter in the calendar year 1949. Homebuilding likewise scored good gains in the year's first quarter.

Consumers' spendable income (earnings after taxes) is shown to have scored a sharp advance this year; this being attributed mainly to dividend payments to veterans from the National Service Life Insurance Fund. The exhibition of prudence by veterans in spending their insurance dividend checks is evidenced by a very high level of consumer savings.

Unemployment a Dark Spot

An important negative slant is given to the situation by Acting Chairman Leon Keyserling's observations on the employment situation.

In line with some of his previous statements, Mr. Keyserling warned unemployment is one of the chief results of static business conditions. He stated that if the economy had remained static since 1948, there would have been 12,000,000 unemployed at this time.

While not critical, he regarded the increasing unemployment as an undesirable trend. New additions to the labor force approximate 700,000 annually and there is an additional trend toward unemployment resulting from the increased productivity of industry.

Mr. Keyserling warned, however, that business, despite the favorable outlook, must plan for an expanding and not a static economy. He contended that government has the responsibility of mapping and executing a vigorous program not merely geared to the present but for the long-term trend of the economy as a whole.

The report noted a drop of 551,000 in the number of job seekers, but called the improvement "seasonal."

Corporate Profits and the Stock Market

The Advisers also noted the strong stock market during the month of March, saying that most stock prices were higher than at any time since 1946. Corporate profits were called healthy, running at an annual rate of $30,500,000,000, this constituting a billion-dollar improvement over any quarter of last year.

The data in the adjoining columns has been extracted from the Council's "Economic Indicators."

GROSS NATIONAL PRODUCT

Gross national product—the market value of the nation's output of goods and services—in first quarter of 1950 was about 1% above fourth quarter of 1949, according to preliminary data. Personal consumption expenditures and gross private domestic investment accounted for most of the increase.

(Billions of Dollars)

Period—	Total Gross National Product	Personal Consumption Expenditures	Gross Private Domestic Investment	Net Foreign Investment	Government Purchases of Goods and Services
1939	1.3	67.5	9.9	0.9	13.1
1944	213.7	111.6	7.7	—2.1	96.5
1946	212.6	147.8	29.5	4.7	[illegible]
1947	235.7	166.9	31.1	8.9	28.8
1948	262.4	178.8	45.0	1.9	[illegible]
1949	257.4	179.4	34.7	0	43.4
Annual Rates, Seasonally Adjusted—					
1948: Third quarter	266.5	180.3	47.1	—0.1	39.2
Fourth quarter	270.3	180.9	48.0	1.0	40.3
1949: First quarter	262.0	178.7	40.0	1.0	42.3
Second quarter	257.9	179.3	33.2	1.2	44.2
Third quarter	254.6	179.7	32.1	—.3	43.2
Fourth quarter	255.2	179.8	33.7	—2.0	43.7
1950: First quarter	258.0	181.0	35.0	—2.0	44.0

CONSUMER INCOME, SPENDING, AND SAVING

Payment of the special insurance dividend to veterans during 1st quarter in 1950 distorted disposable personal income. It accounted for most of the increase of $9 billion (annual rate). Expenditures increased by only $1 billion, indicating that the insurance dividend was being spent slowly. Consumer saving was temporarily high.

[Billions of dollars]

Period—	Disposable Personal Income	Less: Personal Consumption Expenditures	Equals: Personal Saving
1939	70.2	67.5	2.7
1940	75.7	72.1	3.7
1941	92.0	82.3	9.8
1942	116.2	90.8	25.4
1943	131.6	101.6	30.0
1944	147.0	111.6	35.4
1945	151.1	123.1	28.0
1946	158.1	147.8	10.3
1947	172.0	166.9	5.1
1948	190.8	178.8	12.0
1949	191.2	179.4	11.8
	—Annual rates, seasonally adjusted—		
1948: Third quarter	195.2	180.3	15.0
Fourth quarter	196.2	180.9	15.3
1949: First quarter	193.4	178.7	14.8
Second quarter	191.4	179.3	12.1
Third quarter	189.5	179.7	9.8
Fourth quarter	190.7	179.8	10.8
1950: First quarter	199.6	181.0	18.6

EMPLOYMENT

Unemployment in March declined by more than 550,000. Agricultural employment increased seasonally by about 450,000. Employment in nonagricultural industries also increased seasonally.

Thousands of Persons 14 Years of Age and Over

Period—	Total Labor Force, Including Armed Forces	Civilian Employment In Non-Agricultural Industries	Civilian Employment In Agriculture	Armed Forces	Unemployment
1939 monthly average	55,600	36,140	9,610	370	9,480
1944 monthly average	65,890	45,010	8,950	11,260	670
1947 monthly average	61,608	49,761	8,266	1,440	2,142
1948 monthly average	62,743	51,405	7,973	1,307	2,064
1949 monthly average	62,571	50,684	8,026	1,466	3,395
1949: February	61,836	50,174	6,993	1,508	3,221
March	62,305	50,254	7,393	1,491	2,167
April	62,327	49,999	7,820	1,492	3,016
May	63,452	49,720	8,974	1,469	3,289
June	64,866	49,924	9,696	1,468	3,778
July	65,278	50,073	9,647	1,463	4,095
August	65,105	51,441	8,507	1,468	3,689
September	64,222	51,254	8,158	1,459	3,351
October	64,021	51,290	7,710	1,445	3,576
November	64,363	51,640	7,878	1,436	3,409
December	62,475	51,783	6,773	1,430	3,489
1950: January	62,835	50,749	6,198	1,408	4,480
February	63,003	50,730	6,223	1,366	4,684
March	63,021	50,877	6,675	1,346	4,123

Bishop & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C. — Bishop & Company, Inc. has been formed with offices at 240 Southwest Broad Street, to engage in a securities business. Officers are Julian T. Bishop, President; John Beasley, Vice-President; and Richard L. Sugg, Secretary-Treasurer.

Johnson-Tillman Inv.

LAKE WALES, FLA.—Johnson-Tillman Investments has been formed with offices at Orange & Market Streets, to engage in a securities business. Partners are Robert L. Johnson and Rollie Tillman.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C. — Joseph F. Jones has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, R. J. Reynolds Building.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—William G. Locke Jr. and Allen Morrow have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Allan T. Preyer, Jr. has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 107 West Gaston Street.

With Continental Securities

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Howard J. Nelson, Jr. is now associated with Continental Securities Co., Inc. of Grand Rapids.

Joins G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Edwin Healey is with G. H. Walker & Co., 503 Locust Street, member of the New York Stock Exchange.

LETTER TO THE EDITOR:

Heilperin Defends His Critique of ITO

International Chamber of Commerce representative at Havana Conference defends his criticism of ITO Charter against Mr. Batt's attack.

Editor, The Commercial and Financial Chronicle:

Mr. William L. Batt's letter published in your issue of March 30 takes me to task for having adopted too theoretical an approach to the ITO Charter, failing to acknowledge thereby its practical value.

Michael A. Heilperin

Mr. Batt and I have crossed dialectic swords upon previous occasions; this time the main issue seems to run in terms of what is theory and what is practice, a subject on which Mr. Batt's views seem to be greatly at variance with my own.

I oppose the ITO Charter because it sets up the wrong kind of world trading system, namely, one in which quantitative restrictions and direct governmental planning are **in practice** the rule and not the exception. I have pointed out in my paper to which Mr. Batt takes exception that the "exceptions" under the ITO Charter represent the **real** rules of the new system, whereas the so-called rules are mere lip service to rules to which nobody is supposed to adhere in practice.

I have suggested that the Charter should be rejected because it forces the United States to accept discrimination while granting Most-Favored-Nation treatment; this is hardly a theoretical consideration. The Charter commits the United States Government to adopt full employment planning at home; this, too, is hardly theoretical, since it would involve very practical legislative and administrative measures, all of them going counter to the free enterprise principles. Nor is it a piece of theorizing when I point out that within the ITO the United States and countries of like mind would be condemned to a permanent minority position on account of the one-vote-per-country voting procedure.

A Canadian's Appraisal

I don't want to engage in a "war of quotations" with Mr. Batt, but I should like to submit the following appraisal of the Charter appearing in a volume entitled "Canada's Economy in a Changing World," edited by J. Douglas Gibson of the Bank of Nova Scotia, and issued in 1948 under the auspices of the Canadian Institute of International Affairs. The view quoted here is expressed by Professor H. F. Angus, Director of the Graduate School and Head of the Department of Economics at the University of British Columbia:

"As long as Canada's balance-of-payments difficulties continue, Canada can avail herself of the exceptions in the Charter and take almost any steps which can be shown to be reasonably necessary, without incurring any danger of retaliation by other members of the International Trade Organization. *This immunity from retaliation is very important. It makes it possible for Canada to enjoy tariff concessions made by the United States and at the same time to impose severe restrictions on imports from the United States.* The price of this immunity is a strict interpretation of Canada's obligations and a scrupulous observance of them."

Discrimination vs. the U. S.

The two sentences which I have italicized in the above quotation represents a very widespread among the defenders of the Charter outside of the United States. Indeed, it is my considered opinion that the main reason why many countries would like the Charter to be adopted is that it forces the United States to accept discrimination while foregoing its right to retaliate. This is also why other countries are awaiting U. S. ratification of the Charter before ratifying it themselves—and why the U. S. should instead reject it.

In my address, with which Mr. Batt takes issue, I devoted a few lines to setting out what the Charter of a "good" ITO would contain. I did that merely to remind myself and my audience of what the United States had set out originally to accomplish and how far we have travelled from it in the course of the long negotiations. I then went on to say that a good charter would find practically no adherents in the world today. Mr. Batt makes the undoubtedly correct comment that "one cannot but wonder what use an international trade charter would be — however 'right' or sound it were theoretically—if it had no adherents." He goes on to suggest that "Mr. Heilperin's theoretical world is, apparently, devoid of political problems, . . ." It is just because I am **not** living in a theoretical dream world but in the world of practical realities that my conclusion is opposed to the establishment of an International Trade Organization. An organization based on a good charter is impossible of achievement and one based on a bad charter would be positively harmful both to the United States and to the future of international economic relations. Hence we must have no ITO at this time. If Mr. Batt calls this a theoretical approach he is endowing that word with a novel and challenging meaning which has escaped so far the attention of lexicographers.

We in the United States would do well to stop running after universalist rainbows and come down to brass tacks in negotiating meaningful and comprehensive economic agreements with countries of like mind, the number of which will grow as the course of economic reconstruction has been further advanced. I have outlined in detail such a selective or "nuclear" approach to the revival of multilateral trade in an article published by "Fortune" last February.

MICHAEL A. HEILPERIN

New York City
April 10, 1950.

Joins Amott, Baker

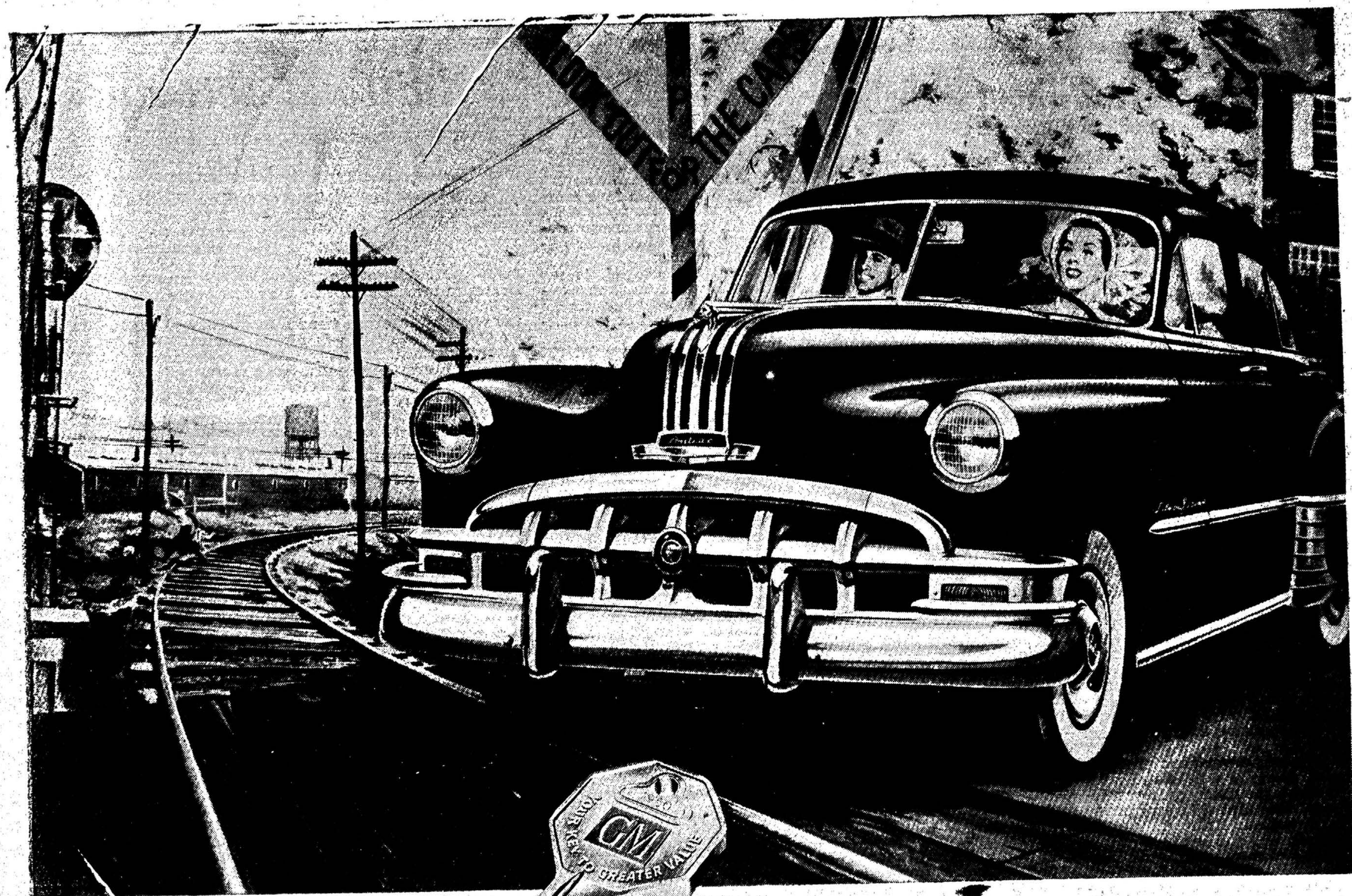
(Special to THE FINANCIAL CHRONICLE)

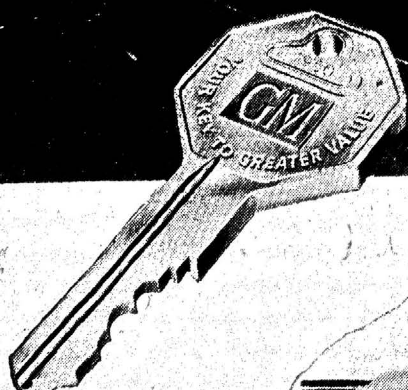
BOSTON, MASS. — James J. Regan has been added to the staff of Amott, Baker & Co., Inc., 10 Post Office Square.

With P. de Rensis

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Biagio Augusta is with P. de Rensis & Co., 10 State Street.





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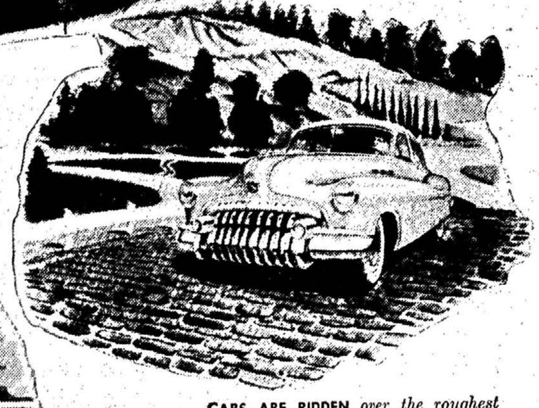
You'll see the result of their efforts, as well as those of productior experts, by trying out a General Motors car for yourself. Any dealer in GM cars will be glad to give you a demonstration to prove that he has the key to this important phase of greater car value.



CARS ARE RIDDEN *over the roughest roads at the GM Proving Ground to see how well their springs and riding assemblies soak up jars and jolts.*

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We Can Make Social Progress Without Socialism

By DONALD R. RICHBERG*

Mr. Richberg, citing the Railway Labor Act as example, urges labor and management, on nationwide scale, to agree upon a labor relations law that would preserve individual freedom and avoid government monopolistic control. Warns current "socializing" trends may mean loss of individual liberty, while quest for economic security may result in benevolent tyranny and destruction of economic freedom. Calls for voluntary cooperation among business and labor groups.

From 1920 to 1925 a bitter conflict raged on a majority of American railroads between management and labor organizations. In this period occurred the only long national strike of railroad employees — the Shopmen's strike of 1922. But, in 1926, organized railway labor and the presidents of a large majority of the railroads agreed upon the draft of the Railway Labor Act and asked the Congress to enact it in order to establish and preserve industrial peace and justice in the operation of the American railroads.

Donald R. Richberg

This joint adventure of management and labor was, and remains, unique in the history of labor relations. President Atterbury of the Pennsylvania Railroad testified with pride, and some astonishment, before the Senate committee that it was the first time he had ever appeared before a committee of Congress in agreement with representatives of his employees. No such agreement upon legislation, between the major executives and labor organizations of an entire industry, was ever obtained before or since 1926.

As the original draftsman of the Railway Labor Act, and co-author of the agreed draft, and as chief counsel for the labor organizations for many years prior to and after 1926, of course I am proud of what was accomplished. But, despite this bias, I think that I am qualified to testify as to why, for once in history, nationwide management and labor could agree upon a labor relations law — and for 20 years or more after the enactment of the law could use it as the means of maintaining peaceful relations which have no parallel, to my knowledge, in the annals of this or any other nation.

It is surprising now to recall that after the first World War one of the largest, most important industries in the United States stood at the crossroads, where the road sign on the right pointed to a return to private operation and the road sign on the left pointed to public operation of the railroads. Most of you will remember or will have read about the Plumb Plan, through which railway labor was advocating that the railroads should not be simply released from wartime controls, but should be taken over by government and operated under the tripartite control of representatives of government, management and labor.

It is even more surprising now to recall that this Plan was sincerely advocated as an advance in "industrial democracy," and that its essential menace as a long step toward national socialism was not understood, either by labor leaders (with the notable exception of Samuel Gompers) or by the rank and file of labor. Indeed many liberals of that era were just as blind as many are today to the fact that socializing one large segment of industry by political controls increases the demands and pressures to socialize all industry.

In a recent majority opinion of the Supreme Court the author, a notably learned New Dealer, observed somewhat sadly: "It is a commonplace that reforms may bring in their train new difficulties." But with an obvious sigh of relief, he observed: "This Court is not a tribunal for relief from the crudities and inequities of complicated, experimental economic legislation."

Liberalism and Loss of Individual Liberty

In the 1920s reforming liberals did not appreciate the difficulties created by legal remedies for economic injustice, nor realize, as they should today, that the vast reforming projects urged by zealous idealists could not be operated by government without using compulsory powers that would destroy the individual liberties which are the most valuable heritage of the American people. In a word, we did not see clearly that we must choose between the inevitable hardships and frequent inequities suffered by a free people in a free economy, and the dubious promises of less hardship and greater security under the benevolent tyranny of a national socialist government.

But, fortunately, the people as a whole were "reactionary" in 1920. They were reacting against the political tyrannies that are inevitable in a time of war. They were determined to regain the individual liberties of the prewar era. So the railroads were returned to private management, and very shortly the distressing conflicts of interest between management and labor persuaded both parties that new methods of voluntary cooperation must be devised to support their common interest in the efficient operation of a common enterprise.

In this mood management and labor were able to work out a program of seeking through negotiation and contract to settle the terms of their cooperation and to give to government only the authority to intervene and to recommend mutual concessions when growing controversies threatened injury, not only to conflicting private interests, but also to the public interest which the common enterprise was under moral and legal obligations to serve.

The simplicity and apparent lack of compulsion in the proposed Railway Labor Act aroused the opposition both of those who would have relied on government force to solve all economic problems and of those who believed that the absolute authority of the managers of private business to dictate terms and conditions of employment must be preserved. The one group of opponents denounced the proposed law as a "milk and water" remedy which would be utterly ineffective. The other group denounced it as destructive of the authority of private management. But, in the end the Congress approved the Act with only 13 negative votes in the Senate and in the House.

Thus was made possible an epoch-making, and, I may say, an extraordinarily successful, experiment in finding the way to meet the labor relations problems of modern industry, without clinging to an arbitrary exercise of managerial authority, or leaping blindly into the alternative exercise of political authority to make men work together under government orders instead of under voluntary agreements.

It would be indiscreet, to say the least, in addressing this audience, to praise extravagantly the operation and results of the Railway Labor Act.

But, I do venture to point out that no other procedure for adjusting the relations of employer and employee in a major industry has as yet been devised which has produced the peaceful cooperation that was generated for 20 years by the Railway Labor Act.

It is regrettable that in recent years the virtues of this Act—and the generally satisfactory relations of railway management and labor—have been obscured by a few conspicuous examples of failure to cooperate and of stubborn insistence upon self-interest. The good results of the Act have also been obscured by increasing disparagement of it, sometimes in the railroad industry, but more frequently by outside advocates of tyrannical uses of economic or political power.

Railway Labor Act vs. National Socialism

For this reason it may be helpful to clear thinking, in a time of great confusion in political-economic policies, to direct attention to the Railway Labor Act as a good example of the way in which a people who enjoy the blessings of liberty **can** make social progress without resorting to the reactionary doctrines of political tyranny which are preached by the advocates of national socialism.

Despite every criticism of the Act which has any merit, despite the most pessimistic appraisal of results, two judgments will be reached by any well-informed student of this law. First, railway labor, management and investors have all fared better under this law, and public service has been rendered on a higher level, than under any other comparable law governing labor relations in this or any other nation. Second, this law has demonstrated that labor relations **can** be regulated by voluntary agreements, without the use of either private or public force and violence, and without the interruption of service by pitched battles between management and labor. What has been done for 20 years **could** be done for 20 more. If there is a **will** for peace here is a **way** to maintain peace.

It is not my purpose today, however, to urge railroad men simply to preserve and to improve, for their own good, the methods they have developed for solving the problems of labor-management cooperation. I would also urge you as good citizens to use your experience as the basis for a great public service. First, for purely selfish benefit, you can steadfastly maintain the liberties of private enterprise in the industry in which you have invested your lives. Of course it is a regulated industry, regulated to the point where the harassed manager or worker may often cry out in anguish: "If the government is going to run this business, why not take it over and accept full responsibility?"

But even those tattered garments of liberty to which you cling cover a happier man than is ever found in the regimentals of government employment. And so, as citizens you have every reason to join workers and managers of other private enterprises in oppos-

Continued on page 30

*An address by Mr. Richberg at Dinner Meeting of the Norfolk & Western Annual Better Service Conference, Roanoke, Va., April 14, 1950. Mr. Richberg is a member of the law firm of Davies, Richberg, Beebe, Busick & Richardson, Washington, D. C.

Railroad Securities

Western Pacific

Quietly, without publicity or fanfare, Western Pacific stock has been giving a particularly good account of itself in recent weeks. It has been establishing consistent new highs on moderate volume, appreciably above the 1949 peak and up more than 70% from the low established last year. The obvious improvement in public sentiment toward this equity may presumably be traced largely to the sharp turn for the better in operating performance in the past six months or so, the confidence (believed fully justified) that this favorable trend will be continued. Even with recent strength, the stock affords a yield of around 8.7% on the $3.00 regular dividend and many railroad analysts feel that the stock still has substantial potentialities for further price enhancement.

When Western Pacific emerged from bankruptcy a few years ago, it was one of the most popular stocks in the railroad group and one of the most strongly recommended by railroad bulls. There were, and still are, many elements of fundamental strength in the picture. During the trusteeship large sums had been spent on property rehabilitation. The road enjoyed an unusually long average haul in relation to its overall mileage. Density was heavy in comparison with most of the western roads. Substantial traffic benefits were expected from the connection in northern California with Great Northern, and from improvement in the road's competitive status in the transcontinental field. There had been considerable industrial expansion and population growth in the area directly served by Western Pacific and in contiguous territories.

As a final consideration, the road had gone through a quite drastic reorganization. Additionally, having emerged from reorganization in a strong financial position, the management had been able to make further substantial inroads into the debt structure through retirement of income bonds, partly through call for redemption and partly through conversion into common stock. With all of this favorable background the road just failed to click. Earnings on the common stock fell from a peak of $23.14 a share in 1943, before sinking and other reserve funds, to $3.86 in 1946.

This was not in itself too discouraging as many roads were very hard hit in the first postwar year of readjustment. However, after recovering only modestly to $4.14 a share in 1947, earnings again faded to $3.59 in 1948, hardly an adequate protection for a $3.00 dividend. These figures are all after allowing for the participation feature of the preferred stock. The $5.00 preferred participates equally, share for share, with the common after the latter has received $3.00 a share in dividends in any year. On the same participating basis the earnings on the common last year recovered to $4.34. Without allowing for the participating feature of the preferred, common share earnings in 1949 would have been $5.38.

The earnings rebound last year was, in itself, encouraging. Even more pertinent to railroad analyst, however, was the highly favorable trend of transportation costs toward the end of the year. Apparently changed managerial policies were becoming effective, and the potentialities of this rail property were finally beginning to be realized. In each month of the final 1949 quarter the reduction in the transportation ratio from year-earlier levels became progressively wider.

This favorable trend of the all-important transportation costs has continued at a rapid pace in the current year. For the first two months the transportation ratio was more than 10 points below the like 1949 interim. With other operating costs also under control the road reported net income, before sinking and other reserve funds, of $457,170 contrasted with a $623,757 deficit in the first two 1949 months. The year-to-year improvement of $1,080,927 in net results in the two months is equivalent to $2.65 a share of common stock, before preferred stock participation.

Obviously this recent phenomenal rate of improvement will not continue—to some extent it reflected the severe 1949 winter weather. Nevertheless, some further betterment does appear to be in definite prospect and there is little question but that the full year's results will be well above those for 1949. These earnings afford adequate protection for the $3.00 annual dividend but no increase in the rate is in prospect due to the participating feature of the preferred.

Paul Hackbert With Shields in Chicago

CHICAGO, ILL.—Shields & Co. have announced the appointment of Paul L. Hackbert as manager of the municipal department in the company's Chicago office, 135 South La Salle Street.

Before joining Shields, Mr. Hackbert had been associated with Goldman, Sachs & Co. in the municipal bond department since 1936, and except for a period of army service from 1942-45 had been identified with the LaSalle Street financial community since 1933.

Wm. E. Pollock Co. Adds to N. Y. Staff

Wm. E. Pollock & Co. Inc., 20 Pine Street, New York City, has added M. Chester Harris to the sales department.

Henry Low Joins Bruns, Nordeman

Bruns, Nordeman & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, announce that Henry J. Low has become associated with the firm in its downtown office. Mr. Low was formerly associated with A. L. Stamm & Co.

Bramhall, Barbour & Co. Announce Appointments

Bramhall, Barbour & Co., Inc., 25 Broad Street, New York City, announce the appointments of George W. Bramhall as Vice-President and Dennis P. Costello as Secretary.

Evans-Vance, Inc. Formed

Evans-Vance, Inc. is engaging in a securities business from offices at 37 East 67th Street, New York City.

Britain's Increasing Gold Reserve

By PAUL EINZIG

Dr. Einzig warns against taking unduly rosy view of announced increase in Britain's gold reserve. Asserts dollar gap problem has not been solved; improvement resulted from non-recurrent devaluation effects; German and Japanese competition and difficulties of exporting to hard currency countries will increase; and stated dollar holdings do not allow for Britain's short-term dollar liabilities.

LONDON, ENG.—It was generally understood during the last few weeks that when the figures concerning changes in the British gold reserve during the first quarter of 1950 are announced they would show a satisfactory increase. Even so, the extent of the increase came as a pleasant surprise. During the first three months of this year the gold reserve increased by $296,000,000 to $1,984,000,000, which is only slightly lower than it was two years ago, before the European Recovery Program was put into operation. Coming as it does after a substantial increase during the last quarter of 1949, this addition has materially strengthened Britain's gold position. Even if it would be unwarranted optimism to expect the increase to continue at the present rate—indeed it would not be surprising if it came to a halt altogether in the near future—there can be no doubt that, assuming that Marshall aid will continue according to plan, the menace of a gold crisis is no longer imminent. Until recently many people in Britain and abroad were engaged in making calculations to ascertain the date when Britain is likely to spend her last dollar. Now that date has been indefinitely postponed, and with it the crisis that has for years been looming largely in the imagination of pessimists.

Dr. Paul Einzig

Undue Optimism

Having said this, it is necessary to warn against taking an unduly rosy view as a result of the favorable gold figures. It is well to bear in mind the following considerations:

(1) The problem of the dollar gap has not been solved. But for Marshall aid the dollar drain would have continued during the last quarter of 1949, and the dollar gain during the first quarter of this year would only have been $40,000,000. If Marshall aid had been discontinued after the devaluation of sterling the British gold reserve would only be very slightly above the low level touched just before devaluation. If Marshall aid were to stop now the dollar drain would be resumed on a large scale.

(2) There is good reason to believe that the improvement has been mainly due to non-recurrent effects of the devaluation. Sir Stafford Cripps, in estimating that effect at 50% for the last quarter of 1949 and at considerably lower for the first quarter of 1951 was probably unduly optimistic.

(3) The gold gain during the past six months has been almost entirely due to the increase of exports from the sterling area countries other than Britain. Although volume of British exports to the dollar area increased, the dollar proceeds remained more or less unchanged. It is true, British imports from the dollar area have become reduced, and the British adverse balance in relation to countries such as Belgium or Switzerland has been eliminated. Even so, the extent to which Britain has contributed towards the reversal of the trend was a mere fraction of the contribution of the sterling area.

(4) It is necessary to envisage increased German and Japanese competition and a general increase of difficulties to export to hard currency countries.

(5) The amount of $1,984,000,000 does not allow for Britain's short-term dollar liabilities such as its advance from the International Monetary Fund, the Canadian credit and the South African gold credit. It is a pity that the government did not use part of the influx of gold for the repayment of some of these liabilities which will have to be met some time. As it is, the figure of the gold reserve presents an unduly optimistic picture.

Ground for Guarded Optimism

Nevertheless, it must be admitted that there is some ground for guarded optimism. The increase of the gold reserve, in spite of all qualifying circumstances, should go a long way towards disposing of talk about the possibility of a devaluation of sterling. No currency has ever been devalued while a gold influx of such magnitude continued. Owing to the increase of the gold reserve there is justification for looking on sterling with more confidence. It would be a pity, however, if the way in which the increase has been presented should give rise to unjustified optimism in the United States, as a result of which Congress might feel inclined to curtail Marshall aid to Britain, or the Administration might increase pressure on London in favor of British participation in a European scheme the operation of which would result in heavy gold losses. Although Britain is undoubtedly much better off than she was six months ago, she remains exposed to a renewed gold drain in case of changes in the situation for a variety of reasons.

Moreover, it is to the interest of European stability that Britain should remain in possession of a strong gold reserve. It would be a grave mistake to adopt policies as a result of which the British gold reserve would decline once more below danger point. The target should be the maintenance of the reserve above $2,000,000,000.

Aro Equipment Shows Products to Wall St.

Main Street, U. S. A., moved into Wall Street to give the financial community a close-up two-day showing of how the other half of the American enterprise system does its job.

Opening what he terms a "one-company product exposition" on the main banking floor at 37 Wall Street, Ralph W. Morrison, Vice-President of The Aro Equipment Corp. of Bryan, Ohio told an invited group of writers and other guests that he and his associates had thought this would be a "good way for industry and finance to get closer together in the interests of our country's economic progress. The better we know each other," he declared, "the stronger economically this nation, in which we are all shareholders, will become."

Aro manufactures lubricating equipment, grease fittings, pneumatic tools, hydraulic pumps and a variety of aircraft operational equipment, many of which have been set up in their actual forms at the "exposition" with crews to demonstrate them in action.

"Bryan, Ohio, is a typical American home town," Mr. Morrison explained. "Our corporation is important to Bryan, just as the products we make are important to a thousand other towns, all very much like our own. The population of Bryan is about 7,500 and approximately 2,500 of these independent, prosperous people are dependent on our plant for their livelihood. Most of them have been with us a long time—from five to 20 years. Quite a goodly number of Bryan people, including our employees, own shares in Aro, expressing their confidence in home town industry as the keystone of our free democracy.

"We brought this miniature industrial exposition to New York to show how the skills of our people, in a little mid-western community, contribute to science, industry, transportation and the every-day well-being and enjoyment of millions of other people everywhere, and help to strengthen our own nation in a war-weakened world.

"You see, we—and a few thousand other groups exactly like us—are this country's private enterprise system. And it is a good and healthy thing for our big city cousins of Wall Street to know more and more about us."

The Aro show will continue through Thursday. Admission is by invitation only.

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, are retained by the Aro Equipment Corporation as consultants on Stockholders' Relations.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The "Spectator," Chestnut and 56th Streets, Philadelphia 39, Pa., is one of the oldest and best recognized authorities on insurance company operations in the country. The "Fire Index" for 1950, published by this organization has just recently been issued. It contains the financial figures on all the principal stock and mutual fire companies for the last several years and serves as a convenient source of information for pertinent insurance statistics and comparisons.

Some of the most interesting figures are those presented in the tables at the beginning of this eighty-second annual issue. Comparative aggregates for 1949 and 1948 are given for 370 stock fire and marine insurance companies. The figures, shown together with certain significant ratios, help to explain why 1949 was such a profitable period for the fire underwriters. The table is presented below:

Totals of 370 Stock Fire and Marine Insurance Companies

(Figures from the exhibits of casualty and surety companies shown in the Fire Index are not included in the aggregates of this table, but the aggregates do include the casualty, surety and associated lines business of the 370 stock fire and marine companies whose figures are combined to make these totals.)

	1949	1948
Total admitted assets, Dec. 31	$5,489,378,102	$4,728,161,225
Total liabilities, Dec. 31	3,069,153,205	2,756,100,829
Unearned premium reserves, Dec. 31	2,211,749,582	1,973,354,246
Surplus to policyholders, Dec. 31	2,420,224,897	1,972,060,396
Net premiums written	2,463,474,216	2,230,747,761
Premiums earned	2,236,810,749	2,017,493,283
Losses incurred including adjustment exps.	1,006,750,183	1,019,423,259
Underwriting expenses incurred	955,356,972	885,234,368
Statutory underwriting profit	274,703,594	112,835,656
Ratios—	%	%
Losses incurred to premiums earned	45.0	50.5
Expenses incurred to premiums earned	42.7	43.9
Underwriting profit to premiums earned	12.3	5.6
Expenses incurred to net premiums written	38.8	39.6

Premium writings reached a new high and showed a gain of 10% over the totals of 1948. Premiums earned were higher by a comparable amount and as losses and adjustment expenses were slightly lower than the year before, the small gain in underwriting expenses was more than offset. This resulted in a sharp improvement in underwriting margins which rose from 5.6% of earned premiums in 1948 to 12.3% in 1949. All ratios showed a favorable improvement.

Another of the exhibits presented in the "Spectator Fire Index 1950," which is of considerable interest is the one giving a breakdown of premium volume and losses of the 370 stock fire and marine insurance companies by lines. This table is also shown below:

Total Premiums and Losses by Lines of 370 Stock Fire and Marine Insurance Companies for 1949 and 1948

	1949			1948		
Line of Business—	Net Premiums Written $	Losses Paid (Excl. Adj. Exp.) $	Loss Ratio %	Net Premiums Written $	Losses Paid (Excl. Adj. Exp.) $	Loss Ratio %
Fire	1,100,766,054	424,893,166	38.6	1,063,533,766	466,441,193	43.9
Extended coverage	226,275,679	63,688,359	28.1	202,762,451	77,121,512	38.0
Tornado, windstorm, cyclone, hail (except grow. crops)	11,242,957	10,035,956	89.3	14,107,274	18,422,654	130.6
Sprinkler leakage	6,663,989	2,147,241	32.2	7,306,466	2,553,178	34.9
Riot, civil commotion and explosion	3,197,000	286,346	9.0	3,612,478	871,337	24.1
Earthquake	4,265,146	349,666	8.2	3,463,401	16,614	0.5
Hail (growing crops only)	36,101,694	16,206,639	44.9	35,369,323	15,927,045	45.0
Motor vehicle	645,171,724	208,954,663	32.4	509,152,563	195,154,285	38.5
Ocean marine (except war risk)	143,456,834	70,651,497	49.2	156,205,034	79,121,436	50.7
Inland marine	205,896,058	84,148,750	40.9	187,341,148	82,385,162	44.0
Aircraft	5,801,018	2,611,217	45.0	6,192,692	5,003,819	80.8
Ocean marine (war risk only)	2,046,623	309,565	15.1	4,423,029	1,685,978	38.1
*Miscellaneous	†23,842,375	†10,958,696	46.0	†23,361,528	†7,475,689	32.0
Grand aggregates	2,414,727,151	895,241,761	37.1	2,216,831,153	952,179,902	43.0
Increase in year	197,895,998	—56,938,141	—5.9	177,366,930	90,298,542	0.7

*Net premiums written and losses paid for both 1949 and 1948 are for miscellaneous fire and allied lines only, such as rain, water damage, excess, etc. Casualty, surety and associated lines written by the fire and marine companies whose business is reflected in this exhibit, have not been included.

†"Miscellaneous net premiums written" include $20,541,151 treaty reinsurance premiums of one company in 1949 and $20,043,544 in 1948 and "Miscellaneous losses paid" include $7,078,068 treaty reinsurance losses paid by same company in 1949 and $6,268,037 in 1948.

The loss ratios for practically all lines in 1949 were more favorable than the year before. This improvement, combined with the fact that for the first time in a number of years all principal lines were profitable, resulted in record underwriting earnings of fire insurance companies last year.

"The Goal We Seek!"

"In my opinion, men of little vision have lost sight of the most important truth of our times—that a government which has secured the greatest degree of welfare for its people is the government which stands most firmly against totalitarianism.

"The critics of the Welfare State do not understand this simple fact. They spend their time looking for Communists in and out of government and at the same time attack those measures which would deprive Communists and would-be Communists of their ammunition and of their audience.

* * *

"To my mind the Welfare State is simply a State in which people are free to develop their individual capacities, to receive just rewards for their talents and to engage in the pursuit of happiness, unburdened by fear of actual hunger, actual homelessness or by oppression by reason of race, creed or color.

"We are still far from the goal we seek. Insecurity still haunts millions. Inadequate housing poisons the well of family life in vast numbers of cases. Inadequate schooling handicaps a great segment of our people. The fear of sickness and old age still clutches at the hearts of many if not most of our fellow citizens. Until we solve all these problems and quiet all these fears, our people will not be truly free."—Senator Herbert H. Lehman.

"The Welfare State" and the millennium seem to be synonymous in the Senator's lexicon.

It is unlikely that "the goal we seek" will be reached by such strange economic nostrums as those advocated by the Senator or others of a like mind.

Three Eminent Navy and Atomic Energy Authorities Reassure Public on "H" Bomb

Admirals Chester W. Nimitz and William F. Halsey and Atomic Energy Commissioner Admiral Lewis L. Strauss speak on hydrogen bombs, peace and war.

Addressing eighty-five West Point Cadets present at a United Nations meeting last Friday, 65-year-old Fleet Admiral Chester W. Nimitz, delivered an "off the cuff" address in which he made some striking observations regarding the hydrogen bomb and war imminence.

Adm. C. W. Nimitz

In the course of his remarks, Admiral Nimitz said he did not believe that "the hydrogen bomb would be developed in his lifetime" and added a fervent hope that his prediction would turn out to be right. Continuing, the Admiral stated his belief that "the United States and Soviet Russia would not go to war," and that "this country must put its hope in three things—the United Nations, the Marshall Plan and its own defenses."

Present in the audience of Cadets and other distinguished guests, was Dr. Robert A. Millikan, Physicist and noted Nobel prize winner and head of the California Institute of Technology, who after congratulating Admiral Nimitz for his remarks turned to the reporters with this statement "That was the finest speech I have heard in my life."

Dr. Millikan expressed agreement with Admiral Nimitz regarding the poor chances for developing the hydrogen bomb and said that he "did not expect to live to see one manufactured because he did not believe that 'we on earth' would be able to reproduce the heats and pressures of the sun and the stars."

The audience jumped to its feet and cheered when the Fleet Admiral entered the room, and discovering 82 year old Dr. Robert A. Millikan in his audience, Admiral Nimitz looked in his direction when commenting on a recent statement by the country's foremost scientist that "we have not learned to 'trigger' the hydrogen bomb and I hope they do not learn to 'trigger' it but if anybody does I hope we do for I believe if we have weapons like that, it would prevent others from using theirs." Farther on in his address the Admiral declared "I do not think I will live to see the hydrogen bomb developed and I hope I do not." Admiral Nimitz then stated that "the United Nations at first had been 'over sold' and was now being 'under sold' when in fact it should be a cardinal factor in United States Foreign Policy."

Summing up his views in categorical fashion, Admiral Nimitz finished with these opinions:

China: The Communists did not have enough strength to mount an invasion that could take Formosa.

Spain: He could understand why the military wanted Spain on our side or benevolently neutral—"those Straits of Gibraltar."

War: "I don't think we will get into a war."

International Cooperation: "Every military man should realize there is more than one way of preserving peace."

Football: "I hope the Point has a good team this year."

Almost simultaneously with Admiral Nimitz's remarks, Admiral Lewis L. Strauss, retiring Atomic Energy Commissioner, speaking in Washington, also gave the world a reassuring statement on the hydrogen bomb. In a plain non-technical talk, Admiral Strauss declared that the "hydrogen bomb is not going to destroy all life on the planet."

Admiral Strauss deprecated what he called the "extreme statements" which some scientists and newspapers and radio commentators have made about the hydrogen bomb, and asserted that the statements that "the projected new weapons will blow up the earth or pollute its atmosphere are wrong." Emphasizing his viewpoint, Admiral Strauss said "The 'H' bomb is not going to blow a chunk off the earth the size of the moon."

Admiral Strauss, prudently would not say in so many words what progress this country is making on the "H" bomb or whether he believes the United States will make the "H" bomb before Russia does. Admiral Strauss retires after three and one-half years on the original Atomic Energy Commission which he said "is well launched and in good hands."

Answering the question, whether, as charged by Senator Hicklenlooper, that the Commission has been guilty of "incredible mismanagement," Admiral Strauss' answer was definitely "No" and although the Commission may have made some few mistakes, he added, it "should not adopt any pose of infallibility."

At the dedication ceremony of a seven-foot bronze plaque, memoralizing the 44 newspaper men who died in World War II, Admiral William F. Halsey, Jr., retired, gave his solution for winning the "Cold War" with Russia viz.: "Get the truth to the Russians, thus encouraging the Revolution which would be the inevitable result."

Admiral Halsey continued in this strain:

"Behind the Iron Curtain, there is a great and undoubtedly seething mass of humanity chafing under the yoke of enslavement. It is my belief that had these enslaved people the slightest hope of success they would throw off this yoke and join the great forces of democracy. It must be our steadfast purpose to do everything in our power to educate these downtrodden people so that they may free themselves.

"They are deprived of all news of the outside world except what their ruthless rulers see fit to let them have. The news that they do receive is a mass of propaganda, misstatement and lies. We must find a way to combat this vicious misrepresentation."

Admitting his inability to say how it could be done and addressing the newspaper men present, Admiral Halsey said:

"Gentlemen, that is your task and your problem." Urging the United States to keep itself prepared for a shooting war, the Admiral recommended a strong Navy built around carriers. He then added: "Baby aircraft carriers were efficient combatants of submarines but hunting submarines in the open sea was no way to defeat them." "You cannot win a war by fighting defensively and the only way to fight submarines was to carry the war to them—attack their bases. At the present moment, and in the foreseeable future the most efficient way to do this is by large carriers."

The famous Commander of the Third Fleet, who brought the Japanese to their knees, then paid a touching tribute to the 44 heroic newspaper men who lost their lives in combat, in the performance of their chosen tasks. "Their potent weapon," he said, "was their pad and pencil. Those of us who saw them at the fronts knew the dangers they encountered." The memorial dedication held at the Forest Lawn Memorial Park Cemetery and sponsored by the Greater Los Angeles Press Club, was attended by more than 1,000 persons including many of the relatives of the men from all parts of our country whose names adorn the Memorial plaque.

The Gold Standard and Its Meaning to Bankers

By JOSEPH STAGG LAWRENCE*
Vice-President, Empire Trust Company, New York

Pointing out recent trends in banking and credit are gradually making every banker a Treasury Department "stooge," and an accessory in deceiving the public regarding stability of dollar, Dr. Lawrence advises bankers: (1) to demand return of free open market for government securities; (2) to resist every effort by Federal Reserve to extend its powers, and (3) to take initiative in restoring honest currency.

Inflation for the American banker is a dangerous two-edged sword. In a narrow, technical, shortsighted sense it may avert some of the distress which in the past has always afflicted our economy after a great war. In a broader and more enduring sense deliberate depreciation of the currency for the purpose of avoiding postwar adjustments means the prostitution of true banking functions, the subordination of bank conduct to Treasury interests, and the ultimate loss of banking independence.


Jos. Stagg Lawrence

Inflation and the acquiescence of bankers in government inflationary procedures mean the subtle and gradual evaporation of depositors' equity in their dollar claims against the banks. This presents a moral problem for the banker. Inflation may mean the ultimate loss of that leadership which bankers have justly earned in the past by their courageous insistence upon honest money and prudent government finance.

Inflation offers an appeal, illusory and mischievous, to the layman, the demagogue, and the planner hell-bent on greater power for himself.

Every great war in the past has caused severe distortion in the economies of the belligerents. This is most clearly revealed in the action of prices. During the Napoleonic, the Civil, and the First World Wars wholesale prices rose approximately 150% above their prewar base. The pattern for all three of these wars is strikingly similar.

Postwar Price Behavior

The behaviour of prices during the Second World War and the postwar period has so far faithfully followed the pattern described by these three previous wars. If this pattern is completed with the same final adjustment to a prewar base, as was the case in our three previous experiences, it will call for a further sharp decline in prices of probably not less than 25% and possibly as much as 50%.

Such an adjustment, it must be conceded, would be not only distasteful but also dangerous. We do not know whether the American public possesses the social fortitude to sustain such a correction. That public has been led to believe, by self-annointed and self-defined "competent and responsible" planners, that a deflationary retreat to a prewar economic trend line can be avoided. These planners, securely ensconced in the Federal Reserve Board and the Federal Reserve Banks, claim the wisdom and integrity necessary for such a difficult task. All they want in return is the right to run our business. They themselves offer no hostage for performance and suggest no penalty for failure.

There is no denying that the physician who offers to avert the headache which, all human experience proves, must follow every spree, can find gullible patients. Deliberate budgetary deficits, a rising public debt, complete control of private credit—as demanded by Federal Reserve leaders—is the prescription. This therapy has never yet delivered the promised relief.

What Bankers Can Do

As far as bankers are concerned we may grant that chronic deficit financing and full control of the credit functions of banks may avoid a decline in deposits. If that be the sole test of success we can tell the government to pay its bills by selling us its bonds. We can get on our knees and tell the Federal Reserve authorities that they may control the credit we extend to private borrowers, the rates we charge, the reserves we maintain, and the character of our portfolios.

Knowing the price they must pay, it is to be doubted that the bankers of this country will capitulate to the blandishments of the planners.

What is the price of compensatory financing?

How can the bankers be compelled to pay any part of that price?

Bank Functions

In the first place continuous grasshopper financing by the government will change the essential functions of American banking. The essential historic functions of banking are twofold — to accept deposits and make loans. Thirty years ago the banks of the country had loans, made to private borrowers, which amounted to 75% of their deposits. No examiners from the Comptroller's Office, the Federal Reserve Banks, or state banking commissions considered this ratio too high. At that time holdings of U. S. securities comprised only 11% of total deposits.

Today loans amount to 34% of deposits. Because they have increased from 21% at the end of 1945, regulatory officials, particularly those representing Federal agencies, profess to be alarmed. Holdings of government securities today amount to 53% of deposits. I know of no bank which has been criticized by a bank examiner for having too many government bonds in its portfolio. It must be presumed from this reaction of our visitorial friends that the ultimate in bank virtue is reached when all the assets of a bank consist of Uncle Sam's I O U's.

Position of Banks in Deficit Financing

There can be little doubt that the whole purport of this pressure, together with the persistent demand of the Federal Reserve authorities for added credit controls, is to convert the privately owned banks of this country into supine depositories of government paper. It is obvious that, if they succeed, our banks will become passive instruments in the promotion of continuous, chronic deficit financing. To accept such a role will postpone the day when the government is subject to the same penalties for violating the canons of sound financing as the individual or the corporation which persistently lives beyond its means.

Australia's Experience

The fact may have escaped some of you, but the labor government of Australia was defeated because it proclaimed its intention to nationalize the commercial banks of the country. It wanted to do this in order to have a passive, assured market for its bonds. It was clear to the Australian Government that inflation, pursued through the sale of its bonds to banks, was much safer politically than the direct issue of paper currency. This inflation technique would postpone the inevitable retribution for its own questionable fiscal housekeeping. The voters of Australia were intelligent enough to see through this device and turned the government out of office.

This identical purpose is being pursued in our own country through more subtle techniques, such as the pressure of examiners to reduce loan ratios, the approval of high and mounting U. S. security holdings, the limitation of bank credit through regulation of consumer financing and stock market collateral loans, and finally the growing grants of government credit to private borrowers on credit criteria that no bank examiners would tolerate for a privately owned bank.

Sinister Scheme

The scheme is as clear as it is sinister. Bar banks from their normal functions—the provision of adequate credit to the men and women, the business interests of their communities. Impose credit standards which will reduce such lending and make it ultimately impossible. Through government agencies, low interest rates and lax credit standards, take the bulk of normal business away from the banks. Compel them by a process of elimination and restriction to load up with government paper. The end result is precisely the same as that sought by the Australian Government.

If this course is followed to its clearly indicated end, every banker will become a Treasury stooge, an accessory in the deception of the American public.

Moral Issue Involved

This also involves a serious moral issue. When depositors bring us their savings and ask us to hold them for the future, we assume an implicit trustee responsibility. Legally we are obliged to return to these depositors only the same number of dollars which they originally entrusted to us. To return the same amount 10 or 20 years hence discharges our legal responsibility.

This is a shallow conception of our duty. These depositors rightfully look to us to protect the substance of their savings. The subject of money and the practice of banking is a highly technical field of knowledge whch few laymen understand. They believe that we, their bankers, should keep them informed and protect their interests.

They would hardly forgive their physicians if, in the presence of a creeping contagion, they confined their advice to that minimum which would keep them out of jail and enable them to collect their bills.

Similarly they look to us, their bankers, to protect the integrity of the money which they have given to us for safekeeping. If ten years hence they get back dollars which, in purchasing power, are actually only dimes they have a right to demand an explanation. They have a right to hold us morally responsible for a grave failure of duty.

Bankers Indifferent to Depreciation of Dollar

It is no exaggeration to say that the banking fraternity as a whole has so far viewed the prospect of a deliberate depreciation of the currency with indifference. When the dollar was raped in 1933 our leaders, particularly those in the Federal Reserve Banks and on the Federal Reserve Board, said nothing.

At the recent Convention of the American Bankers Association at San Francisco we extended the courtesy of the platform to an outstanding advocate of a managed currency. Allan Sproul accused bankers, with a yearning for the solid substance of a currency based on gold, of being futile chauvinists. In a recent speech in Chicago Senator Harry P. Cain of Washington took note of this fact and chided the bankers for their failure to take the lead in demanding the restoration of an honest dollar.

What Bankers Must Do

What can bankers do individually and collectively in the face of this problem?

In the first place they should demand the return of a free open market for government securities. Let Uncle Sam expose his obligations to the same test of credit merit to which the obligations of private parties are exposed.

Secondly, the bankers of this country should resist every effort of the Federal Reserve authorities to expand their power, whether that power is for the purpose of controlling consumer credit, manipulating bank reserves, or regulating our portfolios. If these authorities have an uncontrollable itch for meddling, let them apply their great prestige to bring about a balanced budget for the government.

Finally, we bankers should take the initiative in restoring an honest currency. During long centuries of experience the only known, tested, foolproof method of protecting the integrity of money was to make it rest on gold. In this country today are billions of fraudulent promises to pay money which citizens are compelled to accept as real money. Return to these citizens their age-old right to redeem paper currency in gold at their option.

We may not succeed in attaining these objectives. Having made a sincere and vigorous effort, we shall at least be able to face our customers a generation hence and do so with a clear conscience.

*An address by Dr. Lawrence before the California Bankers Association, Los Angeles, Cal., April 1, 1950.

M. A. Voccoli With Charles King & Co.

Michael A. Voccoli, Jr., formerly Vice-President of J. S. Farlee & Co., Inc., has joined Charles King & Co., 61 Broadway, New York City, members of the New York Stock Exchange.


M. A. Voccoli, Jr.

Herbert Jones Joins Blair, Rollins & Co.

Blair, Rollins & Co., Inc., 44 Wall Street, New York City, has announced that Herbert B. Jones, editor and publisher of the weekly government bond letter "Portfolio Management," has become associated with the firm as Manager of its Government Bond Research Department. Mr. Jones will continue to edit and publish "Portfolio Management" which henceforth will be made available exclusively by Blair, Rollins & Co., Inc., as a new service, without cost, to the investment firm's customers.

The publication will contain current comments on the government bond market, investment recommendations on government bonds and money market data.

Public Utility Securities

By OWEN ELY

Electric Utilities Complete Prosperous Year

The electric utility companies in 1949 completed a prosperous year despite a let-down in industrial sales. The number of residential customers increased 4.2%, and all customers 3.9%. Residential sales increased 13.1% and revenues from this source 11.0%; the difference reflected the continued decline in the average cost of electricity to householders, due in part to greater use of "promotional" rate schedules resulting from increased use of appliances of all kinds, including television. Sales to commercial customers gained 8.3% and the revenues 7.6%. On the other hand, industrial sales were down 3.2% from 1948, but revenues gained 0.4%, because the average rate for this business had been increased—largely through the medium of fuel adjustment clauses in rate schedules. The net result was a 4.9% gain in total revenues.

Because of lower prices for coal and fuel oil as well as reduced use of obsolete and inefficient generating plants, the utilities were able to save 8.9% in their fuel costs despite an increase of 1.6% in the physical output. Salaries and wages gained about 5%, probably reflecting mainly the increases granted to union employees; the number of employees probably did not increase, although figures on this point are not yet available.

Miscellaneous expenses—a sizable item representing the entire cost of materials other than fuel, plus rentals, insurance, etc.—increased only 2.3%. However, depreciation and taxes were more of a burden, reflecting an increase of 11.3% in the electric utility plant; depreciation gained 6.8% and taxes 12.1%. But due to fuel savings total expenses were up only 2.9%, so that net electric operating revenues gained 13.9%.

Another advantage gained by the utilities was a big increase of 32.7% in the operating income obtained from gas, transit and other miscellaneous services, due to rate increases and lower fuel costs. However, income from these sources remained relatively small as compared with the income from electricity. Income from outside investments remained about the same as in 1948.

Interest on long-term debt increased 14.4%, the gain being somewhat larger than the increase in plant; however, other items in fixed charges were lower than in 1948, so that total income deductions increased only 11%. Net income, therefore, gained 14.7%. Since preferred dividends were only up 5.5%, the utilities were able to increase their payments on common stocks by 15% (which, however, largely reflected payments on an increased number of shares, due to stock flotations during the year). There is no way to measure accurately the average increase in the dividend rate, but this increase probably did not exceed 5%.

Total generating capacity of privately-owned utilities increased 11% last year, and that of public plants—municipal, Federal, co-ops, state projects, etc.—gained about 13%. Public generating capacity now equals about one-fifth of the total; private, four-fifths. The increase in private capacity is almost entirely in steam, while public power is about evenly divided (Federal, of course, is virtually all hydro). Reserve capacity increased from 5% in 1948 to 11% in 1949 and the actual reserve was probably closer to 14% because effective capacity of generating equipment is usually substantially larger than the name-plate rating. Talk of a "power shortage" is now less justified than ever, although the electric companies should doubtless have a larger margin of reserve capacity.

Turning again to the fuel problem, we note that the utilities are rapidly increasing their use of oil and gas while coal is barely holding its own. In 1949 only 84 million short tons of coal were used, a decline of nearly 16% from 1948 and an increase of only about 4% since 1944. However, since 1945 the use of fuel oil has more than tripled and the use of gas has increased about two-thirds.

The average rate for residential electricity was 2.95c in 1949 compared with 3.01c in 1948. Back in 1906 the kwh. cost was over 11c. The cost of living (other than for electricity) is about 2½ times higher now than it was in 1906, so that based on purchasing power of the dollar the cost of electricity is perhaps only about one-tenth as much now as in the early part of the century.

The farmer is rapidly increasing his use of electricity. In the east he uses about one-third more than the city dweller, and in the west, where heavy amounts are needed for pumping water into irrigation ditches, the annual usage now runs up to 5,400 kwh. or over three times the amount used by the average U. S. householder.

Capitalization figures are not yet available for 1949 but the Edison Electric Institute reports that in 1948 the capital structure was 49% debt, 14% preferred stock, and 37% common stock equity; these figures don't show much variation from the prewar figures. With plenty of common stock financing in 1949 the equity ratio may have improved slightly for that year.

Referring to operating efficiency, in 1949 it took only 1.22 pounds of fuel (coal or equivalent in other fuels) to produce one kwh., compared with 1.42 pounds in 1937. Latest model generating equipment can turn out a kwh. with only about 0.75 pounds so there are obviously big further economies in prospect as more new generating plants come into service. However, the dollar cost of fuel per ton has almost doubled since 1937; it rose from $3.26 in 1937 to $6.49 in 1948, dropping back to $6.21 in 1949.

Plant construction costs per kw. of capacity have more than doubled since the early 1930s, but the upward trend was checked about the end of 1948 and costs were slightly lower at the end of 1949.

St. Louis Traders Tour Mills

ST. LOUIS, MO.—More than 150 members and associates of the Security Traders Club of St. Louis toured the modernized mills of Granite City Steel Co., at Granite City, Ill. Shown here inspecting an electrolytic tinning line are (from left) Wm. F. Dowdall, Wm. F. Dowdall & Co.; control board operator; Ralph Deppe, partner of Edward D. Jones & Co.; J. L. Hamilton, Jr., Vice-President in charge of sales for the company (who is explaining the line's operation); Max Mason, Edward D. Jones & Co.; Lowell Newcomb, St. Louis Union Trust Co. The inspection tour was one of a series sponsored by the St. Louis traders during the past several months as part of their extensive "Know Your St. Louis Industry" program.

Predicts Serious Drop in 1950 Farm Income

Knox T. Hutchinson, Assistant Secretary of Agriculture, tells Southern Agricultural educators prices of farm products are down 25% from 1947 peak, while prices of non-farm products have been reduced less than 5%.

Speaking at the Southern Regional Conference of State Supervisors and Teacher Trainers in Vocational Agricultural Education at Miami, Fla. on April 17, Assistant Secretary of Agriculture Knox T. Hutchinson made the prediction that 1950 cash income of farmers will fall below $12 billions—a drop of one-third from the peak three years ago, while farmers' cash outlays for power and equipment are steadily increasing.

K. T. Hutchinson

"Farming today," Mr. Hutchinson stated, "requires more cash income than farming has required in the past. Electric power and mechanized equipment of all kinds increases farm production efficiency, but requires more cash investment and cash costs of upkeep and operation than horse-power or the farmer's own manpower upon which he was compelled to rely in the past. You could raise your own feed for horses, but you can't produce your own gasoline and electricity. It takes a lot of cash to buy power equipment, and pay for the power to operate it.

"But income trends are running the wrong way. Instead of getting more cash income, the farmer today is getting less. Prices received by farmers are down nearly 25% from postwar peaks, while prices farmers pay are down less than 5% for the same period. In 1947, farmers had a net income of nearly $18 billion. This year it may fall below $12 billion—a drop of one-third in three years.

"Agriculture is stronger than ever in its ability to produce. We have profited immensely by long years of research—new and better varieties, new and better insecticides, new and better farming practices. One hundred and twenty-five years ago, one farmer was able to produce only enough food and fiber for himself and 3½ other persons. Today, each person in agriculture provides, on the average, all the food and fiber needs for himself and 13½ other persons. Farm production has been revolutionized, and the revolution is still going on. Six new all-time production records have been set during the past ten years. In 1948, with 9% fewer farm workers and no more land than before the war, agriculture turned out 40% more food and fiber. Last year we about equalled 1948's all-time mark.

"We can't call a halt to progress in production."

Commenting further on propensity of over production in our agriculture, in defending price supports, the Agriculture Department official remarked:

"Modern farming is geared to abundance. Our present methods of farming are founded upon the use of modern machinery, electrical and other motor power, and the newest discoveries of science.

"Farmers want to produce in abundance, but they want good use made of that abundance. They want to provide the American people with an abundance of the foods they need for more adequate diets and a healthier generation.

"That's the way it should be. Because we don't want any restrictions on maximum consumption of farm products, we need an additional method of support for perishable food products that would avoid penalizing the consumer, and still be more effective for the farmers.

"Instead of forcing up prices through Government buying of large quantities of meat, eggs, dairy products, potatoes, or similar commodities and withholding them from the market, we should see to it that the benefits of our abundant production should be passed along to the consumer by allowing all such food to reach the market place — and by letting prices find their normal supply and demand level.

"We can do this and protect farm income at the same time by means of production payments. If the farmer produced so abundantly that market prices fell below support levels, he would receive the difference between the average market price and that support level in a direct production payment.

"You hear a great deal of misleading talk today about that method of support. It is attacked as a 'subsidy,' just as if there were no other subsidies in existence. You hear it called 'Socialism,' just as you heard the Rural Electrification Administration called 'Socialism' when rural people started out to do cooperatively a job that apparently could not be done otherwise.

"But production payments to producers of perishables to assure continued abundant production without the risk of inadequate returns are no more of a subsidy than present purchase and loan methods of support, and they would eliminate costly transportation, handling, processing, and storage charges. They would eliminate the possibility of the Government waste of food, and would eliminate the 'double bill' that consumers meet when they pay both the cost of support in tax bills and artificially higher prices in grocery bills."

Chicago Analysts to Hear Arnold Bernhard

CHICAGO, ILL.—Arnold Bernhard, President of the Value Line Investment Survey, will address a special meeting of the Investment Analysts Club of Chicago on "Statistical Methods of Evaluating Investments." The meeting will be held April 26 at 5:45 p.m. in the main dining room of the Chicago Bar Association, 29 South LaSalle Street. Cost is $2.65 per person.

Bruce Seddon With Friedman, Brokaw

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Bruce Seddon has become associated with Friedman, Brokaw & Co., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges. Mr. Seddon, who has recently been Vice-President of the First National Bank of Clayton, was formerly with Newhard, Cook & Co. and headed Seddon, Morfit & Harvey, Inc.

Clarence B. Kilmer, Jr.

SARATOGA SPRINGS, N. Y.—Clarence B. Kilmer, Jr., is conducting a securities business from offices at 595 Broadway.

Private vs. Federal Electric Power

By CURTIS ter KUILE

Recounting rapid growth of electric power generated by Government plants now furnishing 20% of all such power produced, Mr. ter Kuile proposes utilities undertake the fight for passage of law which would require that machinery installed in government erected hydroelectric plants be purchased and owned by the private utility companies, who would market the power under Federal Power supervision.

The reason why the United States has become the strongest and greatest, although the youngest nation on earth, is due to our system of free enterprise. Yet one of the greatest threats to free enterprise in this Land of Ours is the tremendous growth of Federal electric power production in the past 15 years.

Curtis ter Kuile

In 1933, only 7% of the total electric generating capacity in the United States was publicly owned, but by 1948 it had increased to 20% of the total. Federal electric power generating capacity rose from 232,297 kilowatts in 1933 to 5,525,984 kilowatts or 23 times as much in 1948. A considerable increase in public power has been accomplished through the construction or purchase from private holders of a number of large hydroelectric plants by or with the assistance of the Federal Government. In this process a tremendous amount of property has been removed from the tax rolls, thus throwing an additional burden on the real estate taxpayers in the territory served; moreover, the Federal income taxpayers will be required to make up the loss in Federal revenue whenever a property is made tax exempt.

Growth of Government Electric Power

Although it is difficult to analyze the mass of figures relating to public power in order to determine just how large an amount of property has been designated or reclassified as tax exempt for that purpose, one may form some idea of its extent by the following:

Tennessee Valley Authority: Plant investment; $774,011,586.

Bonneville Power Administration: Plant investment; $988,742,570.

Rural Electrification: Federal advances; $1,690,012,961.

If municipal properties such as the Nebraska Public Power System, Seattle Municipal Light and Power System and the Lower Colorado River Authority are included in the calculations, a total of possibly $4 billion of public utility assets are tax exempt. If the approximate areas included in the territory now served or proposed to be served by Federal power projects, together with the municipal and cooperative plants, were superimposed upon a map of the United States it would be found that very little of the whole country would remain as the province of the private utilities. This map should show the present and proposed Federal, municipal and cooperative utility service areas and it would clearly indicate that private enterprise will soon be confined to the vicinity of some of our large cities.

One object of this paper is to call attention to the fact that although Federal electric generating capacity in the past 15 years has increased 23 times over yet even greater expansion is being planned. The largest of the newer projects is described in a bill known as S-1645 which was introduced in the Senate on April 19, 1949 and relates to the proposed formation of a Columbia Valley Administration. The area primarily affected would be the Columbia River and its tributaries, total length about 2,104 miles, in the States of Oregon and Washington. This Administration would have control over the Bonneville and Grand Coulee projects and would be commissioned to expand public power service, irrigation and water control in this territory. Many features of this proposed law have been widely criticized, particularly those sections having to do with the condemnation of private property, redistribution of irrigable land, regulation of the economic life of the settlers and the finality of important decisions made by the Directors without the benefit of appeal to the Courts. There are many who feel that it is by far the most radical legislation ever offered to Congress.

Another proposed Federal power and irrigation plan is known as the Missouri Basin Project. The area directly affected would be 1,300 miles long by 700 miles wide, including all or part of Montana, North Dakota, South Dakota, Nebraska, Iowa, Kansas and Missouri. The Missouri River is 2,432 miles in length so there is plenty of room for expansion of this socialistic program. Some of the smaller power units of the project have been in operation for many years. Present plans call for a modest beginning with a total capacity of 578,000 kilowatts to be completed within four years. However its promoters have announced that due to an expected power shortage a total of over 5 million kilowatts will be required in the area within 20 years. There has been considerable controversy over this project. Certain of the states claim that their natural resources and water rights will be impaired. Many objections have been raised to the large amount of property which would come under government control in connection with this project. Although the law creating it has not been passed by Congress, the Corps of Engineers, U. S. Army, and the Bureau of Reclamation of the Department of the Interior are going ahead with the job just the same, having recently started the construction of dams for irrigation and power production in the Basin area. The plan calls for the creation of 4,800,000 acres of newly irrigated land which is presently arid and 500,000 acres of cultivated land.

The third proposed Federal project is in New England. Recently announced plans call for the creation of three "little TVA's" in that territory, one to include the Passemaquoddy and St. Lawrence River areas, one along the Connecticut River and a third along the Merrimack. Little is actually known about this latest Federal power move but apparently it will be proposed to construct a series of dams for flood control and power production on those four rivers. It is doubtful if irrigation will be a factor but benefits to navigation may be claimed. The Governors of two New England states are understood to be very much interested in having Federal power come to New England.

Southwestern Power Administration

On March 22, 1950, Secretary of the Interior Oscar L. Chapman announced the creation of a Southeastern Power Administration. This was done under authority of the 1944 Flood Control Act and apparently took the utility industry by surprise. This new agency would link Federal power producing units from Kentucky to Florida. Two dams are already in operation, seven are under construction and 13 more are authorized and in the planning stage. This agency has announced that it will handle over 1 million kilowatts of federally generated power by the end of 1955. The agency will supply Federal power to cooperatives, municipalities, state agencies and the Federal Government in Alabama, Florida, Georgia, Kentucky, Mississippi, North and South Carolina, Tennessee, Virginia and West Virginia. All of the dams are to be linked with a web of federally-owned transmission lines.

This current invasion of politicians in the field of utility operation is not their first attempt. In the days when that industry was young the greater majority of water and gas utilities, also a large number of electric utilities were under municipal control. However, the service got to be so universally unsatisfactory and the rates were pushed up so high that finally there arose throughout the country a wave of protest and a demand by the taxpayers that these properties be disposed of to private operators. Despite high rates the properties were losing money and these losses had to be made up by the same taxpayers who were being charged the excessive water, gas and electric rates. This state of affairs logically led to the formation of such holding companies as the American Gas and Electric Co. and many others, some very excellently managed and some that were conducted, unfortunately, quite against the best interests of their security holders and customers. Between the years 1915 and 1920 these holding companies were literally swamped with offers of utility properties owned by municipalities. The people sought protection through private operation under supervision of Public Service Commissions.

Now that the pendulum is starting to swing widely back in the direction of Federal and municipal ownership of the utilities it can only be a question of time before the public begins to realize its mistake in giving support to this new state of affairs. Public power projects do not come under the supervision of Public Service Commissions and there is no regulatory body to protect the public in the matters of excessive rates or inadequate service. The most pointed example of this situation may be found in the State of Nebraska where the entire electric power system is in the hands of politicians and therefore the citizen in that state has no effective recourse against the possibility of excessive charges for electricity. In the State of Washington a similar situation is steadily being created.

The potentialities of these great promotions are tremendous. If they are consummated there may be great economic readjustments in the areas affected. The expense of condemnation and construction would be enormous. There are bound to be a number of contests over franchises and struggles over rates and customers. Large areas in the Missouri and Columbia basins may be populated where at present the density is about one person per square mile. Manufacturers who have been considering moving their plants away from New England to southern locations where cheap natural gas is available for fuel may now decide to remain in New England and await the possibility of cheap electric power. The centers of wealth in the United States may be shifted and new cities may spring up in what now would be entirely uneconomic locations. New railroads and highways may be built and air lines re-routed. There may be a great increase in real estate tax rates in areas where now practically no such taxes are collected at all.

From the viewpoint of the private utilities the great problem is what is best to be done in such a situation. They are faced with increasing competition by a national power with seemingly unlimited funds, with the right of eminent domain and with the power to condemn private property anywhere and for any purpose. However whenever a really tough problem has presented itself to American businessmen it has been historically proven that they have always found a means of protecting themselves. Whenever there has been a crisis there has always been the possibility of a solution. To make suggestions for such a solution is the principal purpose of this paper and so the author begs leave to offer the following proposals to be used as a preliminary basis for discussion.

A Remedy Proposed

There can be very little doubt that many rivers in the United States ought to be provided with water control equipment, dams, storage reservoirs and levees, together with many needed aids to inland waterway navigation. Inasmuch as these rivers often know no state boundaries and since the enormous expense of the construction work without hope of direct profit precludes the thought of doing the job through private enterprise, the responsibility for such projects logically should fall on the Federal Government. However that does not necessarily mean at all that the government should enter the business of generating and marketing the electric power that may easily be developed along with this type of construction. There is no need for the Federal Government to set aside extensive tax exempt areas, thus causing the added weight of taxation to fall on the citizens, and to enter into a business that historically and primarily has been developed and conducted by private enterprise. The electric generator was invented and perfected by private citizens and everything that the Federal Government knows about utilities has been learned from drawing on the experience of the private power industry.

Rather than butt up against the wall of political claims of cheaper power, public welfare, assistance for agriculture and many other similar promises, it is proposed that the utilities undertake the fight for the passage of a law which would require that the machinery installed in these hydroelectric plants be purchased and owned by the private utility companies who would market the power under the usual Federal Power Commission supervision and also under the regulations imposed by the public utility commissions of the states. The power house sites themselves and the water used for power generation would be included in long-term lease agreements between the Federal Government and the private utility operators whose machinery and transmission lines would be subject to the regular real property taxes and whose earnings would be subject to the usual Federal income taxes. In many cases these leases could be the subject of public bidding. This law should be made retroactive to cover the presently operating Federal power projects and those now under construction. With this arrangement the government would handle the reclamation, irrigation and navigation phases of each installation and the private utilities the electric power generation and distribution.

It may take a good hard fight to get such legislation on the statute books. The citizens should be interested in helping the utilities work for the passage of such a law if they realize what would happen to them with all the electric power controlled by politicians. Therefore it seems advisable to start at once before the entire United States is blanketed with Federal power projects, unregulated by local state representatives. For in such a state of affairs the citizens would find themselves entirely at the mercy of such rates and service as a paternal government bureau would see fit to inflict.

Investment Bond Club of Portland

PORTLAND, ORE.—At the annual meeting of the Investment Bond Club of Portland, Ore., the officers elected were:

Elbert H. Greene, Conrad Bruce & Co., President; Ray K. Daugherty, Daugherty, Cole & Co., Vice-President; Chas. N. Tripp, Chas. N. Tripp Company, Secretary and Treasurer.

These three, together with Leonard M. Handel of Handel and Lundborg, and John J. Gurian of Merrill Lynch, Pierce, Fenner & Beane, comprise the Board of Directors.

Left to Right: Chas. N. Tripp, Secretary and Treasurer; Elbert H. Greene, President; Ray K. Daugherty, Vice-President.

Canadian Securities

By WILLIAM J. McKAY

The announcement that this country will endeavor to lower its tariffs on about 2,500 items as part of its campaign to decrease the world-wide dollar gap is of particular interest to Canada. When consideration is given to the list of items involved it appears that the Dominion is likely to be the principal beneficiary should the U. S. proposals be put into effect following the negotiations that will take place next September at the 40-nation trade conference to be held at Torquay, England. In view of this constructive approach to the solution of the thorny problem of creating a freer flow of international trade, recent reports of pressure on the Dominion government to introduce anti-dumping legislation against imports of British automobiles, appear in strange contrast.

This reaction to spectacular British success in the difficult task of closing the dollar gap is all the more remarkable as Canada has a vital stake in a British economic recovery. Furthermore Canada's own U. S. dollar problem is alleviated to the extent that soft-currency imports replace those effected from hard-currency areas. The lack of wholehearted Anglo-Canadian cooperation in the instance of automobiles is apparently also reproduced in the textile field. In this case according to reports from north of the border British textile producers are threatening to withdraw from the Canadian market in view of the high percentage of British woollens and worsteds that are currently rejected as unacceptable by the Dominion clothing manufacturers.

It is difficult to reconcile this growing friction in the working phases of Anglo-Canadian commerce with the obviously mutually beneficial high-level objective of utmost economic cooperation of the Mother Country and the Senior Dominion of the British Commonwealth. Perhaps what is overlooked in Canada, and probably elsewhere, is the definite change of outlook that is now beginning to exert an influence on British external relations.

This almost imperceptible yet fundamental psychological change is all the more important as it is likely to mark the closing of one chapter of British history and the commencement of another. Following the war, Britain, exhausted physically, spiritually, and economically, had no alternative but continued recourse to North American aid and generosity. This assistance in conjunction with her own efforts have permitted Britain to stage a surprisingly virile recovery. Although profoundly conscious of the large part played by timely North American aid, the paramount desire on the part of the British is now to stand on their own feet and to seek their own independent salvation.

For the achievement of these objectives the United Kingdom is by no means badly situated. The British foreign trade area now accounts for over 50% of the world's commerce. Sterling in its various forms is again the world's most widely utilized currency. According to the British Budget statement the 1949 dollar deficit in trade of $196 million is expected to be converted into an overall surplus of $140 million during 1950. British industrial genius still continues to the fore as demonstrated by leadership in the fields of jet-propulsion, electronics, and shipbuilding. Perhaps, however, the potentially most important recent development in the British situation is the political swing towards greater individual freedom that will ultimately permit the full exercise of British recuperative powers.

For these reasons early Canadian recognition of this significant turn in British affairs would doubtlessly bring to an end the current dangerous drift of Anglo-Canadian commercial relations. Moreover, as exemplified by the recent epoch-making Avro jetliner flight from Toronto to New York, wholehearted British Canadian economic collaboration can produce spectacular results that contribute to the prestige and prosperity of both countries.

During the week activity in external bonds was mostly confined to a few clearing-up operations in the new Alberta refunding issue. There was a continued institutional demand for Internal Dominions which further strengthened to 11¾%-11¼% discount. The corporate-arbitrage rate on the other hand reacted sharply to 15%-14% following its recent burst of strength caused largely by heavy U. S. purchases of Imperial Oil. Free funds were dull and inactive at 9¾%. Stocks were inclined to level out, and the 10-month bull market which had touched a new 20-year peak, showed signs of weariness. A few bright spots in an otherwise dull list were provided by Consolidated Smelters, Quemont, Brazilian Traction, C.P.R., Distillers Seagrams, Steep Rock, Imperial Oil, and Pacific Petroleum.

Gruss & Company to Be N. Y. S. E. Members

Arthur B. Behal will on April 27 acquire the New York Stock Exchange membership of the late Simeon B. Chapin and the firm of Gruss & Company, 115 Broadway, New York City, will become members of the Stock Exchange, in addition to being members of the New York Curb Exchange. Partners in the firm are Joseph S. Gruss and Mr. Behal.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late J. D. Perry Francis to Joseph S. Lederer will be considered by the Exchange on April 27. Mr. Lederer will act as an individual floor broker it is understood.

Program Announced for 34th Annual Meeting Of Inv. Dealers Ass'n of Canada

TORONTO, CANADA.—Members of the Investment Dealers Association of Canada have been notified that the dates of the 34th Annual Meeting of the Association at the Seigniory Club, Montebello, Quebec, are from Monday, June 5 to Friday, June 9. The program as it now stands is:

Monday, June 5:
10:30 a.m. Review and Discussion of Education and Public Relations.

Tuesday, June 6:
10:00 a.m. Meeting of the Outgoing District Executive Committees to be followed by a Meeting of the Outgoing Dominion Executive Committee.

Wednesday, June 7:
10:00 a.m. Annual Meeting: Election of officers, etc.
2:00 p.m. Golf and Tennis program.
5:45 p.m. Retiring President's Cocktail Party.

Thursday, June 8:
10:00 a.m. Forum Discussion (subject to be announced at a later date).
2:00 p.m. Golf and Tennis program.
5:45 p.m. Incoming President's Cocktail Party.

Friday, June 9:
10:00 a.m. Meeting of the Incoming Dominion Executive Committee.
11:00 a.m. Press Conference.

The Dominion Executive Committee, feeling that a thorough discussion is advisable of Educational problems respecting both employees of investment firms and the public, requests that members of all district executive committees and members of the Education and Public Relations Committees of each district will arrive at the Seigniory Club in time to attend a special meeting to discuss these problems which commences at 10:30 a.m., on Monday, June 5. The President will be in the Chair and it is likely this special meeting will continue through the morning and during part of Monday afternoon. The President wishes it to be made clear that this meeting is open to all members of the Association who are particularly interested in the Association's Educational and Public Relations activities. The program for this special meeting is now being developed and will be forwarded to members as soon as it is available.

Plans for an important and equally interesting program for the Forum Session to take place on Thursday morning, June 8 are also in preparation and will be announced to members the moment they are completed. Members will note that all business sessions take place in the mornings and that afternoons and evenings are left free for golf, tennis, fishing and other recreation. The golf program is now in the hands of a special committee composed of R. D. Steers, R. D. Steers & Co., Ottawa, and J. Ernest Savard, Savard, Hodgson & Co., Montreal.

At an early date members will receive full information as to train and club reservations and other information concerning the annual meeting.

Why the Dow-Jones Averages Should Be Revised

By JOHN DUNCOMB

Writer recommends elimination of high-priced stocks from list and making allowances in averages for stock split-ups as well as stock dividends when they occur.

Last week the Dow-Jones Industrial Averages went through a 20-year high. A good part of this increase was provided by one stock, Allied Chemical, which, upon the announcement of a four-for-one split-up, opened up 14 points higher. The 1950 range for this stock has been 200½ low and 239½ high. This means that in a period of about 3½ months one stock among the 30 stocks comprising the Industrial Averages has had a rise of 39½ points, or approximately 20%.

In this writer's opinion, such high-priced stocks should be eliminated from the Dow-Jones Industrial Averages. If one stock out of 30 can provide most of the means for sending the Industrial Averages through a 20-year high, it certainly would seem as if the Industrial Averages should not only be revised, but also contain more medium-priced stocks to secure a proper balance.

The Dow-Jones Averages were first introduced about 50 years ago. Since that time some of the stocks included in the list are no longer market leaders while many issues not included are now considered market leaders.

It is also this writer's opinion that the averages should be figured on a basis that would include stock split-ups as well as stock dividends when they occur, such as is done in the over-the-counter market index prepared by the National Quotation Bureau at the present time. Such changes are, of course, few and therefore would not necessitate being printed hourly such as are the different changes in the Averages. However, they could be shown at the close of the market each day when the final compilations are made of the full 65 stocks in the industrial, railroad and public utilities averages.

Such a revision would most certainly show both the investor and the trader a more comprehensive and true picture of the market action.

Wall St. Riders to Hold Gymkhana

Miss Marie R. Cambridge, of Union Securities Corp., President of the Wall Street Riding Club, announces the club's participation in a tri-club gymkhana at their ride headquarters, Split Rock Riding Academy, Pelham Manor, on April 21. The Wall Street Club, Stirrup Club and Circle Club will be divided into teams to compete in the mounted events which will include a Relay Race, Gretna Green Race, Martini Race and the popular gymkhana event Musical Chairs. Following the events, there will be a cocktail party in the club rooms at Split Rock.

Gassard of IDAC to Make Western Trip

TORONTO, CANADA — The January meeting of the Dominion Executive Committee of the Investment Dealers Association of Canada agreed that H. L. Gassard, Director of Education, should make a trans-Canada tour prior to the next annual meeting. Accordingly, Mr. Gassard is leaving to meet dealers, former students of IDAC courses and members of Junior IDAC groups in Western Canada. He plans to sell Revised Course I and Revised Course II on a unit basis to members. He will also encourage members to become interested in a "grass-roots" educational program via lectures and courses, either as an individual firm undertaking, an association undertaking or in concert with local educational institutions.

Mr. Gassard will call on colleges and universities and departments of education to show them what our association has accomplished in investment education and to explore with them what may be done to make our educational material available in a form suited to the needs of their students.

Mr. Gassard's tentative schedule follows: Winnipeg—April 24 to 26, Edmonton—April 27 to 29, Vancouver—May 1 to 5, Victoria—May 8 to 9, Calgary—May 11, Regina—May 12, Saskatoon—May 13 and Winnipeg—May 15.

Plans for a similar trip to Eastern Canada in the fall of this year have been made.

Halsey, Stuart Group Offers Frisco Equip.

Offering of $2,250,000 St. Louis—San Francisco Ry. 2¼% equipment trust certificates, series F, maturing May 1, 1951 to 1965, inclusive, was made on April 14 by Halsey, Stuart & Co. Inc and associates. Issued under the Philadelphia Plan, the certificates were priced to yield from 1.45% to 2.55%, according to maturity.

The proceeds from the sale of the certificates will be used to provide for the following new standard-gauge railroad equipment, estimated to cost approximately $2,993,901; 10-Diesel electric roadswitching locomotives; 6-Diesel electric freight locomotive operating units (A Cabs); and 3-Diesel electric passenger train locomotives.

Other members of the offering group were: R. W. Pressprich & Co.; Otis & Co.; The Illinois Co.; Freeman & Co.; and McMaster Hutchinson & Co.

Scranton Associates Offer Sec. Ins. Co. Stk.

Chas. W. Scranton & Co. and Day, Stoddard & Williams, Inc. are joint managers of an investment banking group which is underwriting an offering of 50,000 shares of additional capital stock of the Security Insurance Co. of New Haven. The Company is offering to its stockholders of record at 3:00 p.m. (EST) on April 12, 1950, the right to subscribe to the additional stock at a price of $30 per share in the ration of one new share fo reach five shares held. These subscription warrants expire at 3:00 p.m. (EDST) on May 2, 1950.

The purpose of this issue is to provide additional capital funds in anticipation of possible further increases in the volume of business. The volume of business of the Company and its subsidiaries has increased substantially in recent years, net premiums written rising from $6,222,216 in 1940 to $19,182,309 in 1949.

Business Failures

By ROGER W. BABSON

Mr. Babson, noting recent increase in business failures, points out, though trend unfavorable, business failures based on national income, are fewer today than before 1940. Says most bankruptcies comprise old firms, and are due largely to "dry rot."

I like to see men and women have a little business of their own. If you can keep out of debt, it gives security and health. You have no fear of being "fired" or laid off on account of mistakes of the management. If your little business turns out not to be good, it then will be your fault, and not your employer's fault. You know that some of your competitors always do well. Whether or not this is the time for a young man to leave a good job and go into business for himself, is debatable. The Good Book says there is a time for everything (read Ecclesiastes 3:1 to 8), which includes a time to buy and a time to sell. God gives us a brain to use. Let us not try to buck His law of Supply and Demand.

Roger W. Babson

This does not mean that we should not push forward. We all should help the world's great problem of *how to provide the needs of all in the midst of plenty.* So long as any able person willing to work is unemployed while the government is dumping potatoes into the sea, there should be opportunities for shopkeepers and salesmen to bring these loose ends together. This is the kind of "socialism" and "planned economy" in which everyone should believe.

What Statistics Teach

To perform the above service requires character, brains, industry and some capital. Statistics indicate that a large number of those who have gone into business for themselves since World War II must have lacked one or more of these requirements. I say this because 60,000 fewer firms are operating today than a year ago. It is estimated that today there are 200,000 fewer concerns—mostly among the small retailers, service operators, etc.—than in 1946. That this is true, in spite of the increased population and the fact that there is more money about than ever before, indicates something is wrong.

The above is not only a disappointment to nearly a million people, including employees but to the owners of a large number of vacant stores, unused plants, idle trucks; all of which are the result of these failures. Those who have been forced out of business are, moreover, both disappointed, and perhaps bitter. They claim America should not permit such sad results in the world's best country.

Failures on the Increase

Every month my statistical experts compile for me comparative figures on over 30 basic business barometers. In my 40 years of studying business conditions I have always said the most significant figure is that for Business Failures. Heretofore a very low failure figure has indicated excellent present business conditions: but such figures usually forecast that business troubles are coming.

With double the national income, failures have during the past ten years actually been less than before 1940. But at last we see a change for the worse. The greatest increase in bankruptcies is in the retail store field where there has been an increase in failures of 12%. In the case of manufacturing this figure is 9.4%; while in mining, farming, etc., there are 5.4% more failures. Although the failures in the retail field show the greatest increase, yet enough new firms come into being so that the total is now only 2% less than at the peak.

What Statistics Show

As a result of all the above 45% fewer new concerns were incorporated in 1949 than in 1946. The number of independent concerns are now about 3,900,000 compared with nearly 4,000,000 in 1948. Yet, there now remain about 18% more concerns in business than in 1939. The present failures average about 200 a week—compared with 100 a week in 1948. Further details will be sent freely on request by the world famous authorities, Dun & Bradstreet in New York City.

There is one cheering feature to these figures. The bankruptcies were not all among young G. I.'s. In fact, 70% of them were of old concerns which had been dying of dry rot for many years. With age comes poor health and a loss of energy. Young men have this energy which we older ones lack. This is worth more than capital or customers. Hence, no young people should be discouraged by the above figures on failures. But I do say that if you now have a good job, hold it and make the most of the opportunity it gives you to learn. This is not the time to start in business for yourself.

Phillips Petroleum Co. Debs. Underwritten by First Boston Group

The First Boston Corp. is manager of a nationwide group of more than 100 investment firms which is underwriting Phillips Petroleum Co.'s offering to common stockholders of $75,644,900 2⅜% debentures due 1975. Rights issued by the company on April 18, 1950 entitle the stockholders to subscribe to $100 principal amount of the debentures at a price of $100.50 for each eight shares held of record on that date. The subscription offer terminates on May 2, 1950.

The new debentures will be convertible into common stock at $70 to May 1, 1955 and $75 thereafter to May 1, 1960 when the conversion privilege terminates. A sinking fund commencing May 1, 1952 is calculated to retire all of the debentures by their maturity.

Proceeds from the sale of the debentures together with treasury funds will be applied to the prepayment of $78,600,000 of bank loans which were used for capital improvements and acquisitions during 1948 and 1949. The company and its subsidiaries spent $227,925,196 during those years for construction and acquisition of properties.

Giving effect to the sale of the new debentures the company will have outstanding $118,114,900 of funded debt and 6,051,594 shares of common stock.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Pressure continues to be put on Treasury obligations by the authorities, with an assist here and there from non-bank investors. The liquidation appears in volume each time the market looks as though it would like to rally a few thirty-seconds or so. Switches and swaps continue to play a very important role in the market, with the intermediate bank-eligibles coming more prominently into this operation in the past week. Savings institutions and pension funds are the main operators in the tap issues, and they are still putting funds to work, principally in the higher-yielding obligations. They have also been swapping the 2¼s of 1959/62 for the restricted 2½s of 1967/72.

Although the impending deficit financing has not been relegated to the background, there seems to be a growing feeling that yields and prices of the longest-term obligations have pretty well discounted coming developments. According to reports, discussions are still going on as to the best way to handle the new financing. The business and inflation picture, which is still showing considerable strength, indicates no immediate lifting of the pressure on the money markets.

SHORT-TERM RATES "ADJUSTABLE"

The "elbow room" which the monetary authorities have been making for themselves in the government market is likely to be more concentrated in the near future, in the short-term end of the list. Many money market followers believe there is greater room for adjustment in near-term rates than there is in the longer rates, and the money managers will use the short rates in order to more effectively influence the money markets. Larger supplies of Treasury bills, will mean higher short-term yields and this in turn will have an effect upon certificates and other near maturity obligations. Pressure can be kept on the shorts without having too important an influence upon the more distant maturities, especially the restricted issues which have been pushed down rather sharply by the Central Banks.

If a 2.40% yield basis for the longest tap issues is the highest return to be expected (and in nearly all financial quarters it is) then prevailing yields do not have much farther to go before they reach the so-called "magic number" or "floor." The effects of a minor increase in yield in the Vics to a 2.40% basis would probably not have too much influence upon other rates in the government market. On the other hand, it is believed gradually higher short-term rates could have a much more potent effect upon those segments of the money market that could stand some further adjustment.

LONG 2½s MAINTAIN PRICE STABILITY

One of the real surprises of the government market has been the way in which the 2½s of September, 1967/72, have resisted the decline of the market as a whole. There is no mystery to their price action, it just has been a case of good buying, with very few bonds coming in for sale. Federal has not been a factor as far as the longest bank-eligible is concerned. Also non-bank investors have either already switched from the September 2½s of 1967/72 or they do not want to sell the remaining small amounts they still hold.

Commercial banks, with increasing savings deposits, must put some of these funds into an issue that gives them a yield of more than 2% and they have "Hobson's choice." These institutions apparently are well prepared for price declines, because it is indicated they would be larger buyers if quotations should recede.

HIGH-GRADE CORPORATES STRONG

Corporate bonds have also made a more than satisfactory showing despite the higher yields which are being registered in the restricted obligations. Although high-grade corporate bonds have been appearing in the market, offerings have not been sizable. Large institutional owners of these securities have not yet shown any desire to sell them, because it seems as though the feeling is that the decline in prices of long Treasuries is not likely to go much farther. If this should be the case corporate bonds will most likely hold at or close to current levels.

Likewise the investment problem of many non-bank investors will probably be more pressing as the year goes along. This does not make for selling in even corporate bonds, although they have not had the same price adjustment as some of the Treasuries have.

INTERMEDIATE TREASURIES ACTIVE

The intermediate-term governments have been very active with the large banks on both sides of this situation. Sizable amounts of the 2s of 1952/54 have changed hands as the big money center institutions jockey for positions in these bonds. The 1⅜s of 1954 have not been without important buying and this issue continues to have a fairly good tone, not far from the lows of the year. The 1956/58s and the 1956/59s came in for attention on what was evidently switching operations from these bonds, into certificates, the longest eligible, and the June and December 2½s of 1967/72.

The partially-exempts have not been very active despite a few minor swaps into the 2½s of September, 1967/72. It is reported that large buyers have been interested in acquiring the 2¾s due 1960/65.

T. L. Watson to Admit

Quentin Syme will become a partner in T. L. Watson & Co., 40 Wall Street, New York City, members of the New York Stock Exchange on May 1. Mr. Syme has been with the firm for some time as cashier.

Kalb, Voorhis Admits

Kalb, Voorhis & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Max Levine to general partnership and Cornelia B. Voorhis to limited partnership on May 1. On the same date Peter A. H. Voorhis will retire from the firm.

Business Man's Bookshelf

Builders of Enterprise — Citations of candidates for the honorary degree of Doctor of Commercial Science conferred in conjunction with ceremonies marking the golden anniversary of the School of Commerce, Accounts, and Finance, New York University, New York, N. Y.—Paper.

Chartcraft Method of Point and Figure Trading — William-Frederick Press, 313 W. 35th Street, New York 1, N. Y.—$2 per copy.

Effects of Taxation on Foreign Trade and Investment, The—United Nations—Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—50¢.

Fifty Years of Education for Business — School of Commerce, Accounts, and Finance, 1900-1950 —New York University, Washington Square, New York, N. Y.—Paper.

Pensions for Employees—Chamber of Commerce of the State of New York, 65 Liberty Street, New York 5, N. Y.—Paper—$1.00.

Taxing Municipal Bond Income —Lyle C. Fitch—University of California Press, Berkeley, Calif. —Paper—$2.50.

G. R. Frost With Floyd A. Allen Co.

LOS ANGELES, CALIF.—Association of George R. Frost as a registered representative with Floyd A. Allen & Co., Inc., 650 South Grand Avenue, has been announced. Mr. Frost is well known in Southern California investment circles, having been active in the business here for 15 years. He was recently with Gross, Rogers & Co. Prior to his coming to Los Angeles in 1935, he was for ten years associated with one of the oldest investment firms in New York City. In 1937, Mr. Frost received his degree from the Graduate School of Banking at Rutgers University.

Continued from page 4

Investment Companies

these many companies are able to hire some of the finest financial brains in the British Isles. Never since 1890 have the British investment companies suffered any such major injury because the lessons of that time were well learned, and that is very much the story of what investment companies went through in this country years later.

U. S. Beginnings

Now let us take the development in this country. Prior to World War I, investment (or perhaps speculation would be a better word for that period) was confined largely to the rich. Our participation in World War I and our major selling drives of Liberty Bonds to millions of small investors changed our investment procedure completely. I personally recall it vividly, for during those Liberty Loan drives I was in the Boy Scouts and went from door to door in my town in New Jersey selling $50 and $100 Liberty Bonds. I still recall that practically everyone I called on had to have explained in detail just what a bond was. I blush to think what my description must have been, but somehow they were sold.

At this point the founder of my firm, the late Mr. Calvin Bullock, enters the picture. He had been a successful investment banker for many years, having specialized in the early utility and telephone companies. He recognized that the education of the Liberty Loan drives was opening a field of millions of small investors for the first time and the investment companies of England and Scotland would go a long way to fill the need of new or small investors in the United States.

Mr. Calvin Bullock, who is looked upon today as one of the key pioneers of the American investment company industry, went abroad after World War I and spent a great deal of time with Mr. Robert Fleming and other successful British managers. He obtained considerable information based on their experiences and then, in the year 1924, brought out his first investment company.

In this country, too, financial historians have unearthed instances of companies they regard as the prototypes of the modern investment company; but here again, for all practical purposes, let us take the year 1924 as the year that marked the launching of the American investment company industry.

Mr. Bullock was not alone in sensing this trend, for several other foresighted individuals also started investment companies in that year.

Closed- and Open-Ends Started In 1924

The year 1924 marked the beginning of both types of the two broad classifications of American investment companies, the so-called closed-end trusts and the so-called open-end funds of which there are several variations. The chief difference between the two is that the stock of an open-end fund is continuously being offered for sale and will be bought in by the company, if the stockholder requests it, at its actual value at that time, and this value is now computed twice daily on each business day.

On the other hand, the closed-end company has a fixed number of shares outstanding—and if you wanted to dispose of your shares you would sell them, not to the company, but to another individual at the best price you could get. Thus, if the real value of the shares did not change in any given period, but there were more buyers than sellers of that stock then the price would rise. In the speculative environment of the late '20s this created an added zest because some of these market premiums went to fairly fantastic levels.

When many a layman was doubling his money in the stock market in a short period of time there was obviously great attraction in buying the stock of one of these trusts managed by people who had that now disappearing title, namely, the "insiders." Obviously, if the layman could double his money, just picture what the "insider" in Wall Street could do for him. This was the reasoning of 1927 to 1929. All of this came to an end in the stock market crash of October, 1929, and there have been very few closed-end funds started since that time.

Depression Grief

In the depression that followed there was considerable grief to the purchasers of many of these so-called trusts. The fancy premiums over the real value of the shares rapidly melted away. Companies that had borrowed heavily saw their net assets evaporate and, of course, where they had invested heavily in speculative securities the declines were extremely drastic. There were, of course, some conservative closed-end companies, and these continued to pay dividends, and provided a very satisfactory investment result for their security holders.

But a number of the speculative companies later disappeared or were taken over or merged by the more successful ones and so we saw the early history of the British companies repeated to a remarkable degree. Out of it has developed the very strong and sound investment fund industry today.

In 1930 to 1932, there was a brief rash of what were called "fixed trusts." The pendulum had swung very sharply and now people wanted to buy funds without management. In other words, they bought just a package of securities If there is one thing that is certain in investment, it is "change," and a fixed list of securities without management was shown in a very brief space of time to have been extremely fallacious.

Through all this the mutual fund (or open-end fund) had grown very slowly from 1924 to 1932, but in the year 1932 it began to take the center of stage and it has grown and flourished, through good times and bad, ever since. Because of the large amount of money which had gone into the closed-end funds in the lush days of 1927-1929, it was not until 1945 that the open-end funds passed them in size, and now they have gone way beyond. Today there is $800,000,000 in closed-end funds with about 300,000 stockholders, but the open-end funds or mutual funds now total $2,000,000,000 with 800,000 stockholders.

The 1940 Act

A milestone in the history of American investment companies was the passing by Congress of the Investment Company Act in 1940, which was a highly conservative piece of legislation and did a great deal to enhance the prestige and standing of investment companies. It has in fact been reported that a member of the Securities and Exchange Commission stated that the growth of investment companies is probably one of the most important single developments in the financial history of the United States during the last 50 years.

May I quote from a recent report of the investment fund committee of the Investment Bankers Association of America: "Shares of a well-managed investment company would seem to offer an investor a larger measure of protection of principal, reliability of income, marketability, and reasonable opportunity of appreciation, combined — those four factors combined—than any other class of security available."

The open-end funds have been given over the years various titles and descriptions, but the one that seems to have become generally accepted now is the title, "mutual fund." That is my preference as well, because whenever several individuals combine to provide themselves with a service that none of them alone could obtain elsewhere it is a mutual enterprise. In the investment field, it is the Mutual Fund.

Varieties of Funds

There are many varieties of mutual funds. The largest group are those whose assets are invested primarily in common stocks. Some of these invest in orthodox "blue chips," or what are generally regarded as established and seasoned investments. Others are more venturesome and go in for "growth stocks." Some funds limit themselves just to high-grade bonds; some to second-grade bonds; others to preferred stocks only. Then there are industry funds, restricted to steel stocks, chemicals, aviation, and other categories.

Since 1945 there has been a considerable growth in what are known as "balanced funds." These are funds which at all times invest their money in varying proportions of bonds, preferred and common stocks. This type of fund is intended to furnish the investor a complete investment program in one stock certificate.

These funds are by no means all located or managed in Wall Street. There are in fact a number of companies with headquarters in Boston, Philadelphia, Minneapolis, and San Francisco, among other places. Some of them have shown astonishing growth. Most of them are excellent and are managed and sponsored by good, honest citizens. I know a great many of them personally and I have the very highest regard for them.

Organization

Generally speaking, an investment company is a trust or a corporation engaged in the business of managing investments for other people. An investment company is organized much like any corporation. But its assets, instead of being in the form of oil wells or rolling mills or freight cars, are composed of the stocks and bonds of other companies. The investment company undertakes to manage these assets for the benefit of its own shareholders, and these shareholders participate in the profits which are the fruits of the company's management.

The list of securities held is never static. It is under constant supervision, and thus in constant change. A steel stock is sold today, an oil stock bought tomorrow for reasons that may go deep into the complexities of national and world economy.

The American economy is dynamic—not static—and constant and sometimes violent change is its principal characteristic. In such an economy an alert awareness of change pays handsome profits, a failure to adapt investments to change inevitably means serious loss. In such an economy you cannot follow the old adage of buying stocks and forgetting them.

The first basic principle of an investment company is diversification of investment, on the theory that 10 securities are safer than one, 100 safer than 10.

The second basic principle is continuous, experienced supervision. The individual investor, however skilled and well informed, cannot possibly follow the fortunes of a large number of companies represented in a typical investment company's list of investments.

Successful supervision of such a list requires a large organization. The best types of investment companies maintain or engage large research staffs of specialists in various fields, such as public utility, railroads, construction, steels, oils, etc., and each of these men is devoting all of his time to the highly specialized work of analyzing these individual industries and the various companies within these industries. He not only conducts exhaustive statistical analyses and other exploratory work within his office, but he spends much of his time in the field contacting the leaders of various companies with whom he is intimately acquainted and from whom he can obtain authoritative information not readily available to the average investor. A vast amount of information carefully analyzed and screened is constantly flowing to the executives of these investment companies who are responsible for final policy decisions with respect to the purchase and sale of securities.

Then there are the directors, in some cases called trustees, of these funds. Under the Investment Company Act of 1940 a majority of the directors must be independent of the managing firm. These directors are usually men of experience and distinction—bankers, lawyers, engineers. Then there are the affiliated directors—professional investment fund managers.

Until the outbreak of the late war, the group of companies I am associated with was most fortunate in having a Scottish investment fund manager as director of two of our funds. In Britain, this gentleman was one of the elite group of professional trust managers. He was chairman of three British trusts and a director of 12 others. His training for this is interesting. Though he was the son of one of Scotland's leading noblemen, he first spent a training period in an Edinburgh investment fund manager's office—for 20 years. Only then was he considered sufficiently well schooled in the art of investment management to be chosen as a director.

It would perhaps be interesting at this juncture to illustrate an example of management and what it means in dollars and cents to you. If you have followed the stock market in recent years, you will know that the moving picture stocks have experienced a very sharp decline in prices since 1946.

An Experience with Movie Stocks

One investment fund management organization has on its staff an economist who earlier had had a very distinguished career as a professor of economics at Princeton. In making one of his reports in late 1945 he forecast that there would probably develop around the world what is now known as "dollar shortage" in many countries. When his report came up for evaluation by the senior man of that organization, he looked over his list of securities then held to see which ones might be vulnerable to such a situation. On coming to his moving picture group he immediately recognized a dangerous situation. It has been a well-known fact for many years that our moving picture companies get back their production costs from the home market, and their sales abroad bring in the profits. Secondly, theirs was a luxury product. So out went all their moving picture stocks, and at prices which brought in some very handsome profits to the funds. Undoubtedly there were critics of the move at the time, because the outlook always looks rosy to most people at a time when stock prices are high.

Well, some months later England said she wouldn't allow any more dollars for American movies, that the dollars had to be used for food and essential goods. The same happened in other countries. And down went our moving picture stocks with a bang. Had the managers of that group of companies sat on their hands and not troubled to keep their list of stocks abreast of changing conditions, the stockholders would not have realized those profits and, as a matter of fact, they would have had some nice losses in that group instead.

Now, in case you may begin to wonder whether these investment fund managers are supermen, I would like to point out a case where they were wrong, for this example brings out one of the basic reasons for careful investors buying investment funds, namely, wide diversification of risk.

Back in late 1947 the managers of this particular investment fund were attracted to a soft drink stock. They investigated it from every angle, talked to the president and some of the directors. It looked good—so they bought 10,000 shares at an average cost of around 24. It was popular with a great many investment companies, for it looked like a growth situation.

Some time later, however, the earnings outlook of this manufacturer began to deteriorate, and the managers reversed themselves and started selling it out at 18 and then progressively lower until they were out of it—out, incidentally, before the company later passed its dividend.

I was intrigued when I heard about this and looked up an old report. I found that those 10,000 shares, big though it sounds, was less than ¼ of 1% of the company's assets. Such loss as there was would only be a slight pinprick. Now you can be sure that while the investment fund was buying its 10,000 shares, there were various individuals buying their 50, 100 or 200 shares. But, instead of it being less than ¼ of 1% of their list—it was probably 5, 10, 20—maybe 50% of their list—a very serious loss to them. Moreover, many of those individual buyers are probably still holding that stock, for one of the layman's great weaknesses in investment is in not cutting his loss and running, whereas the professional manager, if he's good, will usually do so and minimize his loss.

Advantage of Diversification

Please do not assume from these cases, like the foolish people of the '20s did, that you will get spectacular results from buying these investment funds. Most funds at one time or another will make spectacular coups in certain individual stocks, but the impact will be diminished by the wide diversification of securities in the fund. You buy these funds for safety and for assurance of income.

Yet they perform quite well marketwise as compared with individual stocks. Usually, they are compared with the Dow-Jones Average, and compare very favorably. The Dow-Jones Industrial Average, however, is made up of but 30 individual stocks, whereas on the New York Stock Exchange alone there are 1,458 stock issues listed, all held by individuals like you and me.

In 1949, a rising stock market year, we find that the six largest common stock mutual funds showed an average rise in the year, including capital gains paid out, of over 12½%.

Yet almost a third of all the common stocks listed in the New York Stock Exchange showed declines in 1949, including some of our best-known stocks like American Telephone, Anaconda Copper, American Radiator, Bethlehem Steel, Chesapeake & Ohio RR., Gulf Oil, International Nickel, Kennecott Copper, Paramount Pictures and Standard Oil of New Jersey.

This does not mean that there is not a place for buying individual stocks—but that will depend on your particular circumstances. Many a good stock is called a "businessman's risk," but that would not be for the investor who has to be careful. It may be that you or members of your family are close to some particular company and know its prospects better than another person—or your broker will have some special knowledge of a certain stock. And then, if you can afford it, there is always the excitement of picking a winner. Life would be very dull if we didn't have a little fun once in a while. But make sure you can afford it.

Two years ago I had a young investment man in my office who was just taking up these investment companies. Across the way, talking to one of my colleagues, I noticed a gentleman from out of town, one of the country's leading investment bankers and very highly regarded in every respect by his banking contemporaries. This investment banker I knew had been recommending investment companies for a great many years to his clients, so I thought it would be interesting to have the young New Yorker meet him. His first question was: "Mr. So-and-So, what would you say is the reason you recommend investment companies?" The reply was, "I have seen a great many ups and downs in my time, and we will have bad times again. When we do, I don't want to have to cross the street if I see a client coming."

You will notice that the prices of most leading investment companies are in the lower price ranges. This has been made this way purposely. They range from around $30 a share to around $1.75 a share. This latter, by the way, is one of our largest and most conservative funds. It came out originally around $1 a share. The sponsors could have bought it out around $100 a share if they chose, and if they had, the price today would be around $175. If you had $1,000 to invest, you would get around 570 shares instead of six shares. Most people prefer the low prices and like to get more shares for their money. I am one of them.

Accumulation Plans

Another reason for the low unit prices of these shares is that it lends itself to regular and systematic investment of money. There are now available plans by which investors can invest a small amount each month, and reinvest and compound the dividends if they so desire as they go along. Some of these plans are even set up so that the investor does not pay any added cost over and above purchasing shares in the ordinary way. It is an excellent method of building up an estate, or building up a college fund for children.

We have found these accumulation plans particularly popular with school teachers and military personnel who look forward to retirement and their pensions, but want to have additional income at such a time to take up the slack between their current incomes and the reduced income of their pensions.

Who should invest, and who is investing, in these investment companies? Briefly, the young and the old, the poor and the rich.

The head of one of the leading investment company research and management departments is a man held in the highest esteem in Wall Street investment circles, and has had many years of successful investment of large sums of money. He told me one day that an elderly aunt of his came to him and said, "Harold, they tell me you are quite an expert in Wall Street. I have several thousand dollars lying idle in the bank that I ought to invest. You are just the man to tell me what to do." As he told me this story he said, "Thank goodness I could recommend a good investment company, because I just couldn't assume the responsibility in a case like this of picking just one or two stocks and bonds. And I just haven't got the time to watch them for her after that."

The small investor is a logical buyer based on that old adage of "Don't put all your eggs in one basked." The inexperienced person, or the one who finds reading the financial page a chore, can solve their problems in this manner and achieve that wonderful condition—peace of mind. The same for the very busy businessman or woman, doctor, dentist, farmer, and so on, who never has time to give to his or her personal affairs.

Appeal to the Elderly

Also elderly people who want to put their affairs in good order for their heirs, and not leave a lot of odds and ends of miscellaneous stocks which might require a lot of time and expense in getting transferred after death. Moreover, if the estate should be tied up for a lengthy period, the investments are still being watched and changed if necessary even while your investment fund certificates are under seal in a safe deposit box.

They are being held in increasing amounts by institutions—church funds, hospital funds, pension funds, colleges, banks as trustees, club funds, memorial funds, trade union funds, and so on.

Even the stock market speculator on occasion will want to put some of his money into these funds—as his conservative backlog, or for his wife or children.

Also what I call the semi-professional investor, the woman or man who may have inherited or accumulated money, takes various financial services, and follows stocks closely. They are interested in the reports put out every three months to investment company stockholders showing what they have been buying and selling.

And, lastly, the person who hires an investment counsel. If that person is not sure whether or not the investment counsel is doing a good job for her, she should put a little money in some good investment company and then closely follow the performance of each. If the investment counsel account does as well or better, then she can relax and know she is in good hands. If it does not do as well, then she can take steps to correct the situation.

Choosing Type of Fund

Now, which of these many types of mutual funds should an investor purchase? That will depend on his circumstances. The broker or the investment dealer is the one to give advice and his advice will be based on your particular needs.

Moreover, your investment dealer or broker makes it his business to know the various investment funds available and their managements to get you the best possible value and safety for your money.

Now, just what is the most important single factor your broker looks for? The most important factor by far is the integrity of the men who run the company. The next most important factor is the ability of such men.

Moreover, he studies the investment policies of each fund, and the safeguards provided. For example, the assets of your company, the many securities it owns and its cash, are usually held by a well-known bank under a trust or custodian arrangement.

Twenty years ago I was most impressed with the major difference then existing between the average British stockbroker and the average American stockbroker. In this country the stockbroker regarded himself as a businessman, but in Britain the broker regarded himself as a professional man, very much like the doctor or the lawyer and had that kind of relationship with his client. In fact, so much so that the London stockbroker went down to the Stock Exchange or called on a client wearing a silk hat, striped trousers and black jacket. Over the past 20 years a change in our stockbrokers has gradually come about in this country and although I have yet to see any New York stockbroker calling on one of his clients with a silk hat, his approach today is more in the British manner. In other words, he does not sell you a security, but rather he *prescribes* a security for your particular needs.

A millionaire can purchase many good securities and not put all his eggs in one basket. Also, he can afford to hire investment experts to watch such securities. So, with an investment company, can you.

Davies & Mejia to Admit F. W. Strong

SAN FRANCISCO, CALIF.—Davies & Mejia, members of the New York and San Francisco Stock Exchanges, will admit Ferdinand W. Strong to partnership on May 1. Mr. Strong is in charge of the firm's Oakland office, 1430 Franklin Street.

Gilbert Wicks Director

Gilbert A. Wicks, a partner in the New York Stock Exchange firm of Foster and Adams, has been elected a director of Eastern States Corp.

With J. Arthur Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Raymond A. Clark has joined their sales organization in New York.

Faroll Co. to Admit

CHICAGO, ILL.—Joseph Klein will become a partner in Faroll & Company, 209 South La Salle Street, member of the New York and Midwest Stock Exchanges, on May 1.

Our Warning to Korea—Reform Begins at Home!

By EDWIN J. SCHLESINGER
Investment Counsel

Noting Secretary Acheson's anti-inflation warning to Korea, Mr. Schlesinger says we should repair our own unsound practices, as pegged interest rates, deficit financing, artificial price props, and large national debt.

The recent note of Secretary of State Dean Acheson to the Korean Ambassador requesting action to halt inflation in Korea carries several points which we in this country might well heed. Reference is made to the following excerpts from the Secretary's note:

Edwin J. Schlesinger

"... the deep concern of this Govment over the mounting inflation in Korea.... indicates a lack of comprehension on the part of the Korean Government of the seriousness of the problem and an unwillingness to take the drastic measures required to curb the growing inflation.

"Government expenditures have been vastly expanded by bank overdrafts without reference to limits set by an approved budget.

"These uneconomic practices have in turn served to expand the currency in circulation, unbalance the Korean national budget, and cause a sharp rise in wholesale and retail prices, thereby strengthening the growing forces of inflation."

In the United States we have (1) pegged interest rates; (2) indulged in deficit financing; (3) utilized artificial means to stem a normal downward price trend, and (4) increased the national debt. And worst of all, we have stubbornly persisted for years in going ahead doing these unsound things.

It would seem that by this time the realization of the importance of a sound economy should be apparent to all thinking people throughout the entire country. There no doubt are many in various lines of endeavor who have profited handsomely by the manner in which the country's economy has been conducted; but they, as well as the rank and file of the population, are likely to pay back much or all of such temporary gains.

There is still time for Congress to get together with clear thinking and patriotic industrial, financial, agricultural and labor leaders to try to right this situation which can only do great harm to the national well-being, and possibly even end in disaster.

Regardless of whether the country has ahead of it a period of peace, a continuation of the cold war, or a fighting war, common sense and national self-interest calls for a prompt return to sound economic practices. And we had better get busy, as it may be later than we think!

Truslow and Widenmann Representing Stock Exchanges at Santos Conference

Attending Third Hemispheric Stock Exchange Conference on behalf of the New York Stock and Curb Exchanges, and Association of Stock Exchange firms.

Francis A. Truslow Hans A. Widenmann

The New York Stock Exchange, the New York Curb Exchange and the Association of Stock Exchange Firms will be represented at the Third Hemispheric Stock Exchange Conference to be held from April 20 to 22 in Santos, Brazil.

Francis Adams Truslow, president of the Curb Exchange, will be his organization's representative, and Hans A. Widenmann, a partner in the New York Stock and Curb Exchange firm of Carl M. Loeb, Rhoades & Co., and first vice-president of the Association of Stock Exchange Firms, will act as delegate of the Stock Exchange and the Association of Stock Exchange Firms.

The conference at Santos is being sponsored by the stock exchange committee of the Inter-American Council of Commerce and Production. Invitations have been extended to all of the exchanges of this hemisphere from the offices of the council in Montevideo, Uruguay, by Tomas Eduardo Rodriguez, president of the stock exchange committee.

The conference of stock exchanges will be followed immediately by the fifth plenary meeting of the Inter-American Council of Commerce and Production from April 23 through April 27. Mr. Truslow and Mr. Widenmann, will also attend this meeting as representatives of the New York exchanges.

The initial hemispheric conference of stock exchanges was held in September, 1947, in New York, with the two New York exchanges acting as hosts to delegates from 23 other exchanges from Canada, the United States and Central and South America. A second conference took place in October, 1948, at Santiago, Chile, with the Santiago Stock Exchange as host.

Private Com'l Secs.

Private Commercial Securities Corporation has been formed with offices at 30 Broad Street, New York City, to engage in a securities business.

J. W. Mays, Inc.

BROOKLYN, N. Y.—J. W. Mays, Inc. is conducting a securities business from offices at 510 Fulton Street.

Louis Fisch Opens

BROOKLYN, N. Y.—Louis Fisch is engaging in a securities business from offices at 26 Court Street.

Continued from page 2

The Security I Like Best

EDWARD R. HOLT

Partner, Newburger, Loeb & Co., New York City

(Southern Pacific Co. Convertible Debenture 3s of 1960)

"What security is best for the future?"—that is a moot question. If you asked what security I thought would be best to buy in today's market that would be far easier to answer, but a "best" issue must have many unusual features, expectation for enhancement in value, a stable income, investment merit, and, in turn, reasonable stability in a general downward market. Thus a convertible bond would be the natural selection for these requirements and after due analysis, it is my feeling that the best buy would be the new Southern Pacific Co. 3% Convertible Debentures due April 1, 1960.

Edward R. Holt

Now comes the question, "Why pick a railroad security in view of the generally low regard the public has for this industry?" To that, I say that Southern Pacific is not just another railroad—it is one of the outstanding enterprises of the country with an excellent record, having operated at a profit for the last 65 years with the exception of the depression years of 1932-33 and 1938. Many of our outstanding industrial corporations cannot match this long earnings record.

To digress for the moment, what would your answer be to the question as to which two sections of the country have the most promise for future growth? Would not the answer be the Southwest and the Pacific Coast especially Southern California—just the territory that the Southern Pacific serves. The road starts at New Orleans and, with many side branches, runs through Texas to Los Angeles, then up the Pacific Coast to Portland and a branch to Ogden, Utah. The Southern Pacific controls the "Cotton Belt" which connects New Orleans with St. Louis and the territory in between.

The new Convertible Debentures are selling on the New York Stock Exchange around 103 and yield 2.65% to maturity. Each $1,000 Debenture plus $100 in cash is convertible into 20 shares of common stock, which is currently selling around 53.

Based upon the highs of the last five years for the stock, these Debentures on parity would have sold as high as 114¾ in 1948, 130 in 1946 and 114 in 1945. Thus, in three out of the last five years there would have been an opportunity of a reasonable profit in these Debentures.

Now, if these bonds did not have a convertible feature, on an investment basis they should sell around 95 which would return a yield of approximately 3.60% to maturity. However, a call on the common stock of Southern Pacific for ten years is easily worth the premium the bonds are currently commanding over the estimated true investment value of this issue. Thus, if the Southern Pacific common should ever sell down a considerable amount, I believe that these bonds would always sell somewhat above the investment value, whatever it may be at the time. Also, from an investment viewpoint, it is interesting to note that the nearer the time gets to the maturity of a bond, the closer to par the issue should sell.

Currently paying $5 per annum and yielding 9.40% the common stock has unusual possibilities of market appreciation which, in time, should be reflected in the quotation for the Convertible Debentures.

It is my contention that these Debentures will become more and more popular with the investor.

Securities Salesman's Corner

By JOHN DUTTON

When should you carry a briefcase? It depends upon the nature of the call you are making. Should you own a briefcase filled with visual exhibits? By all means. Does a doctor carry a bag in which are deposited the tools of his trade? Of course, he does; and he uses those tools, too.

There are some calls which you will make where it is advisable to leave your brief case in your car, or else check it down in the lobby in case you are working in office buildings. These cases are first interviews with new prospects. I am one who holds that your first call should be on a "get acquainted basis." But you should never waste anyone's time even on a first call. You must have something definite to talk about, something which will repay your prospective new account for the time he is giving to you. Meanwhile you should also uncover a need in his setup for a future call which is based upon service to him. In most cases if you are skillful and know your job it is not necessary to carry a set of tools into his office. A few papers are all that you need even if you are going to secure a list of his holdings for analysis—these you can carry in your pocket.

On call backs or on calls where you are seeing old customers, you should have your brief case. The brief case that I like is about twelve inches high and measures sixteen inches across. It has a steel frame and is made out of good cowhide. The top has a solid handle and it is roomy at the bottom and it closes with a strapover hinge. I can even put an extra pair of pajamas in it if I need to do so on an overnight trip. I carry two loose leaf note books, also other data such as order forms and return postage paid envelopes made out to my firm with a special att.: to myself. Advertising literature that might be left with customers and prospects should also be carried. Regarding the notebooks, you can make them up yourself depending upon what you desire to show your clients.

A few suggestions which will hold the attention of your prospects are: Charts showing the ups and down of the markets—the simpler the better. A list of leading stocks that have depreciated sharply in value from their 1929 highs and never have come back. Look up Western Union, International Tel. & Tel., New York Central, Pennsylvania R. R., Consolidated Edison of N. Y., etc. This is very effective when you are showing your prospect why it is not advisable to buy and hold. List the 1929 highs and present prices. It will open their eyes. If you have some testimonial letters from satisfied clients make photostats and show them. I once knew of a salesman who had a letter from a woman in her eighties. The handwriting clearly showed that it was from an elderly person. This letter was sent to him at Christmas time, and she gratefully acknowledged the help he had given her over many years and concluded, "I think of you everytime I get a check. I well remember the trouble I used to have before I met you ten years ago and I don't know how to thank you for what you have done for me." Used properly, such a letter, backed up by other exhibits, can gain a world of confidence for you. Newspaper clippings, neatly placed on heavy stock paper and inserted in the binder are helpful. They should be kept up to date, and by all means keep the notebooks spotless. You wouldn't think much of a doctor who pulled out a dirty bag when he called to see someone who was ill in your home. We are judged by little things.

The man who take pride in his work—who thinks about what he is doing—who plans his every move—whether it be a matter of a briefcase, or what is the best time to make a call—and who works at his job will not only carry visual selling aids but he will find them very helpful in closing business, and in opening new accounts.

H. S. MUNROE, Jr.

Partner, Hay, Fales & Co., Members, N. Y. Stock Exchange

(Selected Companies Geared to Electronic Age)

The question, "What is your favorite security?" posed with me quite a problem. The best answer that I can make to this question lies not in the naming of one particular stock but rather in naming a "package" of five stocks of companies all of which have certain common characteristics as described below.

Harold S. Munroe, Jr.

The onset of the so-called Atomic Age with ramifications which probably surpass the imagination at the present time, the prospect of wholesale jet-propelled air transportation, the ever-widening horizons in the field of electronics, all are combining to open what amounts to an entirely new vista in American industry. All of these fields require in varying degree the use of materials which have properties of strength, lightness, heat and corrosion resistance, etc., previously unheard of. Furthermore, new problems in metallurgy and engineering are constantly being opened up and, in my opinion, the growth prospects of companies engaged in the rare metal and other alloy fields as well as in the fields of chemical, physical and electrical engineering and research are practically unlimited. There are many companies in which there is a public interest in the common stock and which stand to participate to a greater or less degree in one or more of these great new fields of enterprise. Practically all of the companies in the group have something to recommend them, either along speculative or investment lines. However, in making my selection of the five stocks shown below I have endeavored to pick companies which have a good record of growth in the past and which have been in business long enough so that the risk of any one of these companies going completely broke seems rather remote. Following is my list, together with certain pertinent statistical information:

Where Traded	COMPANY	Shares Outstdg. as of 12-31-49	*1949-1950 Price Range High	Low	Approx. Curr. Mkt. 4-15, 1950	1949 Dividend $	Yield %	1949 Earnings $	Price Earnings Ratio
O. C.	Beryllium Corp.	148,180	16	8½	16	0.00	0.0	1.25	12.8
NYCE	Fansteel Metallur. Corp.	624,000	13⅞	8⅜	13	0.25	1.8	0.47	27.8
NYCE	Hazeltine Corp.	350,000	22½	11	22	1.25	5.5	2.81	8.0
NYCE	Pittsburgh Metallur. Co.	250,000	25¾	14	24	1.00	4.2	5.00	4.8
O. C.	Consol. Engineer. Corp.	213,400	26½	6⅝	21	0.75	3.6	1.81	11.6
	AVERAGE				19¼	0.65	3.4	2.27	8.5

*Through April 15, 1950.

It will be noted that the yield on these stocks varies from 5.5% to 0 and the price earnings ratio from 4.8 to 27.8. If an equal number of shares of each company is purchased, the buyer is in effect obtaining a stock at 19¼, which earned $2.27 the last fiscal year and paid a dividend of 65c to yield 3.4%. The low yield and the low percentage payout on the average in the group reflects the growth of the companies, which growth requires, as the reader will readily understand, that a great part of earnings be plowed back into business. However, it is my opinion that average earnings and dividends for this group will show a rather marked improvement in the current fiscal year. In my opinion, there is a good chance that one or more of these companies will "hit the jackpot" in the forthcoming years and will prove extremely profitable investments.

JOHN P. SATTERFIELD

Partner, Hoppin Bros. & Co., New York City

(Standard Oil Co. of New Jersey)

Inasmuch as it seems to me to be difficult, if not impossible to select a particular stock as "The Security I Like Best," I shall confine my comments to an equity generally accepted as "good value."

John P. Satterfield

Standard Oil Co. (New Jersey), currently selling around 71, and paying $4 annually to yield 5.6%, is my choice of a stock which certainly seems to possess such necessary attributes as an unusually attractive long-term record of performance, excellent management and, so far as can be determined at this time, a bright future. Operating as a holding company, since the dissolution of the old Jersey Trust in 1911, the present concern's balance sheet includes 130 companies in the Western Hemisphere. The largest of these are Humble Oil & Refining which is 72% owned by Jersey; Esso Standard Oil Co., 100% owned; The Carter Oil Co., 100% owned; Creole Petroleum Corp., 93% owned; Imperial Oil, 70% owned; and International Petroleum Co., now 83% owned. Of these larger subsidiaries, Humble, Creole, Imperial and International have markets for their respective stocks which are traded on the New York Curb Exchange. On April 10, this year, the closing prices for these equities were as follows: Humble, 88¾; Creole, 30½; Imperial, 25; and International, 8¾.

Based upon these prices (raised to the nearest whole number), Jersey's stock interest in Humble was worth $1,151,881,610; holdings of Creole were equal to $745,696,878; the Imperial stock was worth $474,624,600, and the interest in International was valued at $130,716,792. The total market value of these four subsidiaries amounted to $2,502,919,880.

The Dec. 31, 1948, consolidated balance sheet of Standard Oil (N. J.) revealed funded and other long-term indebtedness of $225,097,887. Then there was an item of $10,000,000 owing to Socony-Vacuum Oil Co. Net working capital amounted to $659,838,726. The sum of all these is $1,036,169,575 and, if deducted from the total market value of the four named subsidiaries, leaves a remainder of $1,466,750,304. Divide that figure by Jersey's outstanding stock (29,385,435 shares) and a price of $49.91 per share is obtained. The April 10, 1950, closing price for Jersey's stock was 71⅛. By subtracting $49.91 there is left $21.22, which indicates to me that when you buy Jersey at 71 you are paying only $21.22 per share for everything else the company owns other than their interest in Humble, Creole, Imperial and International Petroleum. Considering that these comments are restricted to only four of Jersey's Western Hemisphere interests, the figure of $21.22 becomes increasingly significant in that it reflects not only all other wholly owned interests in the Western Hemisphere, but also all owned or controlled interests in the Eastern Hemisphere.

It is interesting to note that the current market appraisal of Jersey's assets other than as interest in Humble, Creole, Imperial and International is substantially lower than at any time in recent years. The current value of $21.22 per share compares with $29.02 in April, 1948, $37.93 a year earlier and $38.48 in 1946. In view of the magnitude of Jersey's capital expenditures on all of its properties over the past four years, there would appear to be no sound reason for the lower market appraisal currently.

Considerably more could be written about this company whose operations in the oil industry, through subsidiaries, are well integrated, but space does not permit. However, for those who are interested in earnings, the average for the five years 1944-1948 was $8.02 per share, while those for 1948 alone were $12.44 per share. Thus, at a market price of 71 the stock is selling for about approximately 9 times the average earnings for the years 1944-1948 and about 5.7 times the 1948 earnings. Even on the basis of current estimates of $9 per share earnings for 1949, the stock sells for 7.9 times that estimate.

Despite the current difficulties being experienced in foreign oil markets, the oil industry should have many prosperous years ahead of it. Through progress in petroleum chemistry, an alliance with the chemical industry has created an additional growth factor. Therefore, consideration of future prospects for the oil industry, and specifically of Standard Oil of New Jersey, leads me to look upon that company's stock as a prime investment in a great and growing American enterprise.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS


R. E. McNeill, Jr. William S. Gray


J. K. Olyphant, Jr. Wm. A. Eldridge

At a regular meeting of the Board of Trustees of **Central Hanover Bank & Trust Company, New York,** held April 18, R. E. McNeill, Jr., was elected President to succeed William S. Gray, who became Chairman of the Board. J. K. Olyphant, Jr., and Wm. A. Eldridge were named Vice-Chairmen.

The new President, R. E. McNeill, Jr. came to Central Hanover Bank and Trust Company as a Vice-President in December, 1940 from Atlantic National Bank in West Palm Beach, Florida, where he had been President. Mr. McNeill's entire business career has been devoted to banking. He was born in Live Oak, Florida, in 1906, and lives in Montclair, New Jersey.

William S. Gray, now Chairman of the Board and Chief Executive Officer, joined Central Union Trust Comany in 1925 as Vice-President and became a Trustee of Central Hanover in 1931. He has served as President since January, 1933. He is a graduate of Princeton University, Class of 1919, and lives in Greenwich, Connecticut.

J. K. Olyphant, Jr., Vice-Chairman, joined Central Hanover in 1930 as a Vice-President and became a Trustee in 1942. He is head of the Banking Division. Mr. Olyphant was graduated from Harvard University in 1918 and lives in New York City.

Wm. A. Eldridge, Vice-Chairman, entered the employ of Central Union Trust Company in 1921, and became a Vice-President in 1930. He was made a Trustee of the bank in 1942 and is head of the Trust Division. Mr. Eldridge is a graduate of Harvard University, Class of 1921, and makes his home in New York City.

* * *

At a meeting of the board of directors of the **National City Bank of New York,** held on April 18, Arthur Jacobson of the Transcontinental Service Department was appointed an Assistant Cashier.

* * *

At a regular meeting of the Board of Directors of **City Bank Farmers Trust Company, New York,** held on April 18, Kenneth A. Hackler and Reynal de St. M. Thebaud were appointed Trust Officers, Briant S. Cookman was appointed Assistant Vice-President and Philip J. Orsi and Frank Noyes were appointed Assistant Trust Officers.

* * *

Bernard Townsend, President of **Title Guarantee and Trust Company, New York,** announced on April 19 the election as a trustee of Ralph E. Case, a principal in the management engineering firm of Stevenson, Jordan & Harrison, Inc.

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Irving Trust Co., New York, has announced on April 3 the promotion of Peter D. Crawford, now an Assistant Vice-President, to Vice-President. Mr. Crawford has had extensive experience in the branch office and loaning activities of the bank. Now a member of the company's office in the Empire State Building, he will be the Vice-President in charge of the company's new office at Madison Avenue and 57th Street, which is expected to open late this year.

Irving Trust Co. has also appointed Frank E. Conant, Jr., Haldan E. Connor and William E. Scott, Assistant Secretaries, all of whom have been members of the company's loaning staff with wide experience in branch office activities.

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Harvey D. Gibson, President of **Manufacturers Trust Co. of New York,** announces that Joseph Snyder, formerly Assistant Treasurer, who represents the bank in Indiana, Illinois and Iowa, has been appointed an Assistant Vice-President. Mr. Snyder began his banking career in 1920. In 1927 he joined the State Bank in New York City, coming to Manufacturers Trust Co. in 1929 when the State Bank was merged with Manufacturers Trust Co.

Mr. Gibson also announced that Joseph W. Turnwald, Assistant Branch Manager at the 39th Street and Seventh Avenue Office has been appointed Assistant Secretary.

Mr. Turnwald began his banking career in 1924 with the Chatham Phenix National Bank and Trust Co., joining Manufacturers Trust Co. in 1932 when the two banks were merged. During his entire 26 years in the banking field Mr. Turnwald has been associated with the 39th Street Office where he started as a bookkeeper.

The appointment of Anthony J. Kearshes as Trust Officer in the Pension Division of the Personal Trust Department was also announced. In addition to administering pension trusts already established, the Pension Division assists employers in designing pension plans and estimating the costs.

Mr. Kearshes has had extensive experience in the field of pensions, having been associated for many years with the Aetna Life Insurance Co. in pension and actuarial work.

* * *

Henry Smith, Manager of the Fordham office of the **Industrial Bank of Commerce, New York,** has been elected Vice-President, it was announced on April 13 by Walter E. Kolb, President. Also advanced at the main office were Wendell M. Stevens, formerly Assistant Treasurer to Assistant Vice-President and Louis D. Uniti, formerly Assistant Secretary to Assistant Vice-President.

Mr. Smith has been affiliated with the bank for 34 years and has been in charge of the Fordham Branch, one of the bank's 13 offices, since it was opened in 1939.

Mr. Stevens, who is with the Commercial Loan Department, has been with the bank for 30 years.

Mr. Uniti, who is with the Consumer Credit Division, joined the bank's staff 35 years ago. He is a director of the Associated Retail Credit Men of New York City.

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Rufus F. Duff

Francis S. Bancroft, President of **Excelsior Savings Bank, New York,** announces that the Board of Trustees elected Rufus F. Duff as Vice-President.

Mr. Duff is in charge of bond investments and formerly had the title of Securities Investment Officer. He has been associated with the bank for the past 12 years.

* * *

Kelley Graham, Chairman of the board of **The First National Bank of Jersey City, N. J.,** announced on April 13 the appointment of William H. Bell, Jr., as Assistant Vice-President of the bank. Mr. Bell will undertake general banking duties in his new position which he assumed on April 17. He has been associated with J. P. Morgan & Co. Inc. since 1939 in the firm's credit, statistical, business development and trust departments.

* * *

New quarters for **The Bank of Virginia in Newport News** will be introduced to the public Monday, May 1, when the bank will open for business in its new home at 2805 Washington Avenue.

Several days will be required to move from the present location at 2612 Washington Avenue. The move and installation of new equipment will be completed over the week end of April 29-30 without interruption of service to bank customers, Mr. Islin said. The bank will operate as usual at the present location until the close of business Saturday, April 29. On Monday, May 1, it will open in the new quarters.

In addition to the day's usual banking hours, the staff will hold an open house for the public from 4 p.m. until 9 p.m.. Visitors will be conducted through the building, and there will be a program of local music and entertainment, favors and refreshments.

* * *

The **Citizens National Bank of Chicago, Ill.,** has increased its capital from $200,000 to $300,000; in part, $20,000 of the $100,000 increase was brought about by a stock dividend, while the sale of new stock to the amount of $80,000 made possible the further additional capital, which was increased as of April 5.

* * *

A special meeting of the shareholders of **The Detroit Bank, Detroit, Mich.,** has been called for Tuesday, April 25, 1950, to vote on the proposal of the bank's directors to increase the common capital stock from 250,000 to 300,000 shares through the issuance of rights on the basis of one (1) new share for each five (5) shares held of record on April 25, 1950.

The shareholders will also be asked to fix the price at which the additional shares will be subscribed for and to authorize the directors to enter into an agreement with underwriters covering the sale of shares unsubscribed by the shareholders to the underwriters at a price not less than that so fixed for sale to shareholders.

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A stock dividend of $350,000 has resulted in bringing the capital of the **First National Bank of El Dorado, Kans.,** up to $700,000 from $350,000. The office of the Comptroller of the Currency reports the enlarged capital as having become effective April 3.

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Through a stock dividend of $200,000 the **First National Bank of Winston-Salem, N. C.,** has enlarged its capital from $200,000 to $400,000 as of April 6.

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The capital of the **First National Bank in Fort Lauderdale, Fla.,** has been increased from $200,000 to $400,000 effective March 31. Of the increase $100,000 represented a stock dividend whereby the capital was raised from $200,000 to $300,000, while the additional $100,000 was provided by the sale of new stock to the amount of $100,000.

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The title of the **Security Savings Bank of Birmingham, Ala.,** a State member of the Federal Reserve System, has been changed to the **Security Commercial Bank** effective April 1, according to an announcement by the Board of Governors of the Federal Reserve System.

* * *

A proposal to issue to all present shareholders rights to subscribe for new common stock of the **Bank of America, San Francisco, Calif.** at a preferential price of $20 per share is to be placed before the bank's shareholders at a special meeting scheduled for May 2 in San Francisco. Recent quotation on the stock is about $28.50. On this basis the rights would be worth about $29 million to the shareholders of record May 11, who would have an opportunity to subscribe for a total of 3,412,684 of the new shares on the basis of one new share for each six shares owned. The rights would expire June 1, 1950. Under the proposal, the board of directors will dispose of an additional 111,212 shares at the best price obtainable.

Announcement to this effect was made by L. M. Giannini, President, following a meeting of the board of directors in Los Angeles. Decision to make the proposal followed a recommendation made by a special committee of the board.

The Comptroller of the Currency has consented to issue permits for a number of additional branches, which should add materially to the bank's increasing earning power, following the proposed increase of capital, the announcement states. The Comptroller has also given tentative approval to the proposed increase and the method designed to effect it.

Issuance of the new shares would round out the number outstanding to 24,000,000 and would increase the capital funds of the bank to a figure in excess of $380,000,000, exclusive of the reserve for possible loan losses of $45,000,000. The total capital funds and reserves of the bank are at a new high and will exceed those of any other bank by approximately $50,000,000.

L. M. Giannini, President, states that the bank is continually broadening its services and developing new ones for the constructive employment of its capital funds and deposits, and the funds realized from the proposed sale of additional shares of stock, besides making possible the advantageous establishment of new branches above mentioned, will add materially to the ability of the bank to improve further its community building activities.

* * *

Stockholders of **American Trust Co., San Francisco, Calif.,** are being offered rights to subscribe for 118,963 shares of common stock of the bank at the rate of one new share for each four shares held of record on March 16, 1950. The right to purchase the new shares at a subscription price of $44.42 per share expires May 15, 1950. A group of 17 underwriters, headed by Blyth & Co., Inc., has agreed to purchase from the bank all unsubscribed shares at the original subscription price.

Proceeds from the sale of the common stock will be added to the bank's capital and surplus accounts.

Associated with Blyth & Co., Inc., in the syndicate are: Elworthy & Co.; Dean Witter & Co.; Schwabacher & Co.; Shuman, Agnew & Co.; Weeden & Co.; J. Barth & Co.; Raggio, Reed & Co.; Davies & Mejia; Irving Lundborg & Co.; Mitchum, Tully & Co.; William R. Staats Co.; Sutro & Co.; Swift & Co.; Davis Skaggs & Co.; McAndrew & Co.; and Stone & Youngberg.

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The 40-year-old **First National Bank of Parlier, Fresno County, Cal.,** with approximately $2,000,000 in resources, has been purchased by C. Robert Partridge of San Francisco, it was announced on March 30. Controlling interest, it is announced, was acquired through purchase of stock formerly held by Nelson Hayhurst and T. M. Robinson, Jr., both of Fresno. Mr. Hayhurst will continue as a director, but Mr. Robinson has been replaced on the board by Mr. Partridge, and Mrs. Robinson, also a former director, by Hugh Miller, Cashier of the bank. The President of the bank, H. B. Quick, who is also Deputy County Assessor and Past Secretary of the Sun Maid Raisin Growers, Fresno, will continue as both President and director. Another director is E. R. Eymann. The new owner, C. Robert Partridge, is a son of Charles P. Partridge, President of the Central Valley Bank of California, and it is anticipated that the bank eventually will become an office in the Central Valley Bank system (head office, Richmond, Cal.) following completion of merger details by Federal and State Supervisory authorities, meanwhile continuing operations under its present name.

Chicago Street Club Elects New Officers

CHICAGO, ILL.—Newly elected officers of The Street Club, the Chicago organization of young men on LaSalle Street, are: Robert Hunker of Merrill Lynch, Pierce Fenner & Bean, President; James V. Donoghue of A. G. Becker & Co., Inc., Secretary; Eugene Holland of Continental Illinois National Bank & Trust Co., Treasurer.

New directors for 1950-51 are: Gordon Bent, Bacon, Whipple & Co.; Bowen Blair, William Blair & Co.; James V. Donoghue; Robert M. Clark, Blunt, Ellis & Simmons; Scott Davis, Midwest Stock Exchange; John H. Fyfe, Julien Collins & Co.; Eugene Holland; Robert Hunker; Nathan McClure, The Northern Trust Co.

John H. Fyfe has been appointed Vice-President.

Hugh Devlin Joins Greene & Company

Greene & Co., 37 Wall Street, New York City, announce that Hugh J. Devlin has become associated with them as manager of their wholesale department. Mr. Devlin has recently been doing business as an individual dealer.

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We Can Make Social Progress Without Socialism

ing the extension of political controls over other industries and over agriculture.

It was long ago demonstrated that candid socialism made little appeal to industrial workers and to farmers in America—and naturally very little appeal to businessmen. No large number of our people would vote for candidates who openly advocated government ownership of public utilities and the major essential industries. Even party socialists did not venture to advocate collective ownership and operation of the farms.

Socializers Gaining

Yet, strange to say, we find today the socializers of our industries are making great headway in socializing agriculture through government regulation without ownership, and socializing many industries without government ownership, by deceptive laws made for the declared purpose of preserving democracy, promoting the general welfare and providing social security. As this program expands the actual result is to leave the farmers, industrial managers and wage earners cherishing the illusion that they are maintaining the independence of private ownership, private management and private employment, while in fact they are becoming every day more and more dependent on political planning, control and direction of all their supposedly private activities.

The extreme example is found in government regulation of agriculture. As the laws now read and are enforced, a farmer can no longer grow grain to feed to his own livestock unless he limits his production and marketing in accordance with government orders. The bribe to induce the farmer thus to give up his independent way of life is the guarantee of a government fixed price for his products.

Experience has shown that this government regulation of food production has disastrous results for the housewife, and her breadwinner who works in the city. The consumer pays an exorbitant price for potatoes, because the government buys millions of bushels which it can't sell, and which it is not allowed to give away to people who can't afford to buy them. Then all the people, who have been forced to pay too much for potatoes, are forced to pay additional taxes to pay for government purchases of potatoes which must be destroyed instead of eaten.

In like manner egg prices are raised by using the taxpayer's money to buy uneatable eggs so that he must pay more money for eggs that he can eat. Likewise the taxpayer, through his government, buys wheat and cotton and corn and peanuts and stores them so he will be forced to pay a higher price when he buys these things to use them. This sounds like a plan for getting rich by robbing yourself, which might be devised in an insane asylum. But it is actually the plan which the socializers have been putting over on the American people.

The insanity of the whole program is forcing the politicians to find some less crazy way to socialize agriculture. So now we have the Brannan Plan developing; and that is naked socialism. That Plan is to guarantee the farmer an income by letting him sell his products for what he can get and then paying him the difference between what he gets and what the government fixes as a fair price. In this way the consumer will pay a lower price in the grocery store and pay the balance of his food bill in his taxes. Of course this plan would bankrupt the government without production control, so the farmers must let the government run their farms—which will make them simply government employees. Thus we will arrive at socialized agriculture without government ownership of land.

Effect of Social Security Laws

It would take too long to explain in detail how various social security laws are being used to socialize industry. But a brief example will suffice. Industry must now pay taxes for old age pensions and unemployment insurance. Larger taxes and more insurance are sought every year. Sickness insurance taxes are just around the corner—waiting for the opposition to socialized medicine to subside. The ultimate function of private business is becoming plainer every day. Wages and hours will be fixed by law, using minimum wages and maximum hours to provide the basic standards. The cost of living will rise steadily as taxes rise and prices rise under government price fixing. More and more of the earnings that a worker could spend for his own security will be taxed away by the government, which will spend the money as it does now for current expenses and then will levy more taxes tomorrow to pay again for the pensions, unemployment and other kinds of insurance, which the worker-taxpayer thinks he is paying for today.

It should be evident by this time that this expanding program which promises "economic security" is just a devious way of increasing the dependence of everyone on the government, which cannot even attempt to assure all workers of a livelihood until it takes over the planning and control of all industry.

But, our well-meaning liberal friends tell us that all our economic problems are now national problems which can only be solved by the national government. They claim that we can no longer safely rely on free competition in a free market to fix prices and to regulate production. We must have the government fix prices and wages and limit production or we will have alternate cycles of boom and bust, with somtimes too much produced and then vast unemployment, reduced prices and too little produced to meet our needs. We are told that we should no longer suffer these evils; and that unless we accept the discipline of government planning and government control of industry we cannot prevent recurrent depressions and widespread suffering.

The communists offer a simple remedy, the benevolent tyranny of an all powerful government. But the enslavement and terrorism and low standard of living that communism has produced in Russia have developed a fierce opposition to communism among the American people. So those who would socialize the economy of the United States proclaim themselves the most ardent advocates of what they call "civil liberties," by which they mean that Americans must not be forced by the terror of a national police to become slaves of their political rulers. No; Americans are to be bribed by promises of "security" to vote for government price fixing and government regulation of business and agriculture, so that in the end they will find that they can neither earn nor spend money except in conformity with government orders and government plans and political theories of what is good for them. In a word we are being converted to national socialism in the same gradual way in which we would be induced to accept any other vice which, in the words of Alexander Pope, is—

> "A monster of so frightful mien
> As to be hated needs but to be seen,
> Yet seen too oft, familiar with her face,
> We first endure, then pity, then embrace."

We have a thousand warnings against giving to any rulers great powers to do good, that always become great powers for doing evil. We have a thousand proofs that when men rely on voluntary agreement as the basis of human cooperation they advance their common welfare and their individual security; but when they rely on organized force they eventually destroy more than they create and they increase their individual insecurity. The contrast between the ruination of France and Germany after a century of warfare, and the progress of Canada and the United States after a century of peaceful intercourse should be sufficient to teach this lesson to any intelligent person.

The Constitution of the United States was written, not to force a nation of freemen to submit to the rule of a powerful national government, but to permit the American people to live and work together in security against both foreign aggression and any domestic tyranny. In their profound wisdom the founders of our government chose to rely on the voluntary cooperation of a free people to produce prosperity and security, and to deny any power to their government to force them to live and work under political planning and dictation.

Monopolistic Government Controls Destructive of Economic Freedom

We can still solve our economic problems by leaving the enterprisers of business and agriculture free to cooperate voluntarily to prevent wasteful overproduction and destructive competition, under the limited but necessary restraints of laws reasonably designed to prevent the growth and operation of private monopolies. Fifteen years ago there was widespread opposition to the private development of codes of fair competition under the NIRA, because of a fear that the growth of private monopolies was being encouraged. But, today, when codes of production control and price fixing are being forced by law upon industries, and particularly upon agriculture, is it not evident that monopolistic controls by government are far more destructive of economic freedom and individual liberty than any legally limited private agreements could ever be?

There is a practical alternative to a national socialistic control of agriculture. There are today numerous farm cooperatives, and associations of farmers, livestock raisers and fruit growers, who could easily expand the scope of their concerted activities to reduce the evils of reckless overproduction and uneconomic marketing, and to provide insurance against unavoidable losses from crop failures. Everything which the government is now seeking to accomplish by compulsory laws could be accomplished by private agreement, with the government limiting its interference to its historic functions of, first, enforcing lawful contracts, and, second, nullifying any monopolistic contracts or other efforts to destroy fair competition and a free market.

It is nonsense to assert that men will not organize themselves voluntarily to protect their obvious interests in an orderly, efficient system of production and distribution. The records of our industrial progress prove that that is just what Americans have been doing for decades, indeed for centuries. But the records also show that impatient, political-minded individuals are always calling upon government to relieve them of the pains and problems of self-discipline and to use political force to compel others to submit to their theories and programs of cooperation.

From Plato to Karl Marx some economic philosophers have argued that government must force men to work together under rules of law. For centuries the feudal lords of Europe laid down the laws, and their serfs were forced to obey. Then centralized governments under kings attempted to dominate the lives of their subjects with laws regulating all commerce and labor. Even our ancestors who fled from the tyrannies of the Old World tried to enforce a communistic control over working and living in colonial Massachusetts.

In the French Revolution a Commune was established which counter-revolutionists destroyed by military power. In this same era the revolutionists in America created a government of limited powers, relying on the people to support themselves and their government by voluntary methods. That government has endured for over 160 years of increasing prosperity, while in the Old World the struggle between classes to control government, and to extend a rule of force over more and more of the working and living conditions of more and more people, has been destroying governments and dragging millions of unhappy human beings through a succession of devastating foreign wars and internal warfare.

And so it happens that today, all Europe, still relying on government force to rule society, is impoverished, insecure and fear-ridden, and calling upon America for aid from the economic strength of a free people who still trust to voluntary agreements more than to government orders to enable them to work together for common progress.

A Plea for Voluntary Cooperation

Why should we forsake our reliance on voluntary cooperation, through which we have made an unparalleled advance in the general welfare? Why should we forsake our reliance on a political economic faith which has been so justified, and turn to a political economic program that has been tried over and over again, in centuries of human dependence upon many varieties of an all powerful government—a program that has been tried and always eventually has failed.

When men disagree and spend more of their energies in fighting one another than in working together, there is always the allurement to turn to the use of force, first private force and then government force, to settle their disputes. This allure leads stubborn men in labor relations to reject a healthy compromise, to cease the difficult effort of understanding the other fellow's problem, to be unwilling to seek impartial guidance and to resort to the oldest folly of mankind: to try to decide what is right or wrong by a trial by combat.

In modern society we are all so dependent upon one another that the masses of people cannot sit idly by while the disorganization of civil warfare spreads hardship and distress throughout the nation. And, so, very easily, these masses are persuaded that government must be called upon to bring order into disorganized industry or agriculture by laws compelling men to work together under government planning and direction. In the eloquent words of William Pitt: "Necessity is the plea for every infringement of human freedom. It is the argument of tyrants; it is the creed of slaves."

There begins the whittling away of individual liberty and the destruction of competition as the impartial regulator of a free economy. There begins reliance upon force and political power, the weakness of a subservient people. There begins loss of faith in that voluntary working together which is the glory and the strength of a free people.

We do not need to have the government whittle away our liberties and self-reliance by controls of industry and agriculture, as I have tried to point out.

Nor do we need to have the government whittle away our earnings by taxes to pay for insurance against the hazards of old age, unemployment and sickness. We can buy our own insurance, suited to our individual needs, at a lower cost. Every worker who is a member of a well run union should know that he can buy better insurance through his own private organization without paying a tax-eating horde of public officials to spend his money for him.

No Security in Government Insurance

The socializers claim that there is greater "security" in government insurance. But, government regulates the value of the dollars which it agrees to pay; and our government once cut the value of the dollar from 100 cents to 60 cents in one day. No private insurer has the power—or would dare to attempt—to do that. Government spends the money you pay for insurance this year and taxes you next year again to pay for the insurance you paid for last year. No private insurer can do that. Social "security" promised by government is actually social "insecurity," because your future depends upon promises that you can only enforce by political power and who can assure you of your political power in the days to come?

The control of labor relations is a major object of socializing politicians. Under the Railway Labor Act the government did not control labor relations. It only required both employers and employees to deal with each other with some patience, to try to make agreements and to listen to representatives of the public when disagreement threatened harm to all concerned. But, organized labor, enticed to use its growing political power, persuaded Congress to pass the Wagner Act, which pleased labor because it swung a government club against management. Then, a few years later, Congress passed the Taft-Hartley Act which swung two clubs, the old club against management and a new club against labor. This was so shocking to labor leaders that they have been denouncing it for over two years as a "slave act."

It doesn't make any difference whether you think the government made "slaves" of management by the Wagner Act, or "slaves" of labor by the Taft-Hartley Act, or "slaves" of neither by either Act. The point is that if government is going to control labor relations by law, eventually it will enslave both management and labor. That is the proven goal of national socialism; and the time is not far distant when both management and labor must either find ways to settle their differences without depriving the public of essential products and services, or they will find themselves subject to laws seriously restricting the liberties and benefits of private enterprise. Here again it is more advantageous to both parties to agree upon methods of settling every disagreement, than, first, to rely wholly on private force and, eventually, to be compelled to submit to public force.

Social Progress Without Socialism

We can make social progress steadily without socialism. We can reject the weapons of government force and associate ourselves in work or play only with those who are willing to trust to voluntary agreements and self-discipline. Vast commercial and social enterprises are operated today with no reliance upon government force beyond the judicial enforcement of such laws as are necessary to maintain the peace and good order of society and to inspire confidence in the security provided for ourselves by our private contracts.

Those who founded our government knew that of all the tyrannies of man over man the tyranny of government was the easiest to create and the most difficult to destroy. If we would preserve our heritage of liberty we must be ever on guard, not only against foreign enemies whom we can quickly recognize, but also against our well-meaning, misguided fellow citizens who would lead us into dependence on a paternalistic national government.

That great liberal, Justice Brandeis, once wrote in an opinion of the Supreme Court:

"Those who won our independence believed that the final end of the State was to make men free to develop their faculties; and that in its government the deliberative forces should prevail over the arbitrary. They valued liberty both as an end and as a means. They believed liberty to be the secret of happiness and courage to be the secret of liberty."

If we understand that liberty is the secret of happiness, if we understand that courage is the secret of liberty, we will reject the briberies and the appeals to our fears made by socializing politicians who promise us the pitiful security which is enjoyed by Indians as wards of the government. We will say to these political seducers: "Don't try to paternalize the American people! We can make social progress without socialism. We can make social progress with liberty!"

Continued from first page

Long-Run Repercussions Of Global Spending

are the significant factors on which the answer depends? To begin with, international configurations present three important elements of uncertainty:

One is, of course, the Russian menace with its war-like implications.

Another is the turmoil in Southern and Eastern Asia.

Lastly, there is the turgid dollar problem of Western Europe and the rest, including Canada and most of Latin America.

Each of these sources of trouble rates a few remarks.

Fading-Out of War Fears

Acute war fears definitely have faded out. For how long, no one knows, but no connoisseur expects Mr. Acheson's speeches to herald a preventive war, or the Soviets to start real trouble. Consequently, progress is no longer hampered by war-panic, the disappearance of which explains (in part) the spectacular price declines in the open and "black" markets for gold. This quieting of the nerves has done more for Europe's physical recovery than the Marshall Plan did.

But no doubt is left on any sensible mind about the Soviets' ultimate intentions. Nor have they any doubt about our "imperialistic" designs. The fact is that there never existed in all of known history a power comparable to ours that was not imperialistic. Small wonder that even our friends mistrust us.

Be that as it may, the "cold war" stays in permanence, with the effect of taxing our and Europe's resources for large-scale armaments. There remains, too, the Iron Curtain falling on the Satellite countries and aggravating the readjustment pains of Western Europe.

Of more acute portent is the **turmoil in Asia.** China, Indo-China and Burma, are for the time being, a total loss to the world economy. Malaya, Korea and the Philippines are seething with unrest. Indonesia, Hindustan and Pakistan are faced with economic ruin. Kashmir still constitutes a powder-keg. The Arab world is deeply perturbed. Palestine is and will remain our financial problem child. The Damocles' sword of Bolshevism hangs over the whole of Asia.

The break-up of the colonial empires in North and South America provided one of the vehicles on which capitalism rode through its glorious Century of Progress. The break-up of the colonial empires on the Asiatic continent is a very different story. It creates chaos and ushers in an anti-capitalistic trend. **For the time being,** Asia's de-Europeanization causes shortages in some raw materials, and reduces the outlets for industrial products. Europe is the prime loser; also, most valuable dollar-earning assets and investments of both Britain and Holland are threatened.

In the longer run, the end of the colonial era may turn out to be a disastrous blow to human progress. But the "cycle" we are discussing may not be affected.

Dollar Shortage

Just a few words about the so-called dollar shortage which centers in Europe. Suppose a railroad in bankruptcy goes on paying good wages, salaries and even taxes, also invests generously in new equipment, but does so out of borrowed funds while its liquidity position keeps deteriorating, debts rise and liquid reserves decline.

This is the picture, essentially, of most Marshall Plan recipients. True, the over-all dollar deficit in their balances of payments has been reduced from a record $7 billion after the war to some $4 billion this year. And it is supposed to be "stabilized" around $2½ billion after 1952. But even that hope is based on the wishful assumption that the rising cost-price sequel of the devaluations will not upset the unbalanced apple cart.

II

If the international monetary crisis (and it is a simmering crisis that erupts time and again) continues, we shall be exposed to unpleasant shocks. However, the system of **global parasitism** must come to an end. What then?

By and large, the current improvement in Europe's international accounts is due to the reduction of its dollar-imports, already near rock bottom, rather than to raising their exports to hard-money areas (financed in part by capital flight). Let us be clear: countries like Britain cannot eliminate entirely their balance of trade deficits, unless by reducing mass living standards in a revolutionary fashion. Moreover, their forced attempts to reduce imports beggar their neighbors, who in turn cease to buy abroad. The vicious circle must and can be broken.

Balancing Europe's domestic production and international trade depends largely on a factor that is none the less real for being non-measurable.

Western Europe's Gold Holdings

Western Europe's private holdings of gold, dollars, Swiss francs and "overseas" assets are beyond statistical evaluation. The grand total of its "hidden reserves" could not be much less than $10 billion, perhaps more. If only one-half of that would start "moving," a genuinely self-sustaining system could result very shortly. The apparently dead organism of international credit could be resuscitated virtually overnight.

Borrowing cheaply in Paris and investing at high return in Brazil or in Berlin, as an example, used to be one of the secrets of London's wealth creation. It presupposes **confidence** of capitalists all around. Its restoration should be the Number One objective. Progress in that direction has started, and it should not be difficult to foster much more progress toward Full Confidence in the place of Full Employment.

If Europe would trust itself, the rest of the capitalist world would trust it. American capital would become available on commercial and investment terms. Of course, that pre-supposes a change in domestic policies which may seem unlikely today. Especially so in Britain and France, the "key countries." But we could bring it about very fast—by simply stopping the hand-outs and forcing thereby the genuine readjustment.

All that is needed is to wipe out the immobilizing restrictions between nations, to re-establish free markets within each of them, to reduce incentive-killing taxation, to stop the inflationary leaks in the budgets and to restore legal order: the guarantee of private property and contractual rights.

At any rate, the prevailing **pessimism about Europe's recuperative abilities is not justified.** If we stop worrying about them, we might discover that there is little about which to worry. The pessimism is being spread by British and other Welfarists and by our own pressure groups with a vested interest in export subsidies.

As R. C. Leffingwell put it succinctly (in "Foreign Affairs," January, 1950): "Many experts doubt that the world will have the economic strength and flexibility to restore a system of multilateral trade and payments in the near future. I, on the other hand, doubt that the world can recover economic strength and flexibility until such a system is restored."

Most unfortunately, our own avowed policy pushes Europe in the opposite direction. The new German Republic, e.g., fights a losing battle against its Anglo-American masters who put pressure on it to restart the totalitarian practices of Hitler and Schacht: to indulge in fresh inflation, "repressing" its results by controls, exchange restrictions and rationing.

This policy emanates from the same Washington do-gooders who pretend that they try to persuade Europe to abolish its mutual monetary and commercial warfares.

III

Whichever way Europe will go, its course will play a far more significant role in our domestic economy than is generally realized.

For years, at varying degrees, the outer world was suffering from acute shortages of one kind or another. That had a considerable influence on raising our own price level to where it stands now. It was a reason or excuse for our export subsidies and helped to unbalance the supply-demand situation in this country.

International Price Depression

European recovery combined with global dollar shortage should have a depressing influence on international commodity prices. This downward trend is bound to be accelerated by the after-effects of five years of socialist mismanagement (financed by us).

In an unco-ordinated, more or less haphazard fashion Europe's resources were sunk into ambitious capital projects with no regard to present costs and future markets. The results are visible already, in the agricultural field in particular.

Take France, as an outstanding example. Three years ago she suffered an acute food shortage. Presently, she is producing more grain than ever before and is searching frantically for export outlets. The number of tractors on French farms has trebled, and the French tractor plants have expanded greatly their facilities. That has resulted not only in boosting the output of cereals, but also in reducing the number of draft-animals. The surplus fodder serves to build up milk, butter, and meat production. Now, the Bidault government is compelled to embark on a program of stockpiling butter and meat (unbalancing the budget for that purpose).

Simultaneously, and recklessly, all other Europeans strive to intensify agriculture. The British heavily subsidize their highly protected farmers (prices paid to them have just been raised again), putting premiums on bigger output and spending additional millions of pounds sterling on bolstering the productivity of the land. And the same process of artificial, unbalanced expansion prevails in manufacturing industries.

Europe's excess capacity in steel is estimated at six millon tons, although Germany's capacity still is restricted to only eleven million tons. Bigger and better steel plants are planned or are under construction. By 1952, oil refineries will have been multiplied five-fold. Textile, leather, chemical and other consumer goods industries are overgrown almost everywhere. Since the war, the French nationalized railroads have acquired 1,300 brand new locomotives; 150 are for sale, and many others are out of commission. Nonsalable coal is piling up in Europe, while we are still providing coal. The examples could be multiplied *sine fine.* (Note, however, that in some essential lines, electricity for one, Europe still is badly underequipped.)

The point is that this unbalanced expansion is bound sooner or later to glut the markets. The first signs of overproduction and consequent unemployment in certain areas of activity already are clearly visible. Malallocation of capital, the pay-off of the Welfare States' anti-capitalism and narrow nationalism, underlies the predicament. Domestic inflation and American aid are the way out—to a more unbalanced, more uneconomic accumulation of capital goods.

Nor is Europe alone in moving in that direction. At a slower or faster pace, all "civilized" nations (and many scarcely civilized) repeat the fatal mistake of the 1920's that was instrumental in distorting and in finally exploding the ordinary processes of international trade.

To induce and to maintain Full Employment, the natural trend of gradual growth characteristic of free capitalism—itself exposed to the danger of "overdoing"—is being perverted into a recklessly artificial industrialization. What is capitalistic society's greatest, if only spasmodic, hazard—excessive speculation and malinvestment due to overoptimism in gauging future growth — is being stimulated and even systematically indulged in by governments themselves.

The Lesson of History

Who has said that the one lesson history teaches is that people do not learn by history? They certainly do not seem to have learned that one decisive factor in bringing about the Great Depression of raw material markets was the attempt in the 1920's to stabilize their prices by national "valorizations" and international schemes or cartels to control the output. The result of governmental and super-governmental meddling was in every single case, from coffee and natural rubber to tin and steel: overproduction with ultimate price demoralization and breakdown. With the basic raw materials, went the entire price and value structure of the world economy.

It is this same pattern of international "managed economy" that faces us today, but with vastly extended stakes and scopes.

The commodity-planning schemes and forced industrialization attempts of the 1920's and 1930's appear as mere child play when compared with the present trend. The former were meant to be tricks to correct the fortunes of an otherwise capitalistic setup. The latter are taken outright from the bolshevik book. But the ideological aspect is a chapter in itself—a chapter in the mischievous doctrine of Full Employment.

The Raw Material Cycle

Raw materials are the most sensitive item in the global business cycle. Their major decline pricewise invariably precedes or accompanies the onset of a world-wide depression; invariably, it follows upon the heels of a rise or "stabilization" of prices which greatly expanded farming and mining lack the elasticity for self-adjustment of the supply. The market reaction is accordingly violent.

There is one more, and a most effective motive force behind the ominous expansion of this type unfolding before our eyes. It is our domestic boom that keeps world market prices high.

It is common knowledge that the United States has become the very center of the world economy. By this time, the world's markets for raw materials are largely American markets; at any rate, the former depend on the latter. But the "cyclical" implications of this situation are not always understood.

One consequence is that an American depression is bound to have world-wide repercussions. The other side of the medal is, however, not less relevant. I mean the fact that "prosperity" on our shores, with a high level of demand at high prices for foreign crude materials, is conducive to a high level of output abroad. But in basic materials, output cannot be "regulated" (except under bolshevism). Its changes in volume go to extremes.

Under any circumstances which leave an opening to the play of private interests, the boom attracts capital, land, and labor into production. This stimulated production can become unbalanced for years by a comparatively moderate surplus of supply over demand. On an international plan, **bust must follow the commodity boom.** Presently, many signs indicate a tendency toward more than moderate surpluses.

Accordingly, the long-term prospects of the world market should be borne in mind for the evaluation of the domestic outlook in the long pull.

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Business in the 1950's

try is due for one of its cataclysmic depressions.

The line of argument upon which their conclusion rests is that business fluctuates with varying rhythm. There are several cyclical patterns in business history. We have a 3½-year cycle pattern. We have a 9-year cycle pattern, an 18-year cycle pattern, and a 54-year cycle pattern.

Those different cycle lengths are observable, so they believe, in the economic and business data. And it so happens that in 1951 or 1952 they figure all these cycle patterns are due to reach their absolute low.

So when you have four component cycle patterns all converging at a low, in the same two-year period, you can imagine what that suggests as to a depression.

I suspect many of you have read that book. I know some business people who have been so impressed with it that they say: "Well, I picked it up as a bedtime story, but I couldn't put it down until I got all through reading it."

Now as to the meaning or the weight that should be placed on evidences of this sort—each man, of course, makes up his own mind—I suggest, as far as I am concerned, these various lines of statistical support, on the basis of historical records and analysis, do not quite add up to a certainty, and do not add up to a strong probability, I would say, as to a severe depression being due in these years ahead. The evidence, I think, is not sufficiently comprehensive, is not sufficiently precise to suggest that we must reconcile ourselves to this rather dire conclusion.

Intelligence to Forestall Depression

So, on the basis of the evidence that we are due for a depression, I would suggest that we recognize that there is some evidence that we should not be overly frightened by it, but nevertheless feel that we shall have to, perhaps, do something in the way of intelligent action, and perhaps have a bit of luck maybe, in order to avoid a severe depression in the next 10-year period.

Now there is another line of support which is strongly advanced for the notion that a severe depression is due in the next 10 years, and this is the line of argument that there will be an inflation bubble blown up which will burst, and the bursting of an inflation bubble is a sort of thing that we mean by a severe depression.

I think that we must seriously reckon with that line of argument. An inflation bubble could be blown up more severely than we have had up to date. I suspect that we have some inflation now. We certainly had some inflation a couple of years ago, which was to some extent rectified without a drastic depression.

But if, looking ahead into the years ahead of us, an inflation bubble reaches heights far above the present heights in the stock market, in commodity prices, in business activity and speculation in commodities, land, business, real estate, etc., we could get into a situation which would almost inevitably lead to a severe collapse and drastic depression. Business policies, and governmental policies, both, would have something to do with the creation of that bubble.

I think one thing that perhaps is particularly personal, or pertinent, to a group of men in business is something like this. If business practices and policies—I don't mean just the managers of business or financial institutions generally—if business policies and operations should become overconfident, severely, they could lead to over-speculation or severe speculation and expansion of an unwholesome sort, which is just the sort of thing out of which a severe depression is made, as I understand it.

I think it would be very wholesome, therefore, if business, generally, if all of us should remember that there have been periods of time in the past when a fairly general opinion was abroad that prosperity was going to last forever. It is a very dangerous concept, I believe, to get the notion that prosperity is going to last forever.

Before the downturn in 1920 and 1921—the downturn was very severe—there was a fairly general feeling that prosperity was pretty much indestructible — certainly that severe depressions were a thing of the past.

World War Changes

There have been major changes brought into our economy by reason of World War I. We had become a creditor, rather than a debtor nation. We had become very strong because our banking system was buttressed by the recent introduction of the Federal Reserve System. Our businessmen and financiers knew a lot more about the workings of the business cycle. World War I had given tremendous stimulation to the collection of statistical data, and their more accurate interpretation.

Those, and perhaps other reasons, led pretty much, generally, I think, to the conclusion that we need not fear any more a really severe business depression. And, as it turned out, of course, the commodity price decline in 1920 or 1921 was the most severe commodity price decline we had ever had up to that point. The depression, although fairly short, was very severe, indeed. Business failures took place in great volume.

And you know the prevailing sentiment before the 1929-1933 depression. I think it undoubtedly was a fact—which is a pretty strong statement—that the majority of people operating businesses felt in the late 1920s that we didn't need to fear again a severe depression. And, of course, you know what we had from 1929 to 1933.

Now, a realization of the fact that on important occasions in the past, the sentiment has been almost universal that we need not fear a severe decline, and then we had one—a broad realization of the deceptiveness of a given picture, I think, is one of the strong assurances that perhaps we can help to avoid one again.

Skepticism Healthy

So I think it is good wholesome doctrine to keep reminding yourselves, and reminding other people, even at the risk, sometimes, of seeming to be a little on the blue side, that we can get overconfident, to our destruction.

This is not an academic idea merely. I heard, a few days ago, one of the well-known commentators and analysts from one of your largest Wall Street organizations, say at a semi-public meeting, that "I am going to make a beeline for the hurricane cellar just as soon as I see the prevailing sentiment abroad that we are pretty much past a depression, and that we need not worry about a severe business depression."

And I think it is perhaps an accurate observation that one of the reasons we have not had since the war anything like a severe sort of downward direction is that people have been cautious to a considerable degree. They have been fearful that it can be overdone, and fearful that the prosperity might run out.

Now you are down in a spot right here where in times past this sort of overconfidence has appeared. And I am not suggesting that it is appearing now. I don't think it is appearing just now. But it might appear some time, and you will be in a pretty good position to take the thermometric reading if it does appear, and you can do something about it, maybe, to a certain extent, so as to keep that pressure gauge down a little bit. The main thing is to try to do it anyway.

European Incidence

I think that perhaps the most severe danger of a drastic depression in this next decade may consist of the possibility of a European collapse.

There are three mainline supports for this notion. We are due for one, some people say. And then there is danger of blowing up an inflation bubble, and a bust. And then the possibility of a European economic collapse. That one, I think, deserves certainly equally serious consideration with the second.

May I take you back just a minute to the 1930s, and the late 1920s again? It is my belief — which, of course, is a matter of personal interpretation, and may be wrong—that we had this drastic depression in the early 1930s largely because of the economic collapse in Europe. I think we could have gotten away with a moderate recession and depression in the 1930s, had it not been for the European collapse. And I think that the economic situation in Europe collapsed in the early 1930s primarily because the economies in European countries had not been reconstructed on a sound basis during the 1920s, when Europe was getting a lot of economic help, primarily from the United States. It was something around a billion dollars a year during the late 1920s. When that aid came to an end, as it pretty much did in the early 1930s, the European countries had not been reconstructed. And I believe that Europe's collapse visibly began in 1930 and 1931, with England going off the gold standard in 1931. This resulted in a dire situation, transmitting itself to our country partly through the world commodity markets channels, and partly through the capital markets, and intensified our recession here. Our drastic decline in 1931 and 1932, I think, can be traced financially to the collapse of the European economies, which had not been restored to a sound basis in 1920.

Europe's Collapse Would Affect U. S.

Now, the application of that is, I think, this: We are confronted with somewhat of a similar problem now. Can the European economies be reconstructed by their own efforts during this period when we are helping to a substantial degree? If they cannot be, I fear very much that when they do collapse later on, they will affect us quite drastically.

Now, if I am at all right in that analysis, it suggests that we should give much more serious thought to further support — or whatever is necessary—to the European economies, to avoid that sort of collapse.

I don't pretend to be—and I certainly am not—an international financial economist. There are men who are close to that picture, representing the United States, in whom I have some confidence. I should like to suggest—and I don't want to justify somebody else doing all the burden-bearing—that all of us, myself included, as taxpayers should be willing to pay somewhat more than at present in taxes, if that seems to be necessary and wise, to help reconstruct the European economies in order to avoid collapse, in order to avoid serious repercussions on our own country.

Further Sacrifices Needed

I think that it really comes down to a very realistic situation. We should be willing in this country to make somewhat further sacrifices, if they appear to be necessary. I suspect they will appear to be in 1952, 1953 and 1954. There will perhaps be a need for further sacrifices then. We should be willing, I believe, as an investment in the long-range future, to make those sacrifices.

It seems to me this is a clear-cut instance where a short-run sacrifice is likely to pay out tremendously in long-run benefits.

One of the things that I think we very much need to recognize in many directions in our thinking, and in our action, is the importance of making short-run sacrifices for the sake of long-run benefits.

Now, my conclusion in general is that as to the likelihood of this prospective depression, there is some serious danger of one in the next decade, but that it can be avoided. There is no inevitability about it. I think there is a real danger of it. Along these lines, I have tried to suggest, very briefly, the following:

I think we can avoid one if we, as a country, and each of us, to the extent that he can, individually act with a high degree of intelligence. I think it comes down to that sort of thing.

It is not merely a matter of economic knowledge, although that is an important part of it. It is not merely a matter of a better understanding of the financial operations, or economic operations of our country, and the world, but it is a matter of greater understanding in non-economic matters, a greater intelligence in various directions.

And I would like, if I may, to venture into that area for just a few minutes here, which gets beyond this strictly economic area, and statistical area, to which perhaps you might expect me to confine myself.

I think we need, as a part of this greater intelligence, greater psychological maturity, and greater moral stamina. Those are non-economic considerations. I think they are basic. They are very important.

Self-Reliance

May I try to elaborate a little bit? I think one of the things that we need, which comes under this heading of greater psychological maturity, is greater self-reliance. That is a good phrase. I think we are showing, as a people, a little bit of weakening of self-reliance. I am not pointing my finger at any particular group. But I think we can find some evidence of weakening of self-reliance among the workers, among the leaders of labor, and among businessmen also, and among college professors too. We stand kind of off, and look at things, you know. But we are not entirely part of the picture, and certainly we shouldn't feel part of the picture when we try to talk about these things.

There is a certain tendency for many of us in the country to run to Washington for help, even though at the same time we damn Washington for what it is doing.

I keep remembering, every once in a while, one of my friends of long-standing, who is the comptroller of a large textile company in New England, talking with me, not long ago, about prospects in his industry, and so on, and he said, "Darn the government for all its control over this, that and the other thing. You know, after all, we have an awful lot of help in the support of cotton prices in our textile operations."

There was a contrast—the appreciation of the support, and unwillingness to have it done away with, of course, but at the same time being very critical of the operations in other directions.

So, greater self-reliance, really, I think, is something that we should give some thought to, bringing it down, personally, to our own situation.

I think we need less provincialism—I will not dwell on that further, because it comes specifically in this matter of foreign economic conditions — a clearer realization that we will be hurt seriously if foreign situations collapse. We will be, therefore, under some considerable impetus to do something about the strengthening of foreign situations — less provincialism.

And then there is this matter of greater short-run sacrifices for long-run advantage. I keep coming back to that again and again in connection with the foreign picture.

And then also, greater psychological maturity, and more moral stamina, in connection with the consideration of the effects of our individual actions upon the general welfare. That is, to me, equally fundamental.

I think, if we think of that, along with the long-run benefits with short-run sacrifices, we can come pretty close to the heart of many problems in a democracy. The willingness to make voluntary sacrifices of short-run advantage for long-run good, sacrifices of our own personal welfare for the sake of the broad picture which will eventually affect us all as individuals — cannot be overemphasized.

Practical Examples

That could be spelled out by way of an illustration in connection with policies in the ups and downs of the business cycle. If a manufacturer, for example, is trying to get the last dollar of profit out of a price rise in inventory speculation, he is contributing to the hurt of the country as a whole, including himself later on. If he starts dumping his inventories on the market at distressed prices, at the first sign of a weakening picture, and tries to get out early and fast, in his own self-interest, he may get away with it for awhile, but everybody else is going to start doing the same thing, and it gets to this spiral of deflation, which is so ruinous to everyone.

If he can hold steady, and dump his inventories to a moderate degree, it would be a distinct contribution to keeping the boat steady, instead of rocking it violently, and avoid a serious decline.

I think that this last point about the general welfare and consideration of our own policies is very well decribed by a phrase, "widening the area of loyalty."

We have loyalty to our business—yes. We have a certain amount of loyalty to our industry, and even though it is competitive, we have a certain amount of loyalty to its welfare. We have a certain amount of loyalty to our community, of course. We have loyalty to our country. And this loyalty is carried on even world-wide.

It seems to me that it almost can be said that the secret of social progress, and economic progress too, can be brought down to this notion of gradually widening the area of loyalty on the part of the individual, so that he takes into account a wider and wider area of concern in making his own individual plans, and carrying out his own individual policies. This voluntary sacrifice in a democracy is a secret, I think, of a lot of our difficulties, and the guarantee of our success.

Stimulation Needed

Now, I don't think that we make progress toward psychological maturity and greater moral stamina just by saying, "Go to now; let us improve." At least, I don't. Maybe you do. But I suspect that most of us do not. I think we have to have some outward, or some further, stimulation and drive.

Of course, our economic problems, in order to be solved, have to be approached, not only on economic terms, but on psychological terms, on ethical terms, and on spiritual terms. And I very, very much suggest to you for your consideration, that you ask yourselves a question: Can I contribute something to the solution of our economic problems?

I am merely giving you what I thought out from my own personal operation. Get some spiritual drive to put in behind it. I think that our economic problems are partly economic, they are partly ethical, and they are, to a considerable extent, spiritual.

I have a letter in my possession from a man whom I know very well, who has had a successful business career down here in New York for about 20 years. He has had an office in this neighborhood for about 20 years. Not so long ago, he wrote me about some things. I would like to read two sentences from his letter, as a concluding illustration of what I am trying to say.

He said, "A philosophy based on cold, raw materialism is rather barren equipment to cope with the problems of the present day. If we could, as our forefathers did, balance energy and determination on the one hand with more of the spiritual resources which they possessed, I think we would be a far happier people."

That doesn't come from a college professor. It doesn't come from somebody in a nice little retreat. But it comes from a man who has had successful business experience down here in New York.

I commend it to you as something to think about. As I have talked to groups of businessmen, in recent years, I have observed that there is not very far below, what may seem to be a pretty tough, hard-boiled surface—not very far below that surface, there is an area of sensitivity to ethical and to spiritual values, which I didn't realize existed until I began to have more contact with groups of mature and successful men in recent years.

Malcolm J. Gray Is With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Malcolm J. Gray has become associated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. Mr. Gray was formerly an officer of Jeffrey, Gray & Co., Inc.

Warren Williams With Ball, Burge & Kraus

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Warren D. Williams has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. Mr. Williams was formerly Vice-President of Prescott, Hawley, Shepard & Co., Inc.

Admits Partner

CHICAGO, ILL.—Max Nierman has admitted Philip A. Rashman to partnership in Max Nierman & Co., 141 West Jackson Boulevard.

Oil Enterprises, Inc.

SHREVEPORT, LA.—Oil Enterprises, Inc., is engaging in a securities business from offices in the Commercial National Bank Building.

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The State of Trade and Industry

plan down as being inadequate on other grounds. A company statement said the union was given the choice of three pension funding plans, one like Ford's, another similar to Bethlehem Steel's and a third along the line of U. S. Steel's plan.

STEEL OUTPUT SCHEDULED AT 100% OF CAPACITY—GREATEST IN HISTORY OF INDUSTRY

More price advances in the scrap market this week forecast a very bright outlook for the metalworking industry, "The Iron Age," national metalworking weekly, states in its current summary of the steel trade. An analysis of scrap prices and activity reveals the following salient features:

(1)Steelmakers expect their operations to remain at a high level for several months. (2) Foundry business is picking up, and is expected to get better. (3) The sales outlook for autos, appliances and farm equipment is so bright that these industries are in conversion up to their ears. Conversion is one of the strongest props supporting the scrap market, the magazine adds.

This week "The Iron Age" steel scrap price composite again moved to new high ground for the year, rising 9c over last week's figure to $28.92 per gross ton.

The conversion market the present week is stronger than it has been for many months and it is now certain to last longer than anyone would have predicted a few weeks ago—well into the third quarter, states this trade authority. A common conversion arrangement is $40 a ton plus the cost of scrap.

Steel business is so good this week that some sales executives are warning their sales team against overconfidence. They think that demand will continue strong through the third quarter—but they just want to make sure. Even the more cautious say that 1950 is going to be a very good year for steel.

Steelmaking operations are currently scheduled at 100% of rated capacity. If maintained, this rate will yield 1,906,300 tons of steel for the week. Since the industry's annual capacity is now almost 100 million tons, this means that production records are bound to fall if output stays at this level or higher.

Demand for steel is strong in all areas, but it is still strongest in the Midwest—stemming from the Chicago and Detroit industrial areas, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100% of capacity for the week beginning April 17, 1950. This is an advance of 2.2 points from last week's rate of 97.8%.

The scheduled rate of output this week represents the greatest production in the history of the industry, and compares with 1,880,400 tons during the week of March 14, 1949, when the industry's capacity was lower and operations were at 102% of that capacity.

This week's operating rate is equivalent to 1,906,300 tons of steel ingots and castings for the entire industry compared to 1,864,300 tons one week ago. A month ago the rate was 95.5% and production amounted to 1,820,500 tons; a year ago it stood at 98.4% and 1,814,000 tons.

ELECTRIC OUTPUT CONTINUES SEASONAL DECLINE

The amount of electrical energy distributed by the electric light and power industry for the week ended April 15 was estimated at 5,863,247,000 kwh., according to the Edison Electric Institute.

It was 34,584,000 kwh. lower than the figure reported for the previous week, 420,516,000 kwh., or 9.7%, above the total output for the week ended April 16, 1949, and 776,421,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS OFF 2.8% IN LATEST WEEK

Loadings of revenue freight for the week ended April 8, 1950, totaled 700,129 cars, according to the Association of American Railroads. This was a decrease of 20,224 cars, or 2.8% below the preceding week.

The week's total also represented a decrease of 57,655 cars, or 7.6% below the corresponding week in 1949 but an increase of 17,195 cars, or 2.5%, above the comparable period in 1948, when coal loadings were reduced by labor troubles.

AUTO OUTPUT MOVED INTO HIGHER GROUND THE PAST WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada advanced to an estimated 147,657 units compared with the previous week's total of 133,172 (revised) units.

The total output for the current week was made up of 115,377 cars and 25,907 trucks built in the United States and a total of 4,575 cars and 1,798 trucks built in Canada.

Auto producers continue to set new records, "Ward's" said. The agency estimated that U. S. factories have turned out an average of 128,800 cars and trucks weekly. This is equivalent to an annual rate of over 6,400,000 units, it noted. more than 100,003 units above the record-shattering volume of 1949.

The week's total compares with 132,126 units produced in the like 1949 week.

BUSINESS FAILURES DECLINE SLIGHTLY

Commercial and industrial failures dipped to 201 in the week ended April 13 from 203 in the preceding week, Dun & Bradstreet, Inc., observed. Despite this slight decrease, casualties exceeded the 184 and 101 which occurred in the comparable weeks of 1949 and 1948. Continuing below the prewar level, failures were down 36% from the total of 313 in the similar week of 1939.

WHOLESALE FOOD PRICE INDEX PERKS UP AFTER SHARP DOWNWARD REACTION OF PREVIOUS WEEK

Following the rather sharp drop of a week ago, the wholesale food price index, compiled by Dun & Bradstreet, Inc., moved 1 cent higher last week to stand at $5.75 on April 11. This compared wih $5.71 recorded at this time a year ago, a rise of 0.7%.

WHOLESALE COMMODITY PRICE INDEX CONTINUES FORWARD TREND TO NEW HIGH FOR YEAR

Continuing the mild upward movement of the past few weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 252.80 on April 10, a new high for the year. It closed at 252.43 on April 11, comparing with 251.49 a week earlier, and with 252.97 at this time a year ago.

Although daily price movements were relatively small, grain markets as a rule continued strong and finished with moderate net advances.

Offerings of corn remained limited; prices rose steadily with current quotations the highest since last Spring although still well below the government low. Oats reached new high prices for the season under the influence of unfavorable seeding weather.

Continued dryness and reports of dust storms in southwestern Winter wheat areas resulted in further gains in wheat prices.

The Department of Agriculture issued its second Winter wheat crop forecast last week, showing a drop of almost 14% in the estimated yield between Dec. 1 and April 1.

The current forecast of 758,821,000 bushels compares with the December estimate of 885,000,000 bushels, and with 901,668,000 bushels produced in 1949.

Egg prices were steadier the past week but butter developed a weaker tone under an accumulation of offerings over the week-end. Domestic and export demand for flour continued quiet with volume of bookings considerably below mill capacity. Trading in cocoa was comparatively light and prices steady to slightly firmer. Demand for lard was slower with prices holding barely steady. Livestock prices were generally stronger, reflecting curtailed receipts.

Domestic cotton markets continued strong last week, the New York spot quotation showing a rise of 33 points for the period.

Strengthening influences in prices last week included consistent export price-fixing and renewal of mill price-fixing. Profit taking helped to hold advances in check, as did liquidation induced by continued unfavorable reports from the goods market.

RETAIL AND WHOLESALE TRADE REFLECTS MODERATE SEASONAL DECLINE IN POST-EASTER PERIOD

There was a slight seasonal decline in consumer purchasing in the period ended on Wednesday of last week. Total dollar volume was no longer sustained by the Easter impetus of the previous week and dropped slightly below the level of the comparable week in 1949, Dun & Bradstreet, Inc., records in its weekly summary of trade. Unfavorable weather in scattered areas served to hinder sales somewhat.

The dollar volume of apparel was maintained at the previous week's relatively high level as a general interest in Spring buying carried over from Easter.

The demand for women's accessories also rose, as did that for sportswear and fur pieces. Requests for men's and women's topcoats gained moderately in many communities. Men's Spring suits of varied fabrics were becoming favored.

Shoppers at the nation's food stores spent slightly more on canned and dairy items than in the week before.

Sales volume of home furnishings declined slightly in the week, but it was about even with the high level of a year ago.

Total retail dollar volume for the period ended Wednesday of last week was estimated to be from 1% above to 3% below the level of a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England, South, and Northwest +2 to —2; East 0 to —4; Midwest and Pacific Coast +1 to —3; and Southwest 0 to +4.

With the close of the Easter buying season, wholesale dollar volume declined moderately during the week. Total order volume was slightly below that for the corresponding week a year ago. There were more buyers in attendance at wholesale centers than during the previous week, and slightly more than in the similar 1949 week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 8, 1950, showed no change from the like period of last year. The same held true for the preceding week. For the four weeks ended April 8, 1950, sales likewise reflected no change from the corresponding period a year ago, but for the year to date show a drop of 2%.

Retail trade in New York the past week compared unfavorably with that of a year ago. Estimates placed sales of department stores at close to 20% under the 1949 level for the corresponding period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 8, 1950, fell 4% from the like period last year. In the preceding week a decline of 4% was also registered from the similar week of 1949. For the four weeks ended April 8, 1950, a decrease of 3% was reported from the like week of last year. For the year to date volume decreased by 5%.

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As We See It

as a sounding board to launch the drive—if indeed it had not been launched long ago.

Two Chickens in the Pot, Again!

Strongly reminiscent of the time that the Republican party had two chickens in every pot and looked forward to the day when there would be two cars in every garage, and equally suggestive of the more recent occasion when President Roosevelt announced that "we had planned it that way," President Truman is confident that he, himself, killed cock robin this time. Unfortunately, custom forbids quoting the President on such occasions, but according to the New York "Times," which, of course, had its representative at the conference, here is a close paraphrase of what the President said:

"The first five years (of the President's service) had been rather difficult, but the country was still on its feet. He could not see that there was any serious thing the matter with the country as a whole. In fact, the first five years after the worst war in history had been easier on the United States than any previous war. Of course, this would have taken place even if a moron had been on the job, according to some press reports (sardonically). But the President thought that he could take credit for it and that was what he intended to do!"

There was more of the same sort. The President's Council of Economic Advisers rather conveniently notified the President and the world the other day that business had been definitely better in the first quarter of this year than during the last quarter of 1949, quoting estimates of "national income" to substantiate the claim. The Secretary of Commerce goes the Council one further by letting it be known that he is very, very confident of the remaining months of this year. And so it may be said that the Administration is oozing confidence about the present and immediate future of business in this country—or at least is giving that impression to the public at large. Of course, events, which may or may not support all this talk, will speak with authority by the time the voting starts next November, but it is obvious that the political planners in Washington are developing an excellent setting for the President's tour of the country next month which, whether admitted or not, must be taken as the real opening of the election campaigns of the coming autumn.

Promoting the Fair Deal

Now, of course, it may be taken for granted—so the President holds—that what is responsible for all this good fortune is not any philosophy which the Democratic party with unanimity developed and spontaneously sponsored and supported, but Mr. Truman's Fair Deal measures, which are obviously quite a different thing. Many of these programs are known to be contrary to the beliefs of some of the ablest of the President's party. On some of them he has been repeatedly repudiated by his own party on the floor of Congress, and on others opposed by many of his own party. Precisely how far the President is prepared to go in undertaking purges in order to gain adherents for his own brand of cure-alls, it is not possible to say. But it appears evident enough that he will place first emphasis upon programs which he has been pleading for in the past, and one must suppose that he will—as he has repeatedly done in the past—find that our good fortune of today is a direct result of his wise public policy and that a continuation of this satisfactory state of affairs will depend upon going a good deal further than he has so far been able to persuade Congress to go.

The President, and President Roosevelt before him, have both found this to be excellent political strategy. We can hardly approve or even condone some of the essential trickery with which these programs have been defended and supported in the past, but, so far as the direct, forthright support of whatever programs are being developed and proposed is concerned, it seems to us that this is the proper way to proceed. Indeed, it is about the only way to proceed in a democracy if hope is to be maintained for enlightened management of public affairs. One of the difficulties in the past has been that very, very few opposing political figures have had the temerity to come forward with equal forthrightness to show the hollow mockery of much of what is being done in the name of public welfare.

Expensive Packages Artfully Bound

Probably the major difficulty has been found in the fact that so many measures have been so devised that large blocs of voters appear to be obtaining benefits at the expense of other elements in the population which have few votes. It is relatively easy to attract a large farm following by promising schemes which appear to be enriching the agriculturist. It appears under existing circumstances to be about as easy to prevent it from costing votes in other quarters by the simple technique of presenting the program as being designed in part at least for the benefit of these very victims. Other available illustrations of the same principle abound, and would be listed here if space permitted. Meanwhile, the public has been lulled to indifference about the principles of sound fiscal management.

Now, we recognize that it requires great political courage to stand up against such cleverly arranged political maneuvering as this. At the same time it is difficult for us to believe that these more courageous tactics would not be more profitable than the "me-too-ism" of recent years. We should like to see the saner elements meet this campaign strategy of the President head-on.

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What Kind of Monetary System Does Business Really Want?

presses itself most unequivocally and most painfully than any of us who have to deal with monetary problems realize, is the loss of invisible income. The balance of payments problem of Western Europe is essentially not a question of the restoration of the productive capacity of Western Europe in physical terms, it is the fact that as a consequence of the war, that particular balancing item in the balance of payments which was called invisible has changed to the disadvantage of Western Europe.

And that enables me to say, straight away, that I regard the remarks that the dollar problem does not exist in any real or scientific sense of the word, as a grotesque over-simplification of the problem. Of course, it is true that if Western Europe had no dollars she couldn't import from the United States and, therefore, no dollar problem would arise. It is exactly that particular approach to the problems that is exactly the same as the argument that the balance of payments always balances.

The Real Question

The real question is at what level, at what standard of life, will the balance of payments balance, and what kind of standard of life would arise in Western Europe if the dollar gap were bridged by the simple expedient of Western Europe's buying nothing from the dollar area.

However, the first of the hangover problems of the war is undoubtedly the relative change in the economic strength of various national economies. The second, and associated with it, is the distortion of the price, and income structures, in various European countries, produced as a consequence of the war inflation and war sufferings.

In other words, in France, in Italy, in Germany, in Austria, in the United Kingdom, the degree of inflation differs and consequently there has arisen a very intractable problem of the relationships as expressed through the rate of exchange between the price and income structures of these particular countries.

That is, in essence, the problem of whether or not further brutal devaluation would be necessary in 1950, and whether a further group of devaluations will become necessary in the course of the next few years.

And the third of the hangover problems, one which—the significance of which, I think, has been almost forgotten in the last two or three years, but which was really an immensely intractable one—is the vast size of existing national debts, enormous in this country, enormous in the United Kingdom, and if less intractable in other parts of the world, less intractable only because inflation has ruined the middle classes and the bond holders.

Well, that is the first group of problems. The second group of problems are those which arise, as I have already said, from the almost general acceptance, in this modern world of certain types of social philosophy. Now, what are those types?

Types of Social Philosophy

They have nothing to do with the largely fictitious issue of *laissez-faire* against man, or things of that kind. Those are the staples of newspaper and political debate. They have nothing to do with the issue which I want to discuss now.

The first element in our postwar social philosophy is the acceptance of the welfare state, even in this country of individualism. What does that mean? That means that the organized public power accepts the responsibilty of handing out, day in and day out, week in and week out, sums of money to certain of its designated citizens on pretexts and excuses, and on the basis of policies which may be good or bad.

Now, what does this mean? If, in a community let us say, a community like the United States, the United States Government accepts the responsibility of handing out medical benefits, unemployment insurance benefits, and things of that kind, it is assuming a certain view about the future value of money.

Insurance experts, I notice, spend a good deal of time arguing about the various kinds of investments in which insurance funds can be profitably placed, but the fundamental issue both for the state and for the taxpayer, and for the recipient in the modern world is, What is money going to be worth in the year 1975?—from the monetary point of view. I don't talk in the least about any other point of view in this connection.

But from the monetary point of view, the acceptance of the welfare state involves most enormous assumptions about the future value of that money.

Full Employment

Second, all modern governments, again, for better or for worse—I am not here to discuss this as a philosophy—have accepted the responsibility for maintaining more or less adequate volumes of employment.

In Great Britain, this is the policy of full employment, which I think is Priority Number One in the preoccupations of modern statesmen, and I should like, as a student of monetary history, and as a student of social philosophies, to point out what an astonishing change has taken place in the mentality of human begins in this regard in the last ten years.

Before the war the more advanced kind of monetary student, the more adventurous kind of civil servant, the more enterprising type of businessman, was not discussing conditions of full employment. He was discussing something which used to be called ironing out the trade cycle.

We have forgotten all about that. We now think that the prime necessity for the modern state is to guarantee by direct or indirect methods the maintenance of full employment for all its citizens.

What that means in practice I shall tell you in a moment. Thirdly, if you accept, as I think all modern states do accept, the assumptions of the welfare state, what is the ultimate and final condition for the welfare state's implementation? It is the utmost possible mechanization of the national income, because social services have to be financed through the budget and modern social reforms, modern social expenditures would be quite impossible—let me make this quite clear—unless at all times, and in all places, the national income were kept at the highest possible level. I do not know, nor does anybody else know, what would happen, for instance, to a state like the United Kingdom, if a severe crisis of employment were to supervene with these vast social obligations, undertakings, when at this very moment, in a period of high employment and high national income, the state budget already absorbs 40% of the national income.

I say that in the postwar world we are dealing partly with hangover problems and partly with problems resulting from the acceptance, right, left and center, of new types of social philosophy and new types of social institutions.

But let me ask you, ladies and gentlemen, what are the concrete forms which have flowed from these problems, and from the acceptance of these philosophies? So far as the hangover problems are concerned, Europe, not the United States, has in the last four of five years, accepted the philosophy of exchange control.

Now, exchange control is one of those omnibus words which cover a vast variety of devices and expedients, from the grotesque example of the multiple currencies of the Argentine Republic to the various forms of transferable currencies adopted by the Bank of England, to the quantitative controls which, for instance, my own country at least has to implement—it is not easy to explain in detail what exchange controls really are, from place to place, and from moment to moment.

Nevertheless, the hangover problems, looked at from the administrative point of view, have led almost universally to the adoption of exchange control, and the corollary to the adoption of an exchange control is the universal, or almost universal prevalence of the individualist reaction to such bureaucratic interference, namely the black market.

The second consequence of the hangover problems is continuous uncertainty as to what is going to happen in the future. Perhaps in the United States people are clearer as to what the dollar is going to do over the next 10 years. I very much doubt whether there is any country in the world other than the United States of which that can be said.

Thirdly, if you will look at the social philosophies of the time, their consequences, in the sphere of monetary policies is absolutely clear and unmistakable. It is the universal popularity, even in business circles, of the philosophy of cheap money.

If you are going to maintain full employment, you have got to keep rates of interest low, and how, the skeptical economists inquire, do you intend to keep rates of interest low?

The answer is very simple. If necessary, you must not balance the budget by the resort to the open market, you must balance the budget by resort to the central bank, and if bondholders and investors show an unwelcome, unwillingness to buy government bonds, you must, nurse the bond market by the intervention of the central bank.

All over the world, the "sweet simplicity of free descent," of which a 19th Century poet once wrote, has been accepted as the last word for central banking wisdom. In other words, a social welfare state requires, or so it seems to the proponents of that state, a policy of perpetual cheap and unlimited monetary supply.

Well, now, so far I have exposed the problem. I will come back now to my question: How does the business world want the monetary machine to behave? Under the two framework conditions which I have stated, of the real existence of hangover problems and of the real existence of the social welfare state, that is.

Problem of Exchange Control

Now, as regards the first group of problems, the exchange control problems—I do think there can't be any question—and, indeed, there is no question—that the exchange controls by and large are inhibitive of individual effort, and are bound to be discriminatory in practice. It is one of my misfortunes to be an advisor of the central bank which practices the exchange control.

I never had a more unpleasant job in my life. One has to discriminate. One has to inhibit, and one has to recognize, as I do, from moment to moment, and almost from hour to hour, that one's decisions are sometimes extremely arbitrary and extremely unfair.

Exchange control, the very name, evokes the emotional response — exchange control is bound to be inhibitory. Is it possible, with one stroke of the pen, simply to sweep away with this elaborate system of quantitative and qualitative interference for the ordinary course of business?

I must be frank with you. I very much doubt it. To begin with, as I have already said, I do not believe that the dollar gap—the word, the phrase, the dollar gap, is just an easy let-out for ambitious and unscrupulous politicians. I do believe that there have been structural changes in the world economic system which make it very difficult for your European countries to dispense with some kind of control over the volume of the quality of the imports which they receive from hard currency areas.

Secondly, I am not sure that if all controls were swept away tomorrow morning, that the existing relationship between the internal-external values of all currencies are in such perfect shape that secondary repercussions of an unfavorable character would not immediately arise.

Let me be quite clear. I will take a country — since this is rather a delicate matter — which is a Utopia. If, in Utopia, people have been accustomed to seeing the value of their currency diminished steadily over time, if in Utopia they had not been allowed, in a period of 15 or 20 years to do anything that they liked with such possessions as they owned, and you are suddenly told that you can go and buy something, I am afraid that the inhabitants of Utopia would regard the United States as a kind of super-Utopia and that there would be a flight of the currency of such a magnitude as would sweep away more than the exchange control which we have removed.

Removing Exchange Control Not Simple

I think there is a tendency—I am quite serious about this—there is a tendency in the United States at the present time to think the removal of exchange control in Europe is a much more simple thing, in fact, than it is, and although I am not an admirer in all respects of the present British Government, I think that their cautiousness in removing these exchange controls has a great deal to say for itself.

It is not the slightest use removing one set of controls and creating such a degree of dislocation when they have been controlled as to bring in the seven devils when you have already swept one away. I am aware that I have not exhausted the problem of what I have been saying, but it is very easy for the business world to demand the return to multilateralism, the return to an international standard, to the sweeping away of all controls on imports or exports of capital, as well as on imports or exports of goods, but speaking from personal experience and practical experience, I am bound to say that I think this problem of the removal of the exchange controls is a much more objectionable one than it appears at first sight, if only for this reason, among others, that very large vested interests of a business character have been built up behind the existing exchange machinery.

I now come to the question, What ought the business world to do about the cheap money policy which as I say is ubiquitous at the present time. Now, insofar as cheap money is an indispensable element in the maintenance of full employment—if it is, and I'm not sure that it is, if it is—business men ought to support it, because it is quite clear that full employment is, of itself, an intensely interesting and valuable adjunct to the business world.

Nobody wants a large volume of unemployment, nobody wants, in other words, the reduction in consuming power which is represented by a failure of the economy to work as fully employed as it otherwise would be, but I am not in the least convinced that a policy of cheap money will, in fact, or is, in fact, the indispensable adjunct to full employment that some people think that it is.

But it is no use our deceiving ourselves about one point. The business world is no more disinterested in the problem of full employment than the trade unions, or the treasury, or the central bank. But one has to consider not only that side of the problem, but the other side of the problem as well. A policy of continuous cheap money is, to begin with, a policy of constant threat of inflation. A policy of constant threat of inflation is also a policy of constant threat of physical controls and exchange control, and one has to weigh up the pro and con, the better or the worse, in the light of the statement which I have just made.

There is always a danger, in a country in which monetary policy is dominated by the idea of cheap money, that there will be too much purchasing power at any particular moment of time in the hands of the public and that if some adverse piece of news arrives, the public may take the law into its own hands and try to get rid of its surplus hoards of money and produce a rise of prices against which the central bank and the monetary authorities can do nothing about whatever.

Secondly, when the business world weighs the policy of cheap money, it seems to me that far less attention has been paid than should have been paid to the indirect and secondary consequences of cheap money.

The business world of this country, just as the business world in Europe, has in the last few years made very large paper profits. They are only beginning to realize that these very large paper profits have been partly siphoned away by the tax machinery and are no longer available to the business world and that what remains of these paper profits is not, in fact, sufficient to recover the replacement costs of the visible apparatus of the productive machine.

The result is that sooner or later—and I think sooner, rather than later—the business world will have to do something to which it has not been accustomed for a decade, namely, to appeal to the public for additional funds.

But, if the rate of interest is to be kept artificially low by central bank controls, and the policies of cheap money, it is going to be very difficult for the business world to borrow from the public, which is going to receive a modest income if things go right, and nothing at all if things go wrong.

In other words, business men, as well as everybody else, must pay the price for a cheap money policy; and in the case of the business world it means a steadily diminishing return on savings in the first place and of investing, in the second place.

It is quite recently only, so far as my observation extends, that in the United Kingdom and in the United States the very great problem of the replacement of physical assets in the period of violent inflation, is beginning to be discussed in terms of the sense of responsibility which such a problem really involves.

The Proper Attitude

Well, I began my remarks by saying that I was posing the problem. What should be the attitude of the business world towards monetary problems? I would like to make two final remarks:

First, both government and the business world have a most intense interest in seeing that there shall be no further reduction in public confidence in the future of the monetary machine. We have now got to a stage in nearly all countries in which in spite of the fact that their economies are based upon the use of money, the public is beginning to distrust money, and that may be the beginning of difficultism, of troubles which nobody may be able to control.

But, secondly, I am not in a position—I doubt whether anybody is in a position—to give final answers to the questions which I have proposed. It is all very easy to say "no further decline in the value of money," but do you want to go further? Do you want to go in for the further policies—because we dare not abuse it any longer in the United Kingdom—the vulgar policies of inflation, or the more respectable alibi of disinflation? Do you really want to face the problems which will arise in the business world if we go back to flexible rates of interest. If, for instance, instead of being able to refloat a bond issue at a lower rate of interest, the important enterprises may actually have to float bond issues at higher rates of interest.

The Broad Problems

These are the direct problems which face the business world. But the business world is only a part of a wider social sphere and, as it seems to me, the really important question before us is this: The western world has seen no major depression now for a very long period of time. Brutal measures of monetary readjustment may involve a short run recession, the magnitude of which nobody can foresee.

However, how far the leaders of the American business community—how far are the leaders of the American political world, prepared to face the consequences of large scale unemployment?

I might say, of course, the same thing of the politicians and the leaders in my own country. I prefer, however to pose this question, and to leave it unanswered.

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Business Outlook Favorable Throughout 1950

no change in the tax exemptions to educational and charitable organizations or to co-operatives this year. Life insurance companies may have taxes increased. No changes are expected in personal capital gains taxes. No relief on the double taxation of corporate earnings and dividends appears forthcoming this year. Estates and gift taxes are not expected to be increased. Withholding taxes on corporate dividends has about a 50-50 chance of becoming law. Passage of the Mills Bill for accelerating corporate tax payments appears a possibility. Extension of the loss carry-forward provision from two to five years seems likely this session.

Money in Circulation: The amount ($27.7 billion) of money in circulation at the 1949 year-end is not expected to change very much during the year 1950. (It was last reported (March 29, 1950) at $26.9 billion.)

Gold Stock: The U. S. gold stock ($24.4 billion) at the 1949 year-end is expected to remain practically unchanged during the year 1950. It was last reported (March 29, 1950) at $24.2 billion. No change in the U. S. official price of gold is expected during 1950.

Bank Loans and Investments: Total earning assets of banks (loans and investments) at the 1949 year-end were $67.4 billion. They were last reported (March 29, 1950) at $66.6 billion. We expect them to rise to about the $69-$70 billion level by the end of 1950.

Consumer Credit: Total consumer credit at the 1949 year-end amounted to $18.8 billion — up from $15.9 billion in December, 1948. During the year 1950 we expect consumer credit to continue to expand. At the 1950 year-end we estimate consumer credit at about $21 billion.

Margin on Securities: Securities margins of 50% (Regulations T and U) are not expected to be reduced by the Federal Reserve Board during 1950.

Savings by Individuals: Individual savings are expected to advance during 1950. Personal savings (currency, $23 billion; time and savings accounts, $48 billion; checking accounts, $57 billion; equity in savings and loan associations, $12 billion, and U. S. Government securities, $71 billion) at the end of 1949 totalled $211 billion and we expect to see a total increase in this figure of about $5 billion by the end of 1950.

Foreign-Political: The cold war is expected to continue through 1950 although the nervousness over war is expected to increase this spring and early summer.

Foreign Trade: Imports during 1949 amounted to about $6.6 billion. Exports during 1949 amounted to about $11.9 billion. Imports decreased to $598.7 million in February from $622.6 million in January, this year, but they were 6% higher than in February, 1949. In February, this year, exports rose to $770 million from the three-year low of $745 million in January, this year. It is expected that a trend of lower exports and somewhat higher imports will prevail during the first six months of 1950, but both exports and imports are expected to decline somewhat in the second six months, as compared to the same period in 1949.

Financial Strength — All U. S. Corporations: The working capital of all U. S. corporations at the 1949 year-end was estimated at $70 billion (an all-time high). Working capital is expected to continue to grow during 1950.

Corporate Earnings: Net income of the railroads for 1949 was approximately $436 million. For the first six months of 1950 net income is expected to be about $190 million (up about 10% over the same period in 1949) and for the full year 1950 net income is expected to be about $461 million—up about 6% over 1949.

Net income of utility (electric power) corporations for 1949 has been reported as $753.4 million—up 14.7% from 1948. Net income for the first quarter of 1950 is estimated at $225 million—up 10% over the first quarter of 1949. For the full year 1950 net income is expected to be about $825 million—up about 10% over 1949.

Net income of industrial corporations for the year 1949 was approximately $15.6 billion. For the year 1950 net income of industrial corporations is expected to be up about 3% over last year.

Railroad and public utility earnings account for about 7% of all corporate earnings. Combining these earnings with those of industrial corporations, the net earnings for all U. S. corporations in 1949 totaled about $16.7 billion. Total net earnings of all U. S. corporations for the year 1950 are expected to be up between 3% and 4% over 1949.

Corporate Dividends: Total corporate dividends for the year 1949 were about $8.4 billion. Total publicly reported corporate dividends for January and February amounted to $743.4 million — an increase of 1% over the same period in 1949. For the year 1950 total dividend payments from all U. S. corporations are expected to exceed by about 5% the amount paid in 1949.

Conclusion

Business activity will continue at a relatively high rate during both the first and second six months of 1950. Relatively high corporate earnings, liberal dividend disbursements and continued confidence in the future, we believe, will result in stock prices generally higher than those currently prevailing. Variations as to industry and issues will continue to be wide over the period ahead and therefore careful selection is of vital importance. **The year 1950 will, in our opinion, be another good year for careful investors.**

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Fantasy of Figures—Responsibility of Accountants

often of a portentous sort," are made from these statistical data.

At hand throughout the period when industry grew from a typical one-man shop to a billion-dollar corporation were bookkeeping figures which seemed to represent physical events. These bookkeeping figures became "accounting" figures with the advent of double-entry bookkeeping. In late years, the U. S. Treasury Department required that accounts be kept by certain definite methods corresponding closely to accepted accounting practices. The combination of long habit plus the Treasury requirement produced a fairly standard method of representing all physical transactions in dollars. The basic information produced became the foundation on which the entire superstructure of statistical calculation was erected. This is the information management uses to make its decisions. From these figures economists and security analysts draw their deductions. Labor studies them with interest and acts accordingly. Government determines its share of the proceeds and the owners their earnings from these figures. Clearly, for better or worse, accountants occupy a key point in our economy.

We can summarize as follows: Accountants do, in fact, both make accounting law and interpret it. The foundation on which their laws are based is a permanent unchanging unit of currency. Because this premise is untrue by a substantial margin, the entire body of laws creates serious instability in our economic society. As Dessouer observes: "Each partial stabilization (stabilization of one part of the economy) reduces the possible objects of actual change . . . which, consequently, will be more affected than they would if more objects were exposed."[2]

The rigidity of accounting law has brought some companies to the brink of disaster. An examination of some of the consequences of these laws, now that the record has made them facts rather than theory, may prove interesting to economists, investors, bankers, and security analysts, as well as businessmen themselves.

A Case in Point

The "Wall Street Journal" of Saturday, Feb. 18, 1950, reported a portion of the annual meeting of Armour & Co., as follows:

"Discussing dividends, Mr. Specht said, 'It is our desire and intention to resume dividend disbursements at the earliest time our earnings and our financial position will permit.' The company's last common dividend was paid in July, 1948. It suspended payments on its preferred stock with the disbursements made in April, 1949.

"Asked by a shareholder why the company is not paying dividends, Mr. Specht asked: 'You surely wouldn't want us to pay dividends if it would weaken our financial structure? You wouldn't want us to pay dividends out of borrowed money, would you?'

"When asked by a shareholder for an explanation of why Armour had done so poorly in comparison with other major meat packers in 1948-49, Mr. Specht discussed the impact of the 'LIFO' system of inventory valuation on packers' results.

"In the first half of 1949, Armour experienced an inventory price decline of $27 million, Mr. Specht explained.

"'Our LIFO reserves cushioned this drop to the extent of about $8 million,' he said. 'In other words, our inventory loss after LIFO credits amounted to about $19 million. If we had had a LIFO position as large as Swift and Wilson it might have made a difference of $19 million in our first half showing.' On a rising market like 1946, Armour's earnings looked very well, Mr. Specht said, but when the markets go down, if you have a very limited LIFO base as Armour does, it's a 'very bitter dose,' he said."

Two companies in the same industry using different inventory accounting methods invite comparison, as Mr. Specht suggests. The reported net income for these crucial years was as follows:

	Armour		Swift
Oct. 29, 1945	$9,172,538	Oct. 27, 1945	$12,303,807
Nov. 2, 1946	20,791,128	Oct. 26, 1946	16,394,739
Nov. 1, 1947	22,950.269	Nov. 1, 1947	22,334,977
Oct. 30, 1948	d1,965.292	Oct. 30, 1948	27,889,210
April 30, 1949— 6 Months	d6,512,634		N.A.
Oct. 29, 1949	558,189	Oct. 29, 1949	25,826,129

These are the figures presented to stockholders as the net income available for dividends. Any analysis is difficult because neither company reported their results entirely on a replacement basis or entirely on an original cost basis. Swift was merely a great deal nearer to a replacement basis than Armour.

If we take Mr. Specht's estimate of $19 million as the difference in earnings created by a limited use of LIFO, then a straight comparison with Swift would show profits of $12,487,366 in the six months ending April 30, 1949. This is larger than half of even the best years reported. Furthermore, it is a reasonable conclusion from the trend of wholesale meat prices that the $19,000,000 that came out of the April figures was added into the previous profits. This would indicate that the 18 months ending April 30, 1949, were, in fact, the most profitable period of Armour's operations since the war. This is confirmed by the Swift figures. In short, Armour stockholders received the impression their company was very prosperous when it was not and losing money when it was not. Did the directors also get this impression? A comparison of dividend payments will help us answer this question:

	Armour	Swift
1945	$4,156,219	$11,252,172
1946	5,862,956	11,252,172
1947	17,818,346	12,436,612
1948	6,659,138	15,397,710
1949	1,500,000	13.917,161
1950	------	*13,917,161

*Declared to date.

Between Jan. 1, 1946 and Oct. 1, 1947, Armour paid $40.50 on 500,000 shares of prior preferred stock, clearing arrears of $28.50. Three common dividends totaling $0.90 were paid in early 1948, none thereafter. Throughout this period Swift paid regular dividends of $1.60 per share plus extras. The directors have announced the regular dividend will be paid throughout 1950.

The record of large dividends when true earnings were low and no dividends when earnings were large indicates that Armour directors believed that the earnings record compiled by their accountants reflected "the facts as they are and the truth as it is."

Consider the opportunities for security analysts and investors who understood accounting. It was not too difficult to estimate that big earnings and dividends would be reported on the upswing. The only hazard was an estimate that the directors and market would take them at face value. Even this hazard was eliminated on the downside. Almost as certain as day and night, dividends would be passed in 1948.

This brings us to the question of how the SEC was functioning during this time. This organization is supposed to protect the investing public by ensuring that all important information is published. In this instance, using "accepted accounting practices," millions of fictitious dollars were added to the income statement at one time and taken out at another.

Armour directors have the highest integrity and sense of responsibility—corporation accounts were kept rigidly honest by the most approved methods. But consider the opportunities of an irresponsible director, or a friend of a director, in another corporation under the same conditions. He could buy a large amount of the company's stock; watch fictitious profits pile up, and unearned dividends paid, and then unload or go short.

Somebody paid 130½ for Armour prior preferred in 1947. Somebody paid over 15 for the common as late as 1948. By 1949 these two stocks were selling at 77 and 5 respectively. What do those investors think of the SEC, security analysts, accountants, and the directors of Armour?

How much damage was done to Armour's public relations when housewives were paying high prices for meat, and perhaps reading about the large profits of the packers? How easy was it for Armour's labor force to get wage increases when management thought they were making good profits?

Economists Are Concerned in Question

All these questions also apply to the economy as a whole, but economists might first ask themselves a few searching questions. One nationally-known economist remarked some years ago, when I was trying to explain the significance of these problems, that he understood little about accounting and felt the little was enough. Because the largest part of his work is erected on figures supplied by accountants, this seemed somewhat like a carpenter knowing a lot about construction but little about tools.

Perhaps he was not an exception. The evidence indicates that no group has shown itself in the past few years to be more confused about the trend of business than economists. Yet the trend was not difficult to anticipate. Given the known situation on July 1, 1946, when price ceilings ended, the only additional information required was a sound knowledge of accounting and a reasonable guess that not many others understood accounting.

With this equipment it was readily apparent that the 1946 stock market drop did not herald a primary postwar depression, that instead a period of boom and inflation lay ahead. From mid-1946 to mid-1948, large fictitious profits were reported. Almost everyone acted on the premise that these profits were real. Excessive taxes and dividends were paid. Labor demands could not be resisted. Expansion programs expanded further. As a result we lived on our capital. What else but a continuing boom could be expected? Yet from quarter to quarter economists were looking for a primary postwar depression. Accountants changed that history. In mid-1948 the trend changed—predictably, as outlined later—but to support this assertion and the previous paragraphs an examination of a basic industry is required.

In 1939 the steel industry ended ten depression years. Properties had run down and financial strength had deteriorated. United States Steel alone paid out $194 million more than it took in, but not to common stockholders. who averaged about 1% in dividends for the entire period. Physical deterioration continued throughout the following six years. Although the total property account rose from $2,339 million to $2,410 million, reserves against it rose from $1,217 million to $1,707 million. In brief, physical assets through these years were turned into cash.

This can be verified roughly by adding the retained earnings of $109 million from 1939 to 1946 to the $490 million increase in depreciation reserves and deducting the $71 million increased property account—making a total of $528 million. Cash and government bonds increased at this time $551 million.

By 1946 16 years had passed during which the stockholders' investment had been maintained at the sacrifice of dividends, but much of the physical assets had been turned into cash. Ahead was the biggest peacetime boom in history. Physical assets this time were to replace cash. Unfortunately, a new major element entered the problem.

"Between the years 1901 and 1946 dollar costs of steel plant construction rose in the ratio of five to one. The 1946 costs were about four times those of 1915—double those of the average costs between 1919 and 1932 and 100% higher than in 1939."[3] As a result the money set aside for replacement—not expansion—would buy less than half as much as was expected. This, as we have seen, was the money substituted for worn physical property. Each year in the future also the company would recover only half the necessary amount of money to buy what was worn out during the year.

Ralph Coughenour Jones examined in the January, 1949, "Journal of Accountancy" nine steel companies. He estimated that about half of the inventories in 1946 were on a LIFO basis, no increases in depreciation for replacement costs were reported. These companies reported a net income of $244 million that year. Professor Jones calculated the true net would have been a deficit of $78 million. In the next year, 1947, more LIFO was used and some companies made minor adjustments for replacement depreciation. The net in that year was reported to be $356 million compared with a true net of $145 million.

In 1948 the SEC refused to permit true depreciation so long as the American Institute of Accountants failed to recognize it as an accepted practice. This forced industry into the position of either not recovering its costs from its selling price or reporting these costs as a profit. Since the profit is taxed at 38%, then 162% of real cost must appear as a profit.

Capital Losses Not Accounted For

The capital that industry consumed in the 1920s as a result of inadequate depreciation was no serious matter because enormous war profits had just been earned during the war and largely retained. A measure of social justice was thereby served. The profits in World War II were so restricted by the excess profits tax that retained earnings were relatively small. The post World War II problem was, therefore, new in this country and could be met in some combination of three ways.

Industry might replace worn-out properties to the extent of its financial resources and get along without the property it was unable to replace. A declining standard of living is the consequence of this choice. European industry has followed this course since 1914. Even so late as the election campaign in Britain, the government was compelling business to dissipate its assets as reported by George V. Ormsby in the Feb. 13, 1950, edition of the "Wall Street Journal":

"Chancellor Cripps has ruled that manufacturers must not raise prices until current supplies of raw materials are exhausted. The evil day of rising retail prices has thus been postponed until after the election."

"The Economist" of London commented that the business community was expected to give away part of its substance to the consumer. In terms of the economy as a whole, current consumption became larger than production and the capital of the nation was diminished. It would, of course, be presumptuous to think that the Chancellor of the Exchequer was unaware that he was urging the public to eat its capital today although living standards would decline tomorrow.

The loss of capital created by inflation following a period of physical deterioration can also be met by individual companies asking their stockholders to replace the capital—or these companies can borrow new capital from financial institutions. Neither possibility is open to industry as a whole because the formation of new capital in any year is very small in comparison to requirements. The final choice is to recover the lost capital from consumers and the future earnings of the stockholders. Quite probably this will be attempted in the coming depression.

By mid-1948 Americans had gone through two years of high living and capital consumption—the course urged on the English public by Chancellor Cripps. Two situations which had been developing came to a head at this time. The price level had almost doubled in accordance with the increased supply of money, and another record farm year promised the first surpluses of any size in almost ten years. A depression was thus in the making. It may be that the reason why economists and particularly those advising the Administration, could not foresee this development was that they thought the fantasy of figures showing the country healthy and prosperous was real. In any event, the farm commodity collapse of the fifth and sixth week of 1949 produced a situation that could not be ignored. An attempt was made by the government to sustain the boom. Actually, of course, high business activity was to be expected until the latter half of 1950 when heavy goods replacement by business and individuals would draw to a close.

Because the nature of events was misunderstood, we entered 1950 convinced that the government could create indefinite prosperity. We shall end 1950 knowing otherwise. For the past year and a half, consumers' goods industries have been restoring capital by maintaining prices in the face of a falling commodity price level. They were able to do this as a result of the high level of activity in heavy industry. It was no coincidence that at the end of 1949 consumer debt and the cash position of industry both reached a new all-time high level.

Heavy industry has continued to subsidize the consumer during these months. It too will shortly attempt to restore its capital by

[2] "Stability," published by Macmillan Company, 1949.

[3] C. R. Cox, President, Kennecott Copper Company.

freezing prices in the face of falling demand and falling costs. Costs will fall because the consumers goods industries have substantially restored their capital and in doing so have maintained an abnormal profit margin. This large profit margin has been obscured by charging the higher old costs against current sales. Any drop in demand will therefore be met by lower prices. Thus have accountants changed history in recent years and brought consequences whose end cannot now be seen.

In 1936 and 1937, LIFO was widely discussed. By 1939, with inflation two years dead, it became legal for tax reporting, yet hardly 10% of big business used LIFO at the end of the war, and two-thirds do not use it at the present time. Little business was left entirely in the cold. Where were the accountants? Perhaps in 1951 or 1952 when the additional taxes from postwar construction will approximately match the tax savings from prewar property, replacement costs may be used for determining depreciation. Although Mr. C. R. Cox writes: "I can think of no problem that would be more helpful to the businessman to have straightened out than this one," the speed with which accountants adjust their thinking has not noticeably accelerated.

What has the American Institute of Accountants been doing about this problem? The Committee on Accounting Procedure issued Bulletin No. 33 in December, 1947. No change in depreciation method was permitted. Of the 21 members, Mr. William A. Paton did not vote and Mr. C. Oliver Wellington assented with qualification. The next bulletin was issued on Oct. 14, 1948. On this occasion "four of the 21 members of the committee, Messrs. Broad (Chairman), Paton, Peloubet, and Wellington, dissented from the conclusion that no basic change in the accounting treatment of depreciation of plant and equipment is practicable or desirable under present conditions." No subsequent bulletin has been issued.

In light of previous remarks concerning the fantasy of accounting figures and the intelligibility of accounting reports, a close examination of the reason given for continuing the status quo is illuminating.

"The committee believes that such a change would confuse readers of financial statements and nullify many of the gains that have been made toward clearer presentation of corporate finances."

No other reason was given. The committee, however, did suggest how to deal with the problem:

"Stockholders, employees, and the general public should be informed that a business must be able to retain out of profits amounts sufficient to replace productive facilities at current prices if it is to stay in business. The committee, therefore, gives its full support to the use of supplementary financial schedules, explanations, or footnotes by which management may explain the need for retention of earnings.

Results of the Situation

From this the American Institute of Accountants and the Securities and Exchange Commission must believe:

(1) The corporation reporting neither losses nor profits will over the years go bankrupt.

(2) The management that acts, as it has in the past, on the assumption that reported profits are real profits will eventually find their company bankrupt.

(3) The government is entitled to collect a capital levy of 38% on all overstated profits.

(4) Economists and security analysts will have factual footnotes from which proper adjustments to reported figures can be made.

(5) Stockholders and financial services will clearly recognize that reported earnings per share of stock are meaningless and the true figure properly determined after looking up footnotes.

(6) That two complete sets of books will be kept so that all concerned will learn the actual facts from footnotes.

(7) Finally, that the bookkeeping record as determined by Accepted Accounting Practices will be the public record; but the true statement will, of course, not be revealed to the public except through footnotes.

The sophisticated individual with anti-social tendencies will welcome this continued confusion. Stock market profits and protection against losses come easier. Corporation managers more familiar with accounting than their competitors can adjust pricing and inventory policies not only to add to profits but, if they wish, seriously damage competition. Unfortunately our country is also in direct competition at this time with Russian communism. Important decisions based on misinformation may produce unforeseen consequences. "On cost accountants rests the responsibility for accounting for the cost of economic change over and beyond their habitual practices, so that management and social decisions, often of a portentous sort, may rest on the facts as they are and the truth as it is."

Continued from page 6

Opportunity vs. Security In Insurance Company Investing

a dilemma. In the first place, you are acutely aware of the rise in the cost of insurance to the public that has resulted from the sharp decline in the average rate of interest on bonds and mortgages since the 1920s. On the other hand, you are deeply conscious of the fact the the insurance funds committed to your care are a sacred trust. You must always safeguard that trust by stressing security and maintenance of value of your capital fund, if necessary at the sacrifice of yield.

I wish to treat this problem in a somewhat broader setting. I sympathize sincerely with your concern over the decline in the average rate of return on your portfolio, and the effect of this decline on the cost of insurance protection. At the same time, the stability of life insurance investment is so crucial to the stability of our financial structure that I would be loath to regard the desirability of a higher rate of portfolio returns as an adequate justification for any move that might reduce the quality of the portfolio. My concern springs from additional considerations.

Declining Bond Yields

I am impressed first with the very large volume of investment funds which have been entrusted to you to administer. I am further impressed with the large accretions to those funds that take place annually. You gentlemen in this one line of business administer, subject to various legislative safeguards, a significant fraction of our current savings. Your decisions, consequently, determine what kinds of investment such savings will finance. If our economy can be reasonably expected to need each year a sufficient volume of new debt financing to furnish a sound investment for these savings, I would be inclined to let well enough alone. If this result cannot reasonably be expected, however, the public would have cause for alarm. That is why it is important to ascertain the facts and, having ascertained them, to take appropriate action. I do not think we will achieve the goal of a balanced economy, or that our economy will maintain a long-run stability, if a disproportionately large volume of our savings is earmarked for fixed interest investment in the form of bonds and mortgages compared with the additions to the supply of such investments. If this were to occur, we would find that the cost of bond financing and mortgage financing would persistently decline relative to the cost of other types of financing.

Need for Study of the Insurance Business Investment Problem

Please do not misunderstand me or jump to conclusions that are not in my mind. I know that many of you are prepared to say, "McCabe is implying that it is a disproportionate flow of insurance funds into bonds and mortgages which has been largely responsible for the present low interest yields and the shortage of equity capital, when we all know that it is the tax structure and the monetary policies of the Federal Reserve System that are responsible."

I am fully aware of the primary importance of fiscal policies in our over-all financial situation, and have so expressed myself on various occasions. I dealt with our monetary problems exhaustively before the Douglas Subcommittee to which I referred earlier. I am not certain, however, that the large volume of insurance company investments channelled by custom and law into bonds and mortgages has not also contributed materially to current disparities between the cost of debt and equity financing. I plead with you, therefore, to inaugurate studies to determine what the true facts are.

If, on the basis of the findings, it appears reasonable to infer that life insurance business by virtue of its successful growth now manages total funds in excess of the amount that prudent consideration would allocate for investment in bonds and mortgages, what is the broader significance of such an inference? Surely, it is more than a simple move to channel insurance funds into "blue-chip stocks." The whole field of productive investment open in our economy should be examined, not merely the field of common stocks, to see where life insurance funds may be made available, both prudently and constructively.

Potential Investment Outlets

I have some preliminary judgments as to what such an inquiry would show, and also some suggestions as to the types of outlets that may have potentialities. First, I am inclined to feel that examination will reveal a real need for permitting additional outlets for insurance investment. I think that new and more liberal legislation will be indicated.

Second, I am impressed with the fact that since the existing legislation was written. the economy of the United States has passed from a debtor to a creditor status. This change in status cannot be neglected among the vital factors that have contributed to the fall in interest rates from the much higher levels that prevailed a generation ago. I think it highly doubtful that, even in the fairly long future with which you are necessarily concerned, we will see a return to those portfolio yields so far as they may reflect investments in high-grade bonds and mortgages. It cannot be overlooked that our change from a debtor to a creditor position implies lower interest returns for funds invested at wholesale. It does not, however, imply correspondingly lower returns for situations where the investment of funds is married to the management of money.

To me, this means that large institutional investors can no longer afford to regard themselves exclusively as wholesalers of money in the bond market or in the mortgage market. To obtain satisfactory average yields, institutional investors must increasingly seek opportunities where successful investment involves more than the skilled management of a bond or mortgage portfolio. Opportunities of this kind may be expected to become increasingly more numerous in our wealthy creditor economy.

What I am saying is not altogether new to you. In seeking prudent and new outlets for its funds, the insurance business is already experimenting along these lines. Your relatively recent projects in building, owning and managing housing developments and certain commercial structures of stable value are a case in point, as is also the decision made by some of your Massachusetts companies, sponsors of this seminar, to support the Research and Development Corporation.

I would suggest that you look in still other directions. For some time now I have been greatly impressed by the steady drain upon our timber reserves throughout the United States, in Canada, and in Alaska. The war used tremendous quantities of high-grade lumber and our mounting construction and industrial requirements cut deeper and deeper into the remaining forests. The growth cycle of trees is very long. The indications are that, as existing supplies continue to dwindle, lumber reserves will become an increasingly profitable investment over the years.

Is there an opportunity for insurance companies to place their funds at work in this area which only a few can afford to finance because the commitment must cover such a long span of years? Frankly, I do not know. I do suggest, however, that it represents the type of investment that you should examine with the greatest care. Insurance funds are very long-term. In general, they should find their most appropriate outlet in supplying the very long-term investment needs of our economy. I mention this merely as an illustration of the possibilities of investment that you might find it advisable or profitable to explore.

Small Business Requirements

I have referred earlier to the difficulties in financing of smaller-sized businesses and to the serious challenge this presents for the future maintenance of a dynamic free enterprise system. Considerable attention, I am glad to say, is now being paid to this problem by various responsible groups both inside and outside of government, including your own business. What the best approach to an effective solution may be is not at this stage crystal clear. Probably there will need to be a number of approaches tried experimentally before we find the full solution. I am personally more and more inclined to some financial mechanism that will provide for tapping our great pools of resources if one can be worked out within a framework of private finance.

Such a mechanism was suggested a few years ago by the Committee for Economic Development in the form of a capital bank plan. I know that you will agree with me in the assertion that no such mechanism will ever achieve substantial results unless the operating resources available to it are sufficient to support the rendering of effective merchandising, accounting and engineering services along with needed financing services. Granting an effort to supply a combination of needed services, I should think that a fundamental contribution to filling a recognized gap in existing financial facilities might well result, especially if it can be done as a private undertaking or with a minimum of government assistance. Here is surely an area of opportunity for the insurance business to serve not only its own interest but the public interest as well.

Today's Challenge

In conclusion, I would like to reaffirm a point of view I expressed last summer. As you will gather, I am a confirmed optimist regarding the future of America. I firmly believe that the basic characteristics of our economy are expansion and growth. Economic expansion today presents a strikingly different challenge from that of a hundred years ago. Then, the frontier of development was the opening up of our great western resources. The geographic frontier is gone, but we still have a frontier. That frontier is technology—the technology of producing more and better goods with the resources we know are available and the technology of distributing those goods on a mass basis for the constant improvement of the standard of living of all.

To realize our potential of sustained expansion, we need to be more concerned with opportunity and less with security. We further need to be concerned with assuring a steadily increasing flow of investment funds into opportunities involving equity ownership. I sincerely believe that, if we are in earnest, ways and means can be found for accomplishing this purpose that are fair end equitable to everyone concerned. The life insurance business can play a most significant role in this undertaking.

P. W. Stackpole Opens

RIVERHEAD, N. Y.—Philip W. Stackpole has opened offices in the Perkins Building to engage in the investment business. In the past he was with the Chase, Harris Forbes Corp. and Starkweather & Co.

Ned D. Biddison Dead

Ned D. Biddison, senior partner of N. D. Biddison & Co., New York City, and a member of the New York Stock Exchange since 1927, died at his home at the age of 66.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — John B. Payne, Jr., is with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Joins Bosworth Sullivan

(Special to THE FINANCIAL CHRONICLE)

ALLIANCE, NEB.—Ben J. Sallows is with Bosworth, Sullivan & Co., of Denver.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—James W. Jackson has joined the staff of Waddell & Reed, Inc., of Kansas City.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Now that the television stocks have zoomed and the averages have set a new high (215.31, Friday, April 14) the outlook's hopeful again and optimism is running high. At least that is the common belief in the board rooms, according to my undercover operatives.

* * *

I hesitate to throw a damper on such enthusiasm. For one reason, wild optimism can carry stocks beyond any measurable heights; for another a cautious finger in the face of public enthusiasm is likely to be resented.

* * *

Still, when all the chips are down, the mob psychology which so often dominates prices, has to be ignored for a cold calculating appraisal. For the past few weeks I've written here that the familiar averages indicated a rise to somewhere between 211 and 225. These statements were made in the face of reactions, mass warnings and other phenomena common to the beginnings of an anticipated reaction.

* * *

Now that the market has managed to get up to the top figure of the previously mentioned industrial range, the sentiments have changed. I'm not trying to tear anything down or decry anybody else's theories. But from where I sit this looks like the time to lighten rather than increase accounts.

* * *

This doesn't mean that a bell has already rung and things are going straight to pot. On the contrary, stocks may even go somewhat higher before they start turning around. But just as I can't pick the bottom eighth so can't I pick the top fraction. If, by chance I do, it is an accident and not any skill. Of course if readers would like to think this admission is over-modesty, I can bow low and take congratulations with the best of them.

* * *

Seriously, however, it might be pertinent to mention that even though the Industrials have attained a new high, the rails have done little to boast of. According to the Dow Theory, such lack of confirmation indicates that the bull market that started in June 1949 is still in effect. It doesn't point to any setback. By the same token a rise in one average unconfirmed by the other cannot be construed as the beginning of any new dynamic bull swing. Translated, this means that there's something ahead that spells if not danger then certainly caution.

* * *

Cooper-Bessemer broke its stop of 24 and you're now out of it. Mead went the other way, crossing its profit-taking 18½ point and is now about 20½. Some months ago I recommended Avco at about 5 for a long-term speculation. Since its original mention I've said little more about it. If you still have it, hold on.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Denver Bonds Offered By Otis & Co. Syndicate

A syndicate headed by Otis & Co., Inc., is making public offering of $3,700,000 City and County of Denver, Colo., 3⅛% off-street parking and 3% revenue bonds, as follows:

$588,000 non-callable 3⅛s, due April 1, 1954 to 1960, incl., at prices to yield from 1.90% to 2.50%, according to maturity.

$2,412,000 3⅛s, due April 1, 1961 to 1979, incl., and callable beginning April 1, 1930, at a price of 102, are priced to investors from 105.75 to 102.50, to yield about 2.53% to 2.99% to maturity.

$700,000 3s, due April 1, 1980, and callable beginning April 1, 1955, at par, are priced at 101.50 to yield 2.925% to maturity.

The bonds are payable solely from revenues of the off-street parking facilities and have been approved as to legality by Pershing, Bosworth, Dick & Dawson, of Denver.

St. Germain Co. Adds

(Special to The Financial Chronicle)

SPRINGFIELD, MASS. — William J. Wilson has become connected with D. J. St. Germain & Co., 1490 Main Street.

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The Printing Press And the Treasury

would have us believe it is owned by our large corporations. People who see their life insurance or their savings yielding less and less become disturbed. When their principal means of support is thus seriously diminished they become distracted.

Living in Paradoxes

One observes in this connection that we are living in a day of paradoxes. Ceremonious occassions are created to bewail the sad lot of the under-privileged and downtrodden. Men in high places lament the inadequate wages of the less prosperous. Sponsorship and advocacy of higher wages seem to bring those in public life both applause and promotion, and the expectation of being retained permanently on the public payroll. Yet here is the striking paradox. The very same agencies, the very same political leaders who are exhausting their strength of eloquence, and shedding tears out of commiseration for the workers because their pay envelope is thin, will be largely responsible for the vanishing returns upon the accumulated savings of our workers — clerks, teachers, mechanics, miners, farmers and others—who look forward to their savings continuing to produce not only an income for them but substantial purchasing power so as to supplement their personal earnings and secure well deserved comforts and relaxation in their declining years.

Fifty-five million men and women with savings accounts, the millions who have holdings in building and loan associations, and the millions upon millions whose hopes depend upon the eventual purchasing power of the proceeds of insurance policies at maturity, should be at a loss to understand why humanitarians advocate drastic means of reducing unemployment, and at the same time direct their ingenuity towards lowering the earning power of the billions of saved dollars that many of our workers have toiled almost a lifetime to accumulate for themselves.

These millions of savers are the very salt of the earth. They look forward anxiously to the day when leadership in government will be not only aroused as they are to the gravity of this whole situation but also have the statesmanship and courage to so legislate, even at the expense of their political future.

Bankers and insurance executives not mindful of their duty to muster all the influence they can to preserve the purchasing power and save what will be left of the American dollar will be in violation of their trust. They must bring pressure on their depositor army—these people who have the voting control—to wire, write or telephone their elected representatives to forestall demon inflation which is already a long way on the road in its journey to destroy the hard-earned accumulations of the American people. Only they—our elected representatives—have this power, and only the people have the power and influence to force the issue with them.

In 1939 the American dollar was worth one hundred cents. Today that same dollar is worth 59c; 41c, therefore, is wholly lost in purchasing power with the trend in the direction of more inflation. There is a law irrevocably decreed that as the public deficit increases the purchasing power of the dollar decreases.

The American way of life can be destroyed bloodlessly through chaos and the dictatorship that will follow bankruptcy. American citizens will not willingly accept the establishment of a totalitarian state in this land. They will fight it—if they are able to recognize it as it creeps upon them. History records, I believe, that no solvent democratic nation ever went totalitarian. After all, a dictator is only a receiver for a nation gone bankrupt. Look across the seas for a moment. The men who now seem to control the destiny of all Europe were not self-elected. They were invited. They came into power at the breakdown of solvent governments. Their advent was made possible through economic exhaustion, the parent of national socialism.

Why was it that the Black Shirts were able to march upon Rome without resistance and take over the reins of government? It was Italy's debt that spelled her doom. It was not until the German government and its political subdivisions had incurred indebtedness and assumed obligations far beyond their power to meet, it was not until their bonds and promises to pay had become worthless scraps of paper, that the Germans looked for and hailed the one who should come forward with a promise and a pledge to lift them out of their hopelessness, and that man came; but before he came, tragic inflation following national bankruptcy had taken its toll. That inflation did not come by government proclamation. It developed slowly, as it always does, until the final stages when it assumes the proportions of a prairie fire, consuming all the substance of the people. There remained a despoiled nation. Then came the emergency, then chaos, then the dictator.

Complete loss of purchasing power in its money, which in the final analysis is uncontrolled inflation, is the greatest tragedy that can happen to any civil state. We say, it can't happen here. Rather let us resolve to force that resolution into reality.

As the dollar decreases in purchasing power through increased Federal spending, those politicians responsible for the tragedy, and being in the majority, disregard the provisions in the Constitution to guarantee solvent government. When those protective provisions are ignored there will be nothing left to save.

One hundred and ten years ago Daniel Webster, in a eulogy for General Washington, said:

"Other misfortunes may be borne or their effects overcome; if disastrous war should sweep our commerce from the ocean, another generation may renew it; if it exhaust our treasury, future industry may replenish it; if it desolate and lay waste our fields, still under a new cultivation they will grow green again and ripen to future harvests; it were but a trifle; even if the walls of yonder capital were to crumble; if its lofty pillars should fall and its gorgeous decorations be all covered by the dust of the valley; all these may be rebuilt; but who shall reconstruct the fabric of demolished government? Who shall rear again the well proportioned columns of constitutional liberty? Who shall frame together the skillful architecture which unites national sovereignty with state rights, individual security and public prosperity? No, if these columns fall they will be raised not again. Like the Colosseum and the Parthenon, they will be destined to a mournful and melancholy mortality. Bitterer tears, however, will flow over them than were ever shed over the monuments of Roman or Grecian art, for they will be the monuments of a more glorious edifice than Greece or Rome ever saw—the edifice of constitutional American liberty."

85 Million Savings Bond Owners

There are 85 million people owning government bonds, millions having purchased the Series E issues. These Series E bonds purchased ten years ago for $75 are now redeemable at $100. The $100 received by the purchaser today will not buy as much as the $75 invested ten years ago and the purchaser is ten years older.

The government should upon all consideration, not the least of which is its own perpetuation, see that it handles its finances so that the people can have returned to them money which they trustfully put into its keeping in bond purchases, and the government should see to it not that the money shall be returned merely in numerically equivalent dollars but in dollars that shall be of substantial purchasing power. This would be the most ordinary, the most common, and in a sense the lowest kind of money honesty. This representative republican form of government, as it now stands, is the last remaining citadel of human rights. We are the most blessed and favored of all people. Are we willing to maintain and perpetuate what we still possess, but what others have lost? What a solemn trust, because

> "Humanity with all its fears
> With all its hopes of future years,
> Is hanging breathless on thy fate."

In the hands of our elected representatives rests our fate. Thank the Lord for the ballot box. Use it, fellow Americans. Vote to re-establish the gold standard. Gold is a gift to the world from an all-wise Creator. There is no substitute. There will not be. Without it as a base for national and international exchange civilization could not have emerged from its barter period of the Dark Ages. It is the only insurance against ruthless politicians debasing and corrupting the world exchanges and money systems of a free people. I repeat, it is a blessing from an all-wise Providence to prevent the tragedy that follows a debased, corrupted, and politically managed medium of exchange. The gold standard is the automatic watchman on the tower of the government of free men, to guard against the poison of totalitarianism entering the blood stream of sound money. No honest American will ever thumb his nose at Fort Knox.

We sing "God Bless America." God grant that we vote to save America.

Investment Research Adds

(Special to The Financial Chronicle)

BOSTON, MASS. — Robert W. Moore is now with Investment Research Corp., 53 State Street. He was formerly with Massachusetts Distributors and F. L. Putnam & Co.

Joins Russell, Berg

(Special to The Financial Chronicle)

BOSTON, MASS.—John C. Rice, Jr., has become associated with Russell, Berg & Co., 19 Congress Street. In the past he did business as an individual dealer in Boston.

Two With J. H. Goddard

(Special to The Financial Chronicle)

BOSTON, MASS.—Reginald F. Emmons and Joseph A. Remy are now with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Harris, Upham Adds

(Special to The Financial Chronicle)

BOSTON, MASS. — Ralph W. Aubin is now affiliated with Harris, Upham & Co., 30 State Street.

Continued from first page

Mining Industry Must Retrench

consumer demands for raw materials has been virtually satisfied. The violent fluctuations of metal prices during the past 15 months have reflected this and full adjustment has not yet been realized. Metal requirements could not possibly remain at war and postwar peaks. Obviously there has to be a period of retrenchment.

The Pressure on High-Cost Operations

I appreciate that it is not very consoling for those who are mining non-ferrous ores to realize that in the long run the future may be bright, but meanwhile they may go out of business. Unfortunately some operators in the high-cost category may be unable to escape the pressure of economic events.

The postwar stockpiling program has unfortunately added to the uncertainties of the industry; international affairs forced accelerated action before the backlog of civilian demand was satisfied, and budgetary limitations forced curtailment in mineral and metal procurement for the stockpile at about the time consumers' inventories had reached a saturation point. It is well to remember that stockpile procurement must come from productive capacity in excess of current industrial requirements; consequently the termination of stockpile acquisition is bound to leave idle productive capacity, unless it can be timed to bridge the gap between past peaks and growing commercial demand. It is unlikely that such a favorable coincidence will occur. Consequently I feel that the mining industry must be prepared for a period of retrenchment when stockpiling ceases. Already the program for stockpile procurement of some materials has terminated—at least for the present.

Continued Stockpiling Difficult

It might be proposed that stockpiling be continued in such a fashion as to cushion the shock of sudden cessation. Unfortunately this is a difficult thing to do. Stockpile procurement does not have for its primary objective the stimulating of the mining industry. Parenthetically, the stockpile must provide an ample available supply of strategic materials for national emergency, and it should be obvious to all of you that an effective stockpile must be well balanced at all times: it is undesirable for there to be an excess supply of one metal to the detriment of another. National security as afforded by stockpiles is not a matter that can be reduced to a secondary position.

On the other hand, an active and producing domestic mineral industry is a source of national strength and has been so recognized by the stockpiling authorities. I firmly agree with this concept.

It seems to me that there is a sound argument in favor of a national program that would work rapidly toward stockpile objectives while recognizing the lethal effect on the domestic industry of a sudden and possibly unpredictable termination. In a few cases where such a condition has arisen through changing requirements, the need for such a program has been recognized—at least by those of us in government who are familiar with the problems of the mining industry. Adjustments have been made where possible within available authority. Unfortunately, when stockpile objectives have been attained, it has been impossible to prevent the closing of certain domestic mining operations—quicksilver and antimony are cases in point.

A Sick Industry?

It has been stated repeatedly that the mining industry is a sick industry. Such a statement requires analysis. For most mineral products industrial demand is as great today as it was before the war, and from all indications this trend is likely to continue; in most cases, all requirements, including stockpile accumulation within the budgetary limits, are being met. Metal prices for the most part compare with prices of other commodities but, unfortunately, there has been no thorough study of the relationship between metal prices and increased overall mining costs. A year ago, at a meeting of this same group, W. C. Page of the United States Smelting, Refining & Mining Co., discussed the influence of increased labor costs with respect to mine operations. Plato Malozemoff, in a recent issue of "Engineering and Mining Journal," also presented a comprehensive review of the current cost problem.

It has been claimed by many who have been studying the problems of the mining industry that in the non-ferrous portion of the industry at least, the price of the product is not keeping pace with increasing costs of metal production, and increasing cost of exploration. If this claim is correct, this is not a favorable situation. We are currently engaged in analyzing the cost problem, and if our studies substantiate this conclusion, it is my hope that within the next few months the Bureau of Mines may be able to secure sufficient data to present an authoritative report on the status of the non-ferrous metals industry to the public. In this report recommendations would be made with the hope of correcting present conditions.

The economic and technologic problems of the mining industry are not fully appreciated, either by the government or the public; the industry has never had a good press in terms of public relations. Let us compare mining with manufacturing: the manufacturing industry, with which the public is more familiar, has a relatively easier problem with respect to flexibility. Adjustments from peak war demands for given products to normal peacetime requirements for a different product are made quickly and production capacity can be adjusted to accommodate orders from customers. In the mining industry, however, reduced demand forces the elimination of the higher cost whole units. Furthermore, operations which have been laboriously undertaken under the spur of wartime necessity, and which may have become depleted as a result of this emergency production, are faced with financial disaster. The public has never appreciated these hazards of the metal mining industry.

Congress Against Subsidy

The only legislative solution so far proposed to the problems facing the higher cost units of the industry now threatened with liquidation is by government aid through various forms of subsidy. The 81st Congress has made it clear that it is in no mood for such action at this time.

It is unnecessary for me to review for this audience the reasons for the national program with respect to ECA and the Marshall Plan. The people of the United States through Congress have endorsed our assistance to foreign nations in order to build up a bulwark against Communist inroads throughout Europe. As long as we hear "thunder on the left" there is no doubt in my mind but that this program will be supported by the majority of the American public. The domestic mining industry may suffer severely as a result of the cold war. We might just as well face these facts.

In the March issue of "Engineering and Mining Journal," the editors summarized the effect of ECA with respect to the mining industry as follows:

"Quite evidently, most people engaged in domestic mining are opposed to continuation of the European Recovery Program. They view this program as impracticable, Europeans as insincere, and the stimulation of certain foreign mineral developments as a subsidy to their own competitors.

Marshall Purposes

"In scrutinizing the actions of the Economic Cooperation Administration that relate to mining, it should be kept in mind that the purpose of the Marshall Plan is to protect our own security and well-being by helping to restore normalcy and drive out Communism in Western Europe. Stimulation of mining developments has been purely tributary to that aim, and mainly designed to help make Europe more self-sufficient.

"Another motive has been to improve the strategic and critical material supply for the United States. If materials had not been in short supply at the time the law was made, these features would probably not have been written. But they were, and Congress therefore instructed the Administrator to:

"'Promote an increase in the production in such participating country of materials which are required by the United States as a result of deficiencies or potential deficiencies in the resources within the United States.'

"Congress also had a desire to obtain payment in materials for some of the outpouring of taxpayers' funds. These repayments were channelled to the stockpile and not to domestic markets."

The editor then goes on to say:

"However, the principal effect of the ERP as applied to domestic mining has been the support given to domestic metal and mineral markets by removing from them approximately 28,000 tons of copper, 8,000 tons of lead, and 12,000 tons of zinc per month. Moreover, the ECA has delivered to Europe from Western Hemisphere sources more than $1,170,000,000 worth of machinery and vehicles, $70,000,000 worth of non-metallic minerals, and $70,000,000 worth of metallic ores and concentrates. Nobody can state with certainty the effect of this movement on prices, but we believe that prices of copper, lead, and zinc would have averaged at least one cent a pound lower these past two years had it been absent."

The American people have chosen: they were faced with two alternatives—the first, the alternative of constrictive nationalism which would have meant the building up of a large military machine and preparation for out-and-out war; the second, that of attempting to bolster the failing economies of European nations on the theory that it would be cheaper to do this than it would be for us to attempt the maintenance of a tremendous military establishment in times of peace. Whether or not the choice of the American people was a wise one will have to await the verdict of history.

Over-Pessimism Unwarranted

Is there any silver lining to the cloud which at the present moment is enveloping the non-ferrous mining industry? As I have stated earlier, I think that we would be wrong to be overly pessimistic. We must assume that through our help, and their own efforts, the European economy will grow; I am convinced that the time will come when metals produced abroad will be consumed largely by the countries involved. I appreciate the fact that this may take several years, but undoubtedly that time will come. It will mean the loss of certain foreign markets to us but, on the other hand, it should react to our domestic advantage in that there would be less foreign metal and mineral available for marketing within the United States. Increased demand for our industrial products should increase the domestic demand for minerals. Furthermore, as I have stated previously, our own population is growing, and this means increased demand for the products of our mines.

With respect to zinc, is it possible for us to make any predictions? There have been technological developments in the metallurgy of zinc which promised to have important effects on the industry. Beginning about 1940, there was a marked rise in the use of special and regular high-grade zinc because of a sudden increase in the use of zinc die-casting alloys. This trend towards increased use of the higher grades is likely to continue. This in the case of galvanizing may be at the expense of the prime western grade. Patent rights for galvanized sheet production, in connection with which high grade zinc has sometimes been used, have recently been licensed to the Inland Steel Co.

Recent developments by the Bell Telephone Co. of transistors as a substitute for electronic rectifiers and amplifiers has resulted in the rise in importance of germanium, an important by-product from zinc processing. Germanium, as some of you know, is one of the best electronic-valve materials which is the essential element for transistors. As a result of this development, it is very possible that there will be an increased demand for germanium in the foreseeable future. Until recently germanium was being extracted only by the Eagle Picher Co. but now other zinc producers are becoming more interested. At the present moment the price of elemental germanium is about $300 per pound.

There has been an increase in recovery of zinc from lead blast furnace slags by zinc fuming. This has made it feasible to recover zinc associated with lead ores and concentrates that previously was lost in the blast furnace process and also makes it possible to utilize lead-zinc ores and other complex ores that are difficult to separate into lead and zinc concentrates.

The trend towards greater use of vertical retorts and mechanical charging and discharging will undoubtedly have an important influence upon the industry, and an influence for the good. Aside from the elimination of occupational hazards, these changes have been prompted largely by the increased cost of labor. It is reasonable to anticipate that further reductions in cost will occur as these techniques are developed.

Lead Market Vulnerable

Since lead has an important bearing on zinc production, it is unfortunately necessary to add another word of warning. Industrial stocks have been rising, foreign markets are weak, and stockpile accumulations are rapidly reaching their goals. The price has already dropped and a curtailment of production may be necessary in the near future. Lead, because of high stockpile purchases, has been slower to go through the serious adjustments that are necessary to achieve market stability.

As long as domestic industrial production continues to expand I think there is no doubt that there will be increased need for metals. If we compare a critical index, and I think you will agree with me that automobile and truck production would be an excellent criterion for this purpose, we find that in 1941 the United States produced on an average of 98,236 trucks and automobiles per week. Today our average weekly production is over 127,000. If we take another production index which is convenient for our use, "Business Week" states, the electric power output in million kilowatt-hours averaged somewhat in excess of 3,000 for the year 1941. A month ago the average was nearly double that of 1941. I think that you will agree with me that these figures indicate that the country is not retrenching—that industry itself is expanding and it must be evident that in order for it to function effectively under such conditions of expansion, metals will be needed.

In order that the industry remain strong, it is vitally necessary that during this period of transition it turn its attention to preparing for the future. It has become obvious to all but the most blind that our reserves have not been developed at the desired rate. The door is virtually closed for price support and production subsidies. The need for encouraging exploration must become more fully recognized. If the point is made clear to the government and the public, and not clouded by extraneous issues and the problems of individual operators, there is some hope for constructive action. This includes not only support of exploration for new and extended deposits, but also for technological improvements so that today's marginal ores will become the reserves of tomorrow.

Kuhn Loeb-Van Alstyne Group Offer DuMont Class A Common Stock

Kuhn, Loeb & Co. and Van Alstyne Noel Corp. head an underwriting group which publicly offered yesterday (April 19) an issue of 250,000 shares of class "A" common stock of Allen B. DuMont Laboratories, Inc., manufacturers of television sets and picture tubes and operators of one of the four major television networks. The stock is priced at $25 per share.

Proceeds from the sale of this financing will be used for the transfer of the transmitter and antenna of the company's New York station to the Empire State Building, for new studio facilities at its Pittsburgh station, and for the expansion and improvement of its facilities for the production of television receivers and cathode-ray (picture) tubes as business warrants. The balance will be aded to working capital.

The company engaged in experimental television broadcasting as early as 1938. Today it owns and operates stations WABD in New York, WTTG in Washington, and WDTV in Pittsburgh. In addition, there are 51 independent stations affiliated with the DuMont Television Network. Other operations cover the manufacture and sale of a wide range of television receivers, and cathode-ray tubes, cathode-ray oscillographs and television transmitting equipment.

Gross income of the company for 1949 was $45,267,089, compared with $26,934,239 for 1948, and $11,154,654 for 1947.

Frederick DeVoll Jr. With Henry B. Warner

PHILADELPHIA, PA.—Henry B. Warner & Co., Inc., 123 South Broad Street, announce that Frederick V. DeVoll, Jr., has become associated with their trading department. Mr. DeVoll was formerly with J. Arthur Warner & Co. and Janney & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	April 23	100.0	97.8	95.5	98.4
Equivalent to—					
Steel ingots and castings (net tons)	April 23	1,906,300	1,864,300	1,820,500	1,814,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	April 8	4,997,600	4,872,950	4,826,000	4,974,050
Crude runs to stills — daily average (bbls.)	April 8	¶5,170,000	5,470,000	5,314,000	5,067,000
Gasoline output (bbls.)	April 8	17,732,000	18,432,000	17,608,000	17,176,000
Kerosene output (bbls.)	April 8	2,156,000	2,301,000	2,429,000	2,040,000
Gas, oil, and distillate fuel oil output (bbls.)	April 8	6,648,000	6,501,000	6,250,000	6,410,000
Residual fuel oil output (bbls.)	April 8	7,783,000	7,922,000	8,210,000	7,954,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 8	135,116,000	135,586,000	135,284,000	127,522,000
Kerosene (bbls.) at	April 8	12,784,000	12,425,000	14,407,000	17,878,000
Gas, oil, and distillate fuel oil (bbls.) at	April 8	38,288,000	38,532,000	46,575,000	48,920,000
Residual fuel oil (bbls.) at	April 8	40,494,000	41,041,000	44,544,000	57,920,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 8	§700,129	§720,353	§707,962	757,784
Revenue freight received from connections (number of cars)	April 8	§655,179	§670,256	§587,655	605,338
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 13	$177,569,000	$304,439,000	$213,207,000	$158,193,000
Private construction	April 13	105,101,000	216,615,000	146,597,000	74,882,000
Public construction	April 13	72,468,000	87,824,000	66,610,000	83,311,000
State and municipal	April 13	57,698,000	65,831,000	58,394,000	71,436,000
Federal	April 13	14,770,000	21,993,000	8,216,000	11,875,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 8	11,425,000	*11,940,000	13,200,000	11,453,000
Pennsylvania anthracite (tons)	April 8	816,000	1,031,000	1,202,000	962,000
Beehive coke (tons)	April 8	98,400	*89,100	19,400	151,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	April 8	320	301	253	320
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 15	5,863,247	5,897,831	6,015,327	5,342,731
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	April 13	201	203	186	184
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 11	‡3.837c	3.837c	3.837c	3.749c
Pig iron (per gross ton)	April 11	$46.38	$46.38	$46.38	$46.66
Scrap steel (per gross ton)	April 11	$28.83	$28.83	$27.92	$23.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 12	18.200c	18.200c	18.200c	22.950c
Export refinery at	April 12	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	April 12	76.500c	75.375c	74.500c	103.000c
Lead (New York) at	April 12	10.500c	10.500c	11.000c	15.000c
Lead (St. Louis) at	April 12	10.300c	10.300c	10.800c	14.800c
Zinc (East St. Louis) at	April 12	10.500c	10.500c	9.750c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 18	102.85	102.83	103.24	101.64
Average corporate	April 18	116.41	116.41	116.41	113.12
Aaa	April 18	121.25	121.25	121.46	119.00
Aa	April 18	119.82	119.82	120.02	117.00
A	April 18	115.82	115.82	115.82	112.19
Baa	April 18	109.06	109.06	108.88	105.00
Railroad Group	April 18	111.81	111.81	111.62	108.16
Public Utilities Group	April 18	117.20	117.20	117.40	113.89
Industrials Group	April 18	120.22	120.22	120.22	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 18	2.29	2.29	2.26	2.33
Average corporate	April 18	2.83	2.83	2.83	3.00
Aaa	April 18	2.59	2.59	2.58	2.70
Aa	April 18	2.66	2.66	2.65	2.80
A	April 18	2.86	2.86	2.86	3.05
Baa	April 18	3.22	3.22	3.23	3.45
Railroad Group	April 18	3.07	3.07	3.08	3.27
Public Utilities Group	April 18	2.79	2.79	2.78	2.96
Industrials Group	April 18	2.64	2.64	2.64	2.78
MOODY'S COMMODITY INDEX	April 18	360.4	360.2	355.9	350.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 8	244,695	223,429	219,523	173,654
Production (tons)	April 8	210,848	203,663	191,702	159,449
Percentage of activity	April 8	93	92	89	77
Unfilled orders (tons) at	April 8	406,641	371,805	395,211	287,725
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	April 14	121.0	121.2	121.9	133.3
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	April 1	32,787	30,362	27,345	25,226
Number of shares	April 1	1,006,804	921,896	808,763	739,266
Dollar value	April 1	$37,426,708	$39,296,060	$32,879,477	$26,689,369
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 1	34,841	35,434	27,718	21,709
Customers' short sales	April 1	383	294	113	272
Customers' other sales	April 1	34,458	35,140	27,605	21,437
Number of shares—Customers' total sales	April 1	1,016,329	996,388	782,446	588,260
Customers' short sales	April 1	13,682	10,932	4,078	10,595
Customers' other sales	April 1	1,002,647	985,956	778,368	577,665
Dollar value	April 1	$35,008,940	$36,845,440	$27,697,212	$19,332,705
Round-lot sales by dealers—					
Number of shares—Total sales	April 1	345,560	342,150	246,820	178,170
Short sales	April 1	------	------	------	------
Other sales	April 1	345,560	342,150	246,820	178,170
Round-lot purchases by dealers—					
Number of shares	April 1	300,160	275,030	272,720	307,070
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	April 11	152.1	152.0	152.0	157.5
Farm products	April 11	158.2	157.6	159.2	170.8
Grains	April 11	170.1	168.0	165.5	165.4
Livestock	April 11	198.6	193.8	201.0	206.1
Foods	April 11	155.1	*156.0	155.5	163.4
Meats	April 11	212.3	*212.7	214.1	227.3
All commodities other than farm and foods	April 11	145.7	145.6	145.2	149.3
Textile products	April 11	135.6	135.8	136.3	142.5
Fuel and lighting materials	April 11	130.1	130.3	130.2	132.2
Metals and metal products	April 11	169.7	169.6	169.3	172.7
Building materials	April 11	193.1	193.0	193.2	196.2
Chemicals and allied products	April 11	117.5	117.3	115.8	117.8

*Revised figure. ¶Includes 467,000 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 January	52,023	41,161	53,356
Stocks of aluminum—short tons—end of Dec.	28,165	29,101	Not Avail.
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of February:			
Total shipments (thousands of pounds)	111,293	100,727	110,034
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of March	†7,446,307	*6,793,245	8,387,927
Shipments of steel products, including alloy and stainless (net tons)—Month of Feb.	5,134,780	5,482,691	5,519,938
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of February	7,736	9,076	6,362
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of Feb. (millions of dollars):			
Manufacturing	$31,200	$31,000	$34,400
Wholesale	9,200	8,900	9,500
Retail	13,800	13,900	14,500
Total	$54,200	$53,900	$58,400
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	3,982,536	*5,461,719	6,109,391
Oven coke (net tons)	3,956,139	*5,357,740	5,475,421
Beehive coke (net tons)	26,397	103,979	633,970
Oven coke stocks at end of month (net tons)	655,132	1,280,984	1,504,158
COMMERCIAL STEEL FORGING (DEPT. OF COMMERCE)—Month of February:			
Shipments (short tons)	92,547	92,994	*111,024
Unfilled orders at end of month (short tons)	340,955	327,035	*538,798
COPPER INSTITUTE—For month of March:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	89,952	‡80,756	96,085
Refined (tons of 2,000 lbs.)	113,440	94,036	88,165
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	123,030	112,773	113,972
Refined copper stocks at end of period (tons of 2,000 lbs.)	60,276	77,472	70,682
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of January (000's omitted)	22,943,238	21,951,177	21,797,918
Revenue from ultimate customers—month of January	425,325,400	410,417,000	398,457,000
Number of ultimate customers at Jan. 31	42,980,306	42,850,781	40,870,643
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of March (1935-39 average = 100)	†115.3	†112.8	120.3
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of January:			
Death benefits	$132,259,000	$132,673,000	$123,024,000
Matured endowments	46,643,000	37,933,000	46,076,000
Disability payments	8,969,000	8,534,000	8,580,000
Annuity payments	25,323,000	17,097,000	24,207,000
Surrender values	53,463,000	59,180,000	40,654,000
Policy dividends	60,422,000	83,640,000	54,399,000
Total	$327,079,000	$339,057,000	$296,940,000
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE) — Month of February:			
Shipments (in pounds)	761,000	952,000	636,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of January (millions of dollars):			
Inventories:			
Durable	$13,772	$15,289	$16,539
Nondurable	17,198	17,305	17,870
Total	$30,970	$32,594	$34,409
Sales	17,580	17,814	17,880
MONEY IN CIRCULATION—TREASURY DEPT. As of February 28 (000's omitted)	$27,068,014	$26,940,800	$27,557,141
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of March:			
Industrials (125)	6.40	6.49	6.88
Railroads (25)	6.74	6.85	8.31
‖Utilities (24)	5.30	5.33	5.95
Banks (15)	4.42	4.32	4.66
Insurance (10)	3.30	3.28	3.27
Average yield (200)	6.16	6.24	6.66
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of March	£8,073,000	£9,690,000	£22,088,000
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of February (000's omitted):			
Exports	$770,000	$745,200	$1,044,000
Imports	598,700	622,600	566,691
U. S. GOVT. STATUTORY DEBT LIMITATION—As of March 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	255,723,520	256,368,355	251,641,514
Guaranteed obligations not owned by the Treasury	23,663	27,051	24,083
Total gross public debt and guaranteed obligations	$255,747,183	$256,395,406	$251,665,598
Deduct—Other outstanding public debt obligations not subject to debt limitation	734,461	739,111	782,441
Grand total outstanding	$255,012,722	$255,656,294	$250,883,156
Balance face amount of obligations issuable under above authority	19,987,277	19,343,705	24,116,843
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of April 1, 1949:			
Winter wheat—Production	763,590,000	------	901,668,000
Rye—Condition	85%	------	89%
ZINC OXIDE (BUREAU OF MINES)—Month of February:			
Production (short tons)	17,537	12,193	Not avail.
Shipments (short tons)	16,695	12,871	Not avail.
Stocks at end of month (short tons)	10,124	9,283	Not avail.

*Revised. †Preliminary figures. ‡Corrected. ‖American Tel. & Tel. not included.

Continued from page 5

Observations . . .

Then comes this contradictory and meaningless clause: "This necessarily excludes all speculation, all investments for an uncertain and doubtful rise in the market."

At the very least there should have been included a definition of the term "speculation," particularly as it assumes that prudent men of discretion and intelligence do not in their own affairs "speculate."

This classic opinion then goes on to say: "[This necessarily excludes] of course everything that does not take into view the nature and object of the trust and the consequences of a mistake in the selection of the investment to be made."

The Practical Effects of Vagueness on Investing

The above-evidenced indefiniteness and disclosed inability clearly to pin down the definition of *prudence* furnishes a real key to forecasting the coming effects of the broadened powers granted to fiduciaries. For the securities expert in trying to apply the term to the investment field, shares the jurist's and layman's uncertainty; and finally giving the concept a utilitarian meaning somewhere between conventional, respectable, blameless, and following-the-crowd.

Hence the main qualitative effect of the coloration of *prudence* on the legal inhibitions surrounding the conferring of respectability on common stocks and other securities outside the legal list by the 21st State, will be to enhance the already fast-growing Blue Chip-ism in the stock market. It will undermine value-analysis as the guiding principle in portfolio choosing, and the existing over-emphasis on "liquidity." It will further the existing Ponzi-like chain-technique of selecting issues because there will always be other buyers on whom subsequently to unload.

Attraction of Liquidity

Confirming the prevailing liquidity-preference, or more truly liquidity-craze, is the recent action of the framers of the current New York State legislation in throwing *property* out of the new law, and confining the 35% permission to securities. Surely the attraction of the liquidity element, and not factors of value or safety, must have been the determining one in making the hard-and-fast overall rule of discriminating against property and in favor of exchange-listed securities.

Blue Chip-ism Everpresent in Fiduciary Functioning

This implies no reflection on the New York or Massachusetts type of "Prudent Man" statutes; on the contrary, **it must be realized that the exercise of the fiduciary function through any investment medium connotes Blue Chip-ism and the liquidity mania. This is so primarily because of the normal urge, whenever other people's money is being handled, to avoid blame, to follow the lines of least resistence, and to lose the money respectably.** This playing-it-safe situation is controlling wholly irrespective of Prudent-Man or any other legislation, and is worldwide in its application, notably in the case of British banks and other fiduciaries. Even in the case of trust funds where equity investment is permitted without qualification as to quality or amount, or in mutual funds affirmatively committed to speculative securities, every practical trustee or fund manager knows that even a single minority objector will keep the majority from purchase of a little-known security—bond or stock—no matter by how far its demonstrable hard-boiled value may exceed its market price. Conversely, he also knows the psychological difficulty of avoiding the escape into window-dressing with the "unexceptionably" glamorous—or at least respected and liquid—Blue Chips, wholly irrespective of their degree of genuine value based on earnings and assets.

In the words of the former President of the Massachusetts Bar Association, Mayo A. Shattuck, in observing the workings of the rule in its State of origin: **"It is a human instinct to be safe rather than sorry"** (cf "A New Approach to the Prudent-Man Rule for Trust Investment," in "The Trust Bulletin," published by the ABA, November, 1943, p. 35).

It is not appropriate to our approach to attempt exploration of the many legal intricacies of the Prudent concept. But it does seem very relevant to emphasize that the vagueness in the common law, and the un-preciseness of the objective, including confusion of "investment" with "speculation" in the investment world, must result in steering fiduciaries toward choosing the course of relative safety from controversy and recrimination in making the specific investment decisions.

Conventionalism's Precedence Over "The Golden Rule"

Prudence as an adjuration to conservatism and conventionalism in the choice of securities, and the precept of genuine trusteeship of treating other people's money as one does one's own, are not at all coordinated in the eyes of the law. The compulsions to investing conventionalism are given precedence over the single-standard precept. This is definitely confirmed by the King vs. Talbot opinion which lays down for New York the following:

> **"Nor does it follow that because prudent men may and often do conduct their own affairs with the hope of growing rich, and, therefore, take the hazard of adventures which they deem hopeful, trustees may do the same.** The preservation of the fund and the procurement of a just income therefrom are primary objects of the creation of the trust itself and are to be primarily regarded." (*King vs. Talbot*, 40 N. Y. 76.)

This prohibition of excluding risky types of operation from the "Golden Rule" precept has its strong precedent in the Traylor case, in which it was ruled by the Illinois courts that a fiduciary could not try to recoup a trust's post-1929 losses in the same speculative media in which he successfully recovered his own personal fortune.

It would certainly seem that, at least as applied to equity investment, there is actually a fundamental contradiction and mutual exclusion between the principles on the one hand of acting for others as one would for one's self, and on the other hand of excluding "all speculation" (even if that term were satisfactorily definable and defined).

Perhaps it is impracticable to lay down a rule following either one or the other course. If that is so, or at least under the present status, the extent of laxity permitted to fiduciaries must remain vague, and will hence continue to enhance the trend to concentration in the conventional issues, and in the areas safe-from-recrimination.

* * *

Our newly-legitimized "woman of ill-fame" (the common stock) will indeed be "going respectable" with a vengeance—with her circle of companions snobbishly confined to the blue-blooded Social Register.

The economic effects of the foregoing, as well as the likely quantitative impact on the stock market of the fiduciary liberalization, will be discussed in a succeeding article.

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Realism About Business Bigness

should try to find out honestly and objectively the effect of these large enterprises upon the price-making process, and their influence upon the general welfare.

Is business concentration increasing? On Dec. 1, 1949, I submitted to the Subcommittee on the Study of Monopoly Power of the House of Representatives the first real figures since 1935 on the concentration of output in our 452 principal industries. The figures showed the amount of concentration in the top four companies, the top eight companies, the top twenty, and the top fifty in each industry. Tables indicated the changes observable in concentration ratios between 1935 and 1947 in those industries for which the data permitted direct comparison. Such comparisons were made for the first four companies in 130 of the 452 industries and the first eight companies in 133 of the industries. Lack of comparability in other cases was due to difference in industry classification in the two censuses. In terms of numbers of industries alone without regard to their size or importance, the data show a somewhat larger number of decreases than increases in concentration. In industries with an output of over $500 million there were somewhat more increases than decreases, while the reverse is true for industries under $500 million. Dealing with the change in concentration of the first four companies in the industries involved, there was an increase in 58 and a decrease in 72 of these industries. Taking the first eight companies, there was an increase in 57 and a decrease in 76 industries. These figures indicate some slight increase in concentration in the industries with the biggest companies but no over-all increase for business in general. We do not as yet have sufficient facts to be able to attach significance to these figures.

Enterprises get big in many different ways, and the results differ widely. There is no specific way to determine whether increase of concentration in an industry is permanent or temporary, helpful or harmful. In my opinion, increased concentration is undesirable, and except where definite benefits can be shown should, wherever possible, be discouraged. We do not, of course, have a "stand still" economy. There is plenty of room for growth — of individual firms and of existing industries, and there must be room for new industries.

Different Ways of Growth

Businesses grow in size in many ways. We have the single enterprise which starts small — in a basement or a garage — and through successful management, and perhaps good luck, accumulates profits which it plows back into the business. As the demand for the product increases, the business gets bigger. The classic example of this is the Ford Motor Company.

Two supplementary businesses may combine to form a single firm; a producing company may combine with or acquire a distributing company.

Large size may result from a merger of competing firms. For the most part, this is to be discouraged, and where it does lessen competition is illegal and should be prosecuted.

It is well perhaps to point out that there are cases where merger of competitors stimulates rather than restricts competition. If two ailing concerns, each of which is about to fail, can by combination gain enough strength to fight successfully against other larger concerns, competition has been strengthened and not weakened by the merger.

I stated earlier that we instinctively fear—or at least resent—bigness, even though we admire it. Concern about bigness comes from within as well as from without business itself. Many years ago, Alfred P. Sloan, Chairman of General Motors, stated: "In practically all our activities we seem to suffer from our great size. There are so many people involved and it requires such a tremendous effort to put something new into effect that a new idea is likely to be considered insignificant in comparison with the effort it takes to put it across. Sometimes I am almost forced to the conclusion that General Motors is so large and its inertia so great that it is impossible for us to really be leaders."

Attacks on Bigness

There are attacks on bigness merely as bigness. Some political scientists have contended that political democracy and economic oligarchy cannot live together in the same country. They argue that if business gets too big and centralized the result will be that business will take over the government — which is fascism — or that government will be forced to take over business—which is socialism. Strangely enough, most of these benevolent guides of our economy see no danger in bigness in labor, although the concentration of power is far more absolute and the increase in concentration clearly more definite.

It is also contended that large size, in business and government, results in centralization of decision-making, in a very few leaders and a great mass of order-takers; that denial of responsibility tends to turn men into robots, and to decrease their desire for adventurous exercise of self-reliance and initiative.

Lastly, there are what we might call the sentimental objections to bigness. There are the wistful wishes to get back to "the good old days" of small government, small businesses, small unions, and a nation of neighborly small towns.

These attacks on bigness have been made so many times that they have become part of the folklore of the American people; and each point has a certain merit.

What do we want to do about size? What can we do about size? If we attack size in business and government, shall we ignore it in other fields—labor, for instance? Is a big corporation a menace and a big union a blessing? Is a big co-op a menace or a blessing?

There have been many measures proposed by persons or groups who allege that if their particular panacea were adopted the problems of bigness and the concentration of private economic power would vanish.

One suggestion is that the government take over and run our giant industries. The adoption of such a drastic suggestion would not solve any of the basic problems of making a large organization work, nor would it answer the social objections to centralization of decision-making.

Another formula for solving the problems of large size in industry consists of two parts: "Break the big ones down into little ones," and "Set some upper limit to the size of any enterprise." These suggestions deserve careful and serious consideration. It is probable that beyond a certain point the increased efficiency and the increased opportunities for research enjoyed by big corporations no longer exist.

A third major proposal, very attractive at first hearing, is "Let an enterprise be big enough to be efficient, but no bigger."

How will "enterprise" be defined? By name? By ownership? By the amount of real control and direction exercised by top management and the board of directors?

And what is "efficient"? It might be possible to calculate the efficiency, from a unit-cost standpoint, of a single firm in a single plant using the very latest type of machinery, plant lay-out, and operating methods to produce a *constant volume of a single item.* How many such firms exist? How do you calculate the efficiency of a firm producing many different items, some items for which the market may be declining, others coming out in an expanding market, and still others in an embryonic state of development and for which there is as yet no market at all?

It might also be well to investigate the matter of incentive in connection with business concentration. What are the incentives to concentration or to deconcentration? Perhaps we can illustrate the point with the amazing increase in concentration in the newspaper business. Between 1910 and 1949 the number of local weeklies declined from 16,227 to 9,625. During the same period the number of daily newspapers declined from 2,600 to 1,887, although total circulation increased from 24 million to 52 million. More people are getting facts and points of view from fewer centers of information and comment.

Newspaper Concentration

What are the incentives to newspaper concentration? We get an illuminating reply by quoting Thomas W. Dewart, former President and publisher of the New York "Sun," at the time of the merger of the "Sun" with the New York "World Telegram" on Jan. 4, 1950: "Mounting costs of production, unaccompanied by commensurate increases in advertising revenues, have made some such course inevitable. Chief among the rising costs have been those of labor and newsprint. . . . In the ten-year period from 1939 to to and including 1949, the average advance in individual pay of the 'Sun's' employes was 80.1%. In the same period, the price of newsprint rose from $48 a ton to $100 a ton. Prices of all other supplies increased in corresponding ratios. . . . Recently advertising

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Realism About Business Bigness

revenues of the 'Sun' and the 'World-Telegram' have not kept pace with mounting production costs. Both papers have long appealed to a literate and intelligent public. Between them they have divided approximately 650,000 circulation—enough to assure the economic stability of one newspaper, but not enough for two in this metropolitan area."

I have posed the problem. Investigations now being made in an effort to throw light on this subject should be helpful in our efforts to solve it.

All Business Sizes Needed

It is clear enough to me that we need all sizes of business in this country—big, little, and in-between. Much of the research, production and distribution which have made us great industrially can only come from the concentration of financial strength and contacts which are the privilege of big business, so-called.

My own feeling is that the most sensible approach to the problem of concentration is an effort to strengthen small business and to help it grow—and grow stronger. We are inclined, I think, to exaggerate what can be done to help small business, but I am thoroughly in sympathy with the effort to do everything which we can.

Here too, of course, some myths should be removed. Many people have attended the premature funeral of small business. The fact is that of the 3,900,000 business units in these United States about 95% are small business, and until the year 1949 the number of small business units had grown steadily and dramatically. The slight reversal of this trend in 1949 should give us pause. This statistical exposure and my contacts with businessmen over the country during the year 1949 lead me to the conclusion that the tougher competitive battle which businessmen face today is having its chief casualties among the little fellows.

In the Department of Commerce we are making a particular effort to try to help small business. I am not one of those who believe there is any substitute for good management or that touch of genius and willingness to work which enables one businessman to succeed where others fail. I feel, however, that certain things can be done for small business which will be helpful.

One of these is to make it easier for the small businessman to get some of the business which the government hands out. After months of study and work on this problem, we now have an arrangement by which all purchases by the Military Establishment and the General Services Administration are advertised through the regional and district offices of the Department of Commerce, so that any small businessman, without paying any 5% or other fee to a contact man in Washington, can go to an office of the Department of Commerce and learn for himself what the government is buying. There has also been worked out a longer period between the offer and the taking of bids, thus permitting the little fellow who does not have Washington contacts to analyze the situation and get his bid in if he can furnish the product required.

Relieving the Tax Burden

Other things can be done for small business. The most effective thing which can be done is to relieve the tax burden on small business and give it a little more room in which to breathe. A clarification of intent with reference to Section 102 of the Internal Revenue Code will permit small business to retain earnings for plant expansion and working capital which might otherwise be distributed. Changes in taxes on smaller corporations, one of which has already been advocated by the President for the bracket between $25,000 and $50,000 of income, will have a beneficial effect. A program for some government aid in the way of easier credit to small business would undoubtedly be helpful. My Small Business Advisory Committee has suggested a plan for the insurance of small loans from local banks to local businessmen. Other suggestions have been made by members of the Senate and the House.

The biggest help, of course, to small business will come from continued prosperity and growth of business at large. Increased prosperity benefits small business and a depression hurts it more than the larger business units.

Above all, we must maintain in the mind of the small businessman confidence in our future, willingness to take certain risks, the desire to work hard and build his business to larger proportions, the incentive to make the sacrifices which are required for any business or any other enterprise to be a success.

We must ask ourselves this fundamental question. When everything else in America is getting bigger, shall we expect business to get smaller? And if we expect or wish it to get smaller, why? In comment upon the first question, it is proper to point out that every economist giving thought to our future progress emphasizes the need for a continually growing national product. Our population is growing, our number of employables is growing; to meet the needs of our population and give work to those who want it, business must grow.

If growth is desirable generally, is it undesirable in particular places, and how can we prevent it or why should we want to prevent it? There is nothing sacrosanct about a corporation—big or little—nor is business entitled to any special privileges. If, however, we undertake to interfere with the processes of growth, some inquiries are in order.

Operations Dangerous

Business, as I have said before, is something like the human anatomy. It is an organism, tough to be sure, but in many ways very delicate. I, myself, recently experienced a major operation and therefore may be particularly sensitive to the questions which should be asked before an operation is undertaken. An operation is always risky.

What are the symptoms which indicate a malfunction? Specifically, what is wrong? We hear occasionally the statement that concentration of economic power is destroying our liberties. It is proper to ask what liberties are being destroyed. We hear that small business is being crushed out. What businesses are being crushed out?

Let us continue specific questions. In what way is our business body not functioning properly? Is it failing to maintain or raise our standard of living? Is it selling its products at fair prices? Is it giving employment at good wages? Is it considering the welfare of its employees? Is it earning money for its shareholders? Is it contributing its share of taxes for the support of the government? Is it doing its part in time of war?

These and many other questions should be asked and asked searchingly. They should be asked and answered—first, to enable us to act, when action is necessary, on the problem of concentration;—second, to dispel baseless rumors and unfounded assertions which worry many sincere and well-intentioned people.

May I close by repeating my earlier suggestion that in answering such questions we undertake to get the facts. In my opinion, the American people prefer to be told the truth no matter whom it hurts or helps. The truth is a good foundation upon which to build.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Algonquin Publishing Co., Inc.
April 17 (letter of notification) 2,500 shares of 5% cumulative convertible preferred stock (par $10) and 2,500 shares of common stock (par $1) to be offered in units of 10 shares each of preferred and common stock. **Price**—$110 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—381 Fourth Avenue, New York 16, N. Y.

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. Statement effective March 24.

• Allied Electronics, Inc., Washington, D. C.
April 10 (letter of notification) 20,000 shares of 6% cumulative preferred stock at par ($5 per share). No underwriter. Proceeds for additional working capital. **Office**—714 5th St., N.W., Washington, D. C.

American Cladmetals Co. (5/10-15)
March 31 filed 480,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Graham & Co., Pittsburgh and New York. **Proceeds**—To install additional facilities and for working capital. Expected between May 10 and 15.

American Gas & Electric Co. (5/1)
March 31 filed $27,000,000 of serial notes, due serially between 1952 and 1965 inclusive. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds** — To redeem $15,162,300 outstanding 4¾% cumulative preferred stock at $110 a share, to pay $10,300,000 of 2% serial bank loan notes and the balance, if any, added to treasury funds. Expected about May 1 at 12 noon (EST). Final date for request for hearings set at April 24.

American Investment Co. of Illinois
March 27 filed 31,892 shares of common stock (par $1) to be offered to employees. **Underwriter**—None. **Price**—$15 per share. **Proceeds**—For general corporate purposes.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel.

• Ancient River Channels Gold Mining Co.
April 10 (letter of notification) 600,000 shares of 10-cent par value non-assessable common stock at 8 cents per share. No underwriter. Proceeds to buy equipment, pay expenses and for working capital. **Office**—206 N. Virginia St., Reno, Nev.

Armstrong Rubber Co., West Haven, Conn.
March 10 (letter of notification) 1,200 shares of class A no par value common stock to be sold at $14 per share by James A. Walsh, President. **Underwriter**—F. Eberstadt & Co., Inc., New York.

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.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

• Atlas Powder Co., Wilmington, Del.
April 7 (letter of notification) 6,000 shares of common stock (no par) at $50 per share. No underwriter. Proceeds for working capital.

Beverly Gas & Electric Co.
Dec. 20 filed 33,000 shares of capital stock (par $25) to be offered to stockholders at the rate of 1½ shares for each two shares now held, at $30 per share. No underwriter. The proceeds will be used to pay off $575,000 of notes held by the New England Electric System and bank loans. Statement withdrawn April 10, 1950.

• Big Creek Mining & Milling Co.
April 6 (letter of notification) 20,000 shares of non-assessable common stock at par ($1 per share). No underwriter. Proceeds to equip mill, build housing, and for working capital. **Office**—424 Swithwood Drive, Beverly Hills, Calif.

Bluegrass Life Insurance Co., Louisville, Ky.
March 10 (letter of notification) 100,000 shares of common stock at $2.50 per share. No underwriter. Proceeds for minimum operation capital. **Office**—Marion E. Taylor Bldg., Louisville, Ky.

• Boston Fund, Inc., Boston, Mass.
April 18 filed 750,000 shares of capital stock. **Underwriter**—Vance, Sanders & Co., Boston. **Business**—Investment company.

• Brooklyn Union Gas Co., Brooklyn, N. Y.
April 13 filed $8,000,000 of first mortgage bonds due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and F. S. Moseley & Co. (jointly); Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Harriman Ripley & Co., Inc. and First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers. **Proceeds**—To repay bank loans and for construction program.

• Brooklyn Union Gas Co., Brooklyn, N. Y.
April 13 filed 186,341 shares of cumulative convertible preferred stock (par $40). To be offered initially to common stockholders of record May 5, 1950 at the rate of one preferred share for each four common shares then held. **Underwriters**—Blyth & Co., Inc. and F. S. Moseley & Co. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program.

• Buffelen Manufacturing Co., San Francisco
April 10 (letter of notification) 2,000 shares of 5½% cumulative preferred stock (par $100) and 2,000 shares of common stock (no par), in units of one share of preferred and one common for $150 per unit. Proceeds for working capital. **Office**—58 Sutter St., San Francisco, Calif.

• Call Industries, Inc., Pocatello, Ida.
April 10 (letter of notification) 200,000 shares of common stock at 25 cents per share. No underwriter. Proceeds for raw materials, packaging and operating capital. **Office**—David Ross Bldg., Pocatello, Idaho.

Canadian Admiral Corp., Ltd., Malton, Ont., Canada
March 30 filed 28,458 shares of $1 par value common stock to be offered to shareholders at the rate of one-half share for each share held. **Underwriter**—None. **Price**—$5 per share. **Proceeds**—To purchase plant site, erect and equip plant, and for working capital. **Business**—Manufacture and distribution of radios, television sets and electric home appliances.

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.

● **Capital Reserve Corp., Washington, D. C.**
April 11 filed $3,600,000 of securities of Potomac Plans. Proceeds for investment in the common stock of the Potomac Electric Power Co. **Business**—An investment trust.

Capper Publications, Inc.
March 20 filed $2,000,000 of series 6 five-year first mortgage 4% bonds and $2,000,000 of series 7 10-year first mortgage 5% bonds. **Price**—At par, in denominations of $100, $500 and $1,000. **Underwriter**—None. **Proceeds**—To redeem outstanding bonds and improve facilities. Office—Eighth and Jackson Streets, Topeka, Kan.

● **Castle (Bunker H. and Thomas E.), Fort Stockton, Calif.**
April 7, (letter of notification) 2,500 acres of ⅞ths oil and gas leases in Pecos County at from $10 to $25 an acre. **Underwriter**—Fred Whitney, Longview, Texas. **Proceeds**—to finance and drill an oil well. **Office**—Care of Springhirst Hotel, Fort Stockton, Texas.

Central Airlines, Inc.
March 28 (letter of notification) 1,500 shares of 5% cumulative non-convertible preferred stock (par $100) and 3,000 shares of class B non-voting common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—To retire indebtedness and for operations. **Office** — 6109 Camp Bowie Blvd., Fort Worth, Tex.

Central Vermont Public Service Corp. (5/3)
March 30 filed $2,000,000 of series F first mortgage bonds, due 1980, and 8,000 shares of $100 par value preferred stock. **Underwriter**—To be determined by competitive bidding for the bonds; to be filed by amendment for the preferred stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc.; Kidder, Peabody & Co. Traditional underwriter for stock, Coffin & Burr, Inc. **Proceeds**—For construction and payment of bank loans. Expected at 12 noon (EDT) about May 3.

Chemical Crops, Inc., Morrill, Neb.
March 20 (letter of notification) 170,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Robert D. Bowers Co., Denver, Colo. **Proceeds**—To build oil seed processing plant.

(The) Chicago Fair, Chicago, Ill.
March 24 filed $1,000,000 of subordinated debentures, due 1960. **Underwriter**—None. **Price**—At par. **Proceeds**—For construction, alterations and general administrative expenses. **Business**—To hold an exposition in Chicago. Statement effective April 10.

Colonial Acceptance Corp., Chicago, Ill.
March 27 filed 164,560 shares of first series convertible class A common stock (par $1). **Underwriter**—Sills, Fairman & Harris, Inc. **Price**—$5 per share. **Proceeds**—For working capital and to reduce bank loans.

● **Columbine Development Co., Grand Junction, Colorado**
April 10 (letter of notification) 2,500 shares of common stock (par $10). **Price**—$12.50 per share. **Underwriter**—None. **Proceeds**—To build a pulp and paper mill on the Colorado River. **Office**—614 Rood Ave., Grand Junction, Colo.

● **Consolidated Engineering Corp., Pasadena, Cal.**
April 12 (letter of notification) 1,500 shares of common stock (par $1) to be sold to James R. Bradburn at $5 per share, and 1,000 shares to be sold at the same price to Wm. D. Nesbit. No underwriter. Proceeds for working capital.

● **Crocker (H. S.) Co., Inc., San Francisco**
April 14 (letter of notification) 1,000 shares of prior preferred stock at $100 per share. No underwriter. Proceeds for additional working capital. **Office**—720 Mission Street, San Francisco, Calif.

● **(The) Dean Co., Chicago**
April 10 (letter of notification) 1,000 shares of common stock. **Price**—At par ($10 per share. **Underwriter**—Boettcher & Co., Denver and Chicago. **Proceeds**—For general corporate purposes.

Delaware Power & Light Co.
March 8 filed 232,520 shares of common stock (par $13.50) now 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. Rights will expire April 24. **Underwriter** — (For unsubscribed shares) W. C. Langley & Co. and Union Securities Corp. (jointly). **Price**—$21 per share. **Proceeds**—To finance construction for the company and two subsidiaries.

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.

NEW ISSUE CALENDAR

April 20, 1950

Glatfelter (P. H.) Co.	Pfd. & Com.
Nashville, Chattanooga & St. Louis Ry., 11 a.m. (EST)	Equip. Trust Ctfs.

April 21, 1950

Reid Brothers, Ltd.	Preferred

April 24, 1950

Keyes Fibre Co.	Preferred

April 25, 1950

Rochester Gas & Electric Corp.	Preferred
Texas Electric Co.	Preferred

April 26, 1950

Southwestern Associated Telephone Co.	Preferred

May 1, 1950

American Gas & Electric Co.	Notes
Idaho Power Co.	Preferred

May 2, 1950

Public Service Electric & Gas Co. 11 a.m. (EDT)	Bonds
Spencer Chemical Co.	Common

May 3, 1950

Central Vermont Public Service Corp. Noon (EDT)	Bonds & Pfd.

May 10, 1950

American Cladmetals Co.	Common

May 16, 1950

Maine Public Service Co.	Preferred

May 22, 1950

Iowa Public Service Co.	Preferred

May 23, 1950

California Electric Power Co.	Common
Interstate Power Co.	Bonds & Stock

June 7, 1950

California Electric Power Co.	Bonds

Dorchester Fabrics, Inc., Summerville, S. C.
April 3 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**: To buy additional machinery and expand plant facilities.

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.
March 1 (letter of notification) 9,000 shares of common stock to be sold at the market price by Alfred Epstein. No underwriter.

Eastern Corp., Bangor, Me.
April 3 (letter of notification) 2,500 shares of common stock (par $10) to be offered at the market price (about $14.625 each) by the Central National Corp., New York City. No underwriter.

● **El Dorado Gold Mines, Ltd., Winnemucca, Nev.**
April 11 (letter of notification) 200,000 shares of non-assessable common stock at par ($1 per share). No underwriter. **Proceeds**—For mine development.. **Address**—P. O. Box 31, Winnemucca, Nev.

El Paso Natural Gas Co., El Paso, Tex.
March 27 filed 65,000 shares of $4.25 conv. second preferred stock, series of 1950, no par value, to be offered to common stockholders at the rate of one preferred share for an unspecified number of common shares held on April 13; rights will expire April 28. **Underwriter**—White, Weld & Co., New York. **Price**—$102 per share. **Proceeds**—To pay for construction of new San Juan pipe line.

● **Faithful Few Cooperative Housing Corp., Inc.**
April 10 (letter of notification) 100,000 shares of common stock at par ($1 per share). No underwriter. **Proceeds**—To build new homes, remodel homes and install facilities. **Office**—4956 Astor Place, S. E. Washington 19, D. C.

● **Farm Service Corp., Portland, Ore.**
April 13 (letter of notification) 500 shares of common stock (no par) and 500 shares of 6% cumulative preferred stock (par $100), to be offered at $5 per share for the common and $100 per share for the preferred. No underwriter. Proceeds for further organization, market development, equipment and facilities. **Office**—603 Lumbermen's Bldg., Portland, Ore.

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.

● **Gas Industries, Inc., Boston, Mass.**
April 17 filed 1,000,000 shares of common stock (par $1). **Underwriter** — Colonial Associates, Inc., Boston. **Business**—Investment company.

● **General Steel Products Corp., Reno, Nev.**
April 6 (letter of notification) 150,000 shares of non-assessable capital stock at $1 per share. No underwriter. Proceeds to build a plant and office at Las Vegas, Nev. **Office**—15 W. 2nd St., P. O. Box 1291, Reno Nev.

Glatfelter (P. H.) Co. (4/20)
March 31 filed 20,000 shares of 4½% cumulative preferred stock (par $50) and 70,000 shares of common stock (par $10) to be offered to holders of 20,000 shares of outstanding 5% cumulative first preferred stock (par $100) in exchange for their holdings, at the rate of one new share of preferred and 3½ shares of common for each share surrendered. The offer is expected to be made about April 20 and to expire May 1. **Underwriters**—Union Securities Corp., New York, and Stroud & Co., Inc., Philadelphia. **Price**—$50 and $15 per share respectively. **Proceeds**—To redeem the 5% preferred not surrendered in the exchange.

Gold Shore Mines, Ltd., Winnipeg, Canada
April 10 filed 500,000 shares of common stock (par $1). **Underwriter** — None. **Price**—$1.50 per share. **Proceeds**—For buildings, equipment and working capital.

Grant (W. T.) Co., New York City
April 3 filed 118,935 shares of common stock (par $5). No underwriter. These shares will be sold to employees from time to time under terms of an Employees Stock Purchase Plan to be voted on April 18. **Proceeds**—To be added to general funds for corporate purposes. **Price**—Not less than $22 a share.

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 27 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 Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Hammond Instrument Co., Chicago, Ill.
March 13 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$20 per share. **Underwriter**—Paul H. Davis & Co. of Chicago.

Helio Aircraft Corp., Norwood, Mass.
March 22 (letter of notification) 9,000 shares of preferred stock (par $20) and 9,000 shares of common stock (par $1) to be sold in units of one preferred share and one common share for $25 per unit. No underwriter. Proceeds to build a four-engine helioplane prototype. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Idaho Power Co. (5/1)
April 3 filed 20,000 shares of 4% preferred stock. **Underwriter** — Wegener & Daly Corp., Boise. **Price**—At par ($100 per share). **Proceeds**—To expand production, transmission and distribution facilities. Expected to be issued on or after May 1, 1950.

● **Income Estates of America, Inc., N. Y.**
April 11 Dominion Plan quarterly investment series (with insurance and without insurance) aggregating $5,000,000. Proceeds—For investment in Trusteed Industry Shares.

Inter-Mountain Telephone Co.
March 20 filed 95,000 shares of $10 par common stock being offered to holders of record March 31 in the ratio of one share for each two shares held at $10 per share; rights to expire April 26 (42,776 shares to be acquired by Southern Bell Telephone & Telegraph Co. and Chesapeake & Potomac Telephone Co.). **Underwriters**—Group of six headed by Courts & Co. **Proceeds**—To be used to reduce short-term bank borrowings outstanding. Statement effective April 6.

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.

Kern Mutual Telephone Co., Taft, Calif.
March 31 (letter of notification) 15,000 shares of common stock offered pro rata to stockholders of record about April 10 at $10 per share; unsubscribed shares to be publicly offered at $10.50 per share. **Underwriter**—Bailey & Davidson, San Francisco Calif. **Proceeds**—To retire $33,000 of outstanding debentures and pay for construction.

Keyes Fibre Co., Waterville, Me. (4/24)
April 7 filed 100,000 shares of 5.6% series first preferred stock (par $25). **Underwriter**—Coffin & Burr, Inc. (The company is offering five shares of the new preferred, plus an unspecified cash payment, in exchange for each

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of the 13,293 outstanding shares of preferred, of which Coffin & Burr owns 9,459 shares. However, Coffin & Burr won't enter the exchange, which means only 19,170 shares of the new preferred are needed to affect the exchange offer.) **Price**—To be supplied by amendment. **Proceeds** — For cash adjustments under the exchange offer, to redeem preferred shares not surrendered, and for working capital. Statement effective April 18.

◑ **Kirk Uranium Corp., Birmingham, Ala.**
April 11 (letter of notification) 500,000 shares of common stock at prices ranging from 10 cents per share for the first 100,000 to $1.20 per share for the last 50,000, No underwriter. Proceeds for mining operations and property. **Office**—714 Woodward Bldg., Birmingham, Ala.

◑ **Knott Hotels Corp., N. Y. City**
April 17 filed 130,000 shares of common stock (par $5), of which 100,000 will be sold by the company and 30,000 by Agnes G. and William J. Knott. **Underwriter**—Hayden, Stone & Co., New York City. **Price**—To be filed by amendment. **Proceeds**—For additional facilities, including a laundry plant.

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. Statement withdrawn April 10, 1950.

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.

◑ **Mayfair Markets, Los Angeles, Calif.**
April 7 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be sold in units of one share of preferred and one of common for $60 per unit. No underwriter. Proceeds for working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif.

◑ **McKee's Museum of Sunken Treasure, Inc., Miami, Fla.**
April 10 (letter of notification) 128 shares of common capital stock at $500 per share. No underwriter. Proceeds for construction, to retire funded debt and pay current expenses.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

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.

Mountain States Telephone & Telegraph Co.
March 10 filed 183,918 shares of capital stock offered to stockholders of record March 27 at the rate of one for each five shares; rights are to expire 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. Statement effective March 27.

◑ **Muntz TV Inc., Chicago**
April 17 filed 400,000 shares of common stock (par $1). **Underwriter**—Kebbon, McCormick & Co., Chicago. **Price**—To be filed by amendment. **Proceeds**—For working capital. **Business**—Distribution of television sets.

◑ **National Plumbing Stores Corp.**
April 12 (letter of notification) $180,500 15-year 3½% income notes due Feb. 1, 1965. **Price**—At 100% of par value. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—75 Cliff Street, New York, N. Y.

◑ **New Dictatype Co., Inc., Wilmington, Del.**
April 13 (letter of notification) 25,000 shares of common stock at $3.50 per share. No underwriter. Proceeds to manufacture and sell the dictatype machine and its accessories. **Office**—100 S. King Street, Wilmington, Del.

◑ **New England Gas & Electric Association**
April 17 filed 138,800 common shares of beneficial interest—($8 par value), to be offered to present stockholders at rate of one new share for each 10 held. **Underwriters**—Townsend, Dabney & Tyson and six others. **Price**—To be filed by amendment. **Proceeds**—To pay bank loans and for further common stock investments in subsidiaries.

New York State Electric & Gas Corp.
April 6 filed 272,380 shares of common stock (no par) to be offered to common stockholders of record April 27 at the rate of one new share for each seven held; rights will expire May 15. **Underwriters**—First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane; all of New York. **Price**—To be filed by amendment. **Proceeds**—For construction.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases.

North Western Coal & Oil Ltd., Calgary, Ala., Canada
April 6 filed 2,200 basic units of $250 face amount each of production trust certificates, or an aggregate principal amount of $550,000, Canadian funds. **Underwriter**—Israel and Co., New York City. **Price**—$123.75 (U. S. funds) per $250 unit. **Proceeds**—For equipment, working capital and current liabilities.

● **Northern Natural Gas Co.**
April 13 filed 304,500 shares of common stock (par $10), to be offered to common stockholders of record May 3 on the basis of one new share for each eight shares held; rights to expire May 22. Unsubscribed shares to be offered to employees of company and its subsidiaries. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—Proceeds from sale of stock, together with those from the proposed sale and issue of $40,000,000 of serial debentures in June and general funds of the company are expected to be used in part for property additions and improvements and in part for the payment of bank loans which are expected to amount to about $13,000,000 on April 30.

Northwest Cities Gas Co., Walla Walla, Wash.
March 15 (letter of notification) 21,370 shares of convertible preferred stock (par $5), 10,685 shares being offered to common stockholders of record April 3 on a share-for-share basis at $10 per share, rights to expire May 1. The remaining 10,685 shares and any unsubscribed shares are also to be sold at not less than $10 per share, less a commission not exceeding 50 cents per share. **Underwriter**—None. **Proceeds**—To convert plant in Eugene, Ore., to propane gas and to improve mains and facilities, as well as for working capital.

Norwich (N. Y.) Pharmacal Co.
March 24 filed 50,000 shares of 4.50% series A convertible preferred stock (par $30) offered to common stockholders of record April 17 at the rate of one preferred share for each 16 common shares held; rights will expire May 2. **Underwriter**—Hornblower & Weeks, New York. **Price**—$32.50 per share. **Proceeds**—To build a $500,000 chemical plant and warehouse facilities north of Norwich, N. Y., and to expand business.

● **Ohio Edison Co.**
April 14 filed $58,000,000 of first mortgage bonds, due 1980. **Underwriter**—To be decided by competitive bidding. 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**—To retire outstanding indebtedness of Ohio Public Service Co., which is being merged with Ohio Edison.

● **Oklahoma Gas & Electric Co.**
April 17 filed $17,500,000 of first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Harriman Ripley & Co. **Proceeds**—For construction, redemption of $7,500,000 outstanding 3¼% first mortgage bonds, and to pay bank loans. Expected in May.

Oklahoma Gas & Electric Co.
March 6 filed 97,900 shares of common stock (par $20) being offered stockholders of record April 5, 1950, at the rate of one for each 10 now held. Rights will expire April 25. 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**—$41 per share. **Proceeds**—For construction. Statement effective April 4.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

Pacific Refiners, Ltd., Honolulu, Hawaii
March 29 filed $750,000 of 6% 15-year sinking fund debentures, due 1965 and 500,000 shares of common stock (par $1) to be offered in units of $3 principal amount of debentures and two shares of common stock at $5 per unit to common stockholders of record April 14 at the rate of one unit for each share. Unsubscribed securities will be retained by the company and subject to future issuance as may be subsequently determined. No underwriter. Proceeds for construction expenditures. Company refines and markets crude oil.

Pacific Telephone & Telegraph Co.
Feb. 23 filed 814,694 shares of common stock (par $100) being 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 820,000 shares of 6% preferred stock. Statement effective March 14.

● **Pan American Gold Ltd., Toronto, Canada**
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Paramount Fire Insurance Co. (N. Y.)
April 5 (letter of notification) 50,000 shares of common stock (par $10). **Price**—$28 per share. **Offering**—To stockholders of record April 15, 1950, rights expiring on May 8, 1950, on a share-for-share basis. Transamerica Corp. owns 44,870⅓ of the outstanding shares. Any unsubscribed shares will be taken by Transamerica. **Proceeds**—$10 per share to capital account and balance to surplus account. **Underwriter**—None.

● **Peelers, Inc., Houma, La.**
April 10 (letter of notification) $250,000 5% redeemable income debentures, series B, due 1962. No underwriter. Proceeds to manufacture shrimp peeling machines. **Office**—1110 E. Main St., Houma, La.

● **Peeling Co., Baltimore, Md.**
April 13 (letter of notification) 19,000 shares of common stock "A" (non-voting) at $5 per share and 10,000 shares of common stock "B" at 50 cents per share. No underwriter. Proceeds to further develop and manufacture the Peeling machine. **Office**—238 N. Franklintown Road, Baltimore 23, Md.

Peninsular Telephone Co., Tampa, Fla.
April 12 (letter of notification) 50,938 shares of common stock (no par) to be offered to stockholders about May 5 at rate of one new share for each five held; rights to expire about May 16. **Underwriters**—Morgan Stanley & Co.; Coggeshall & Hicks; and G. H. Walker & Co., New York. **Price**—To be filed by amendment. **Proceeds**—For general corporate purposes, including expansion of facilities. Statement expected to become effective about May 2.

Pepsi-Cola Co.
April 4 (letter of notification) 4,500 shares of capital stock (par 33⅓¢), to be offered on the New York Stock Exchange through Delafield & Delafield at the market (about $10.87½ per share), for account of Walter S. Mack, Jr., Chairman of the board.

Phillips Petroleum Co., Bartlesville, Okla.
March 31 filed $75,637,900 of 2⅜% debentures, due 1975, convertible into common stock until May 1, 1960, being offered to stockholders of record April 18 at the rate of $100 of debentures for each eight shares held. Rights will expire on May 2. **Underwriter**—The First Boston Corp., New York. **Price**—100½ along with interest rate. **Proceeds**—To pay off indebtedness incurred for expansion of the company and a wholly owned subsidiary, Phillips Chemical Co.

Pioneer Telephone Co., Waconia, Minn.
March 30 (letter of notification) 1,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($100 per share). **Underwriter**—H. M. Bishop & Co., Minneapolis, Minn. **Proceeds**—To expand service.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, 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, 1949.

Preferred Fire Underwriters, Inc., Seattle, Washington
March 15 (letter of notification) 1,500 shares of participating preferred stock and 10,500 shares of common stock, at $100 and $1 per share respectively. No underwriter. Proceeds to organize the Preferred Fire Association. **Office**—1020 Virginia St., Seattle 1, Wash.

Public Service Electric & Gas Co. (5/2)
March 29 filed $26,000,000 first and refunding mortgage bonds to be dated May 1, 1950, and to mature May 1, 1980. **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 redeem a like amount of first and refunding mortgage bonds, 3¼% series, due 1966, at 103%. **Bids**—To be received by the company at 80 Park Place, Newark, N. J., up to 11 a.m. (EDST) on May 2.

● **Radium Mines, Inc., Reno, Nev.**
April 11 (letter of notification) 10,000 shares of $1 par value non-assessable common stock (par $1). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—For mining and marketing uranium and other metals and minerals. **Office**—150 N. Virginia St., Reno, Nev.

Rand McNally & Co., Chicago
March 14 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$15 per share. Underwriter—None. **Proceeds**—To be added to working capital. **Office**—536 So. Clark Street, Chicago, Ill.

Reid Brothers, Ltd., San Francisco, Cal. (4/21)
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—Denault & Co., San Francisco. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

● **Reorganized Silver King Divide Mining Co.**
April 7 (letter of notification) 512,000 shares of 10 cents par value capital stock (par 10c) at 16 cents per share. No underwriter. Proceeds to pay debts and furnish working capital. **Office**—139 N. Virginia St., Reno, Nev.

Rochester (N. Y.) Gas & Electric Corp. (4/25)
April 5 filed 80,000 shares of 4% cumulative preferred stock, series H (par $100), of which 50,000 shares will be offered, along with an unspecified amount of cash, in exchange for outstanding 4¾% preferred stock, series G, on a share for share basis. **Underwriter**—The First Boston Corp. and eight other New York and Rochester firms. **Proceeds**—To redeem unexchanged 4¾% preferred stock, reimburse the company for construction expenditures and for additional construction. Expected April 25, the exchange offer to expire May 4.

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.

Security Insurance Co. of New Haven
March 22 filed 50,000 shares of capital stock (par $10) and warrants enabling stockholders to purchase these

shares at $30 per share on the basis of one share for each five held April 12. Rights will expire May 2. **Underwriters**—Chas. W. Scranton & Co. and Day, Stoddard & Williams, Inc. **Proceeds**—To increase company's capital and surplus.

Segal Lock & Hardware Co., Inc.
April 5 (letter of notification) 2,500 shares of common stock (par $1), to be offered at market (approximately $1.75 per share) through Delafield & Delafield, New York, for the account of a selling stockholder.

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.

Southeastern RR. Co., Inc., Statesboro, Ga.
March 29 (letter of notification) subscriptions to 6,000 shares of common stock at $50 per share, the subscriptions to be exchanged for shares after company begins to function as a corporation. No underwriter. Proceeds to build a railroad from Monticello to Atlanta, Ga.

Southern New England Telephone Co.
March 9 filed 400,000 shares of common capital stock (par $25) 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.

Southwestern Associated Telephone Co. (4/26)
March 30 filed 16,500 shares of $5.50 cumulative preferred stock (no par). **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. **Price**—To be filed by amendment. **Proceeds**—To pay indebtedness and finance purchase of Two States Telephone Co.

Spencer Chemical Co., Kansas City, Mo. (5/2)
April 10 filed 250,000 shares of $6 par value common stock (par $6) to be sold for account of J. H. Whitney & Co., The Pittsburg and Midway Coal Mining Co. and Kenneth A. Spencer. **Underwriters**—Glore, Forgan & Co. and Kidder, Peabody & Co. **Price**—To be filed by amendment. Expected May 2.

● **Springfield City Water Co., Springfield, Mo.**
April 7 (letter of notification) 2,000 shares of Series E 4¼% cumulative preferred stock (par $100). **Price**—$102 per share. **Underwriters**—H. M. Payson & Co., Portland, and The Moody Investment Co., Springfield, Mo. **Proceeds**—To expand properties and pay indebtedness.

Sta-Kleen Bakery, Inc., Lynchburg, Va.
March 20 (letter of notification) 3,375 shares of common stock to be sold at $11 per share by five persons. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg.

● **Stanley Works, New Britain, Conn.**
April 14 (letter of notification) about 5,770 shares of common stock at the market price (approx. $52 per share). No underwriter. Proceeds to pay bank loans and for corporate purposes. **Office**—Lake Street, New Britain, Conn.

● **Stanwood Oil Corp., New York**
April 13 (letter of notification) 25,000 shares of common stock to be offered at market price ($1.25 per share), of which 10,000 shares are for account of company and 15,000 are for a selling stockholder. **Underwriter**—Howard F. Hansell, Jr., Philadelphia, Pa. **Proceeds**—For general corporate purposes.

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.

● **Supervised Shares, Inc., Des Moines, Iowa**
April 17 filed 400,000 shares of capital stock (par (25c). **Underwriter**—T. C. Henderson & Co., Inc. **Business**—Investment company.

● **Syracuse Suburban Gas Co., Inc.**
April 11 (letter of notification) 300 shares of 5% cumulative non-convertible preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. Offered directly through company and its affiliate, Suburban Gas Co., Inc. **Proceeds**—For construction costs and working capital. **Office**—207 N. Center Street, East Syracuse, N. Y.

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. of record July 15, 1949, at rate of one share for each five held. **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

Texas Electric Co. (4/25)
April 6 filed 175,000 shares of preferred stock (no par) of which 65,000 will be offered in exchange for a like number of outstanding $6 preferred shares on a share-for-share basis and the remainder will be sold to the public. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Price**—To be filed by amendment. **Proceeds**—For construction.

Texas Power & Light Co.
April 6 filed 203,786 shares of preferred stock (no par) of which 133,786 will be offered to holders of outstanding 7% and $6 preferred stocks in exchange for their shares on a share-for-share basis, plus a dividend adjustment on all exchanges and a $5 per share share payment on all 7% shares exchanged. The remaining 70,000 shares will be sold to the public. **Underwriter**—To be supplied by amendment, along with price and dividend rate. **Proceeds**—To pay off loans from Texas Utilities Co., parent, for construction.

● **Thomas Loan Corp. (Calif.)**
April 11 (letter of notification) 2,500 shares of common stock (par $100) to be offered on a share-for-share basis in exchange for outstanding stock of The Thomas Mortgage Co. (Kansas). No underwriter. **Office**—810 S. Spring Street, Los Angeles, Calif.

● **Toledo Edison Co.**
April 18 filed 4,102,000 shares of common tsock (par $5), of which 400,000 will be sold by the company and the remainder offered by The Cities Service Co. to its own common stockholders at the rate of one Toledo share for each Cities Service share held. **Underwriter**—The company's offering will be made under competive bidding; no underwriter is named for the Cities Service offering. **Price**—To be filed by amendment. **Proceeds**—To be applied toward construction.

● **Trad Television Corp.**
April 12 (letter of notification) 200,000 shares of common stock (par 1c). **Price**—At market. **Underwriter**—Tellier & Co., New York. **Proceeds**—To selling stockholder.

● **Trion, Inc., McKees Rocks, Pa.**
April 17 (letter of notification) 4,900 shares of common stock. **Price**—$2.66 per share. **Underwriter**—Graham & Co., Pittsburgh. **Proceeds**—To a selling stockholder.

Turner Airlines, Inc., Indianapolis, Ind.
March 10 (letter of notification) 60,000 shares of common stock (no par). **Price**—$4 per share. **Underwriter**—None. **Proceeds**—To buy planes, pay overhaul and for working capital and general corporate purposes. **Office** — Weir Cook Municipal Airport, Indianapolis, Ind.

United Mines of Honduras, Inc., Wilmington, Delaware
March 16 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To pay indebtedness and for general corporate purposes. **Office**—North American Building, Wilmington, Del. Expected in April.

U. S. Oil & Development Corp., Denver, Colo.
March 10 (letter of notification) 160,000 shares of 6% preferred stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—R. L. Hughes & Co., Denver. **Proceeds**—To drill and rehabilitate wells. **Office**—429 C. A. Johnson Bldg., Denver, Colo.

● **U. S. Oil Co., Las Vegas, Nev.**
April 10 (letter of notification) 136,922 shares of non-assessable common stock at par ($1 per share). No underwriter. Proceeds to drill for oil and gas in Coleman County, Texas. **Office**—Wester Union Bldg., Las Vegas, Nev.

● **Universal Finance Corp., Omaha, Neb.**
April 10 (leter of notification) 3,000 shares of 5½% cumulative sinking fund preferred stock. **Price**—At par ($100 per share). **Underwriters**—Wachob-Bender Co., Omaha, and The First Trust Co., Lincoln, Neb. **Proceeds**—To provide funds to acquire 2,500 shares of company's common stock.

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.

● **Wabash National Life Insurance Co., Indianapolis, Ind.**
April 14 (letter of notification) 100,000 shares of common stock at $3 per share. No underwriter. Proceeds to establish capital and surplus.

Weisfield's, Inc., Seattle, Wash.
March 14 (letter of notification) 6,000 shares of capital stock at $47.50 per share. No underwriters. Proceeds to be used in setting up additional branch stores in Washington and Oregon to sell retail jewelry. **Office**—Ranke Building, Seattle, Wash.

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.

Western Wood Sugar & Chemical Co.
March 27 (letter of notification) 5,555 shares of preferred stock (par $50) and 22,220 shares of common stock (no par) to be offered in units of one share of preferred and four of common stock for $50 a unit. No underwriter. Proceeds to build and operate a wood sugar molasses plant. **Office**—409 Atlas Bldg., Salt Lake City, Utah.

White (S. S.) Dental Mfg. Co.
April 3 filed 49,891 shares of capital stock (par $20). Of the total shares, 29,891 will be offered to stockholders of record April 24 at the rate of one new share for each 10 held and employees of the company and its subsidiaries will be given the right to buy the additional 20,000 shares plus any remaining from the stockholders' offering; rights will expire May 8. **Underwriter**—Drexel & Co., Philadelphia. **Price**—To be filed by amendment. **Proceeds**—For additional working capital. Expected April 19.

● **Woodstock Woodcraft Corp., No. Woodstock, N. H.**
April 13 (letter of notification) 4,000 shares of preferred stock at par ($10 per share). No underwriter. Proceeds to buy equipment and for working capital.

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 Cyanamid Co.**
April 15 it was reported that the company may be planning some new financing. Traditional underwriter: White, Weld & Co.

● **Atlantic Coast Line RR.**
April 18 stockholders approved the creation of a new mortgage dated March 1, 1950, providing for a maximum of $200,000,000 bonded indebtedness. Holders of $50,724,000 outstanding non-callable first consolidated mortgage 4% bonds due July 1, 1952, have been offered in exchange, par for par, new general mortgage series A bonds due March 1, 1980, with Morgan Stanley & Co. to manage the solicitation of exchanges on behalf of the company.

Broadway Department Store, Inc.
April 11 stockholders approved offer of 1¾ shares of company's common stock in exchange for each share of Hale Bros. Stores, Inc. stock under a plan of consolidation. Expected exchange offer will be made about May 15. Traditional underwriter: Blyth & Co., Inc.

Budget Finance Plan, Inc.
March 20 reported company plans to issue bonds, probably to an amount of $1,250,000.

California Electric Power Co. (5/23) (6/7)
April 12 company filed with California P. U. Commission tentative financing plans calling for the sale of 180,000 additional shares of common stock and $2,000,000 of a new series of first mortgage bonds. The stock is expected to be sold on a negotiated basis with the offering tentatively set for May 23 (traditional underwriters: Shields & Co. and Walston, Hoffman & Goodwin). The bonds are to be sold through competitive bidding about June 7 (probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Kidder, Peabody & Co.). Invitations for bids on the bonds are expected to be published on May 31. **Proceeds**—To finance in part property expenditures for 1950 and 1951.

Celanese Corp. of America
April 12 the stockholders voted 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.; Morgan Stanley & Co.

Central Hudson Gas & Electric Corp.
April 6 company announced plans to sell this year between $7,000,000 and $10,000,000 first mortgage bonds, $3,500,000 preferred stock next year and between $6,000,000 and $9,000,000 of additional bonds in either 1951 or 1952. The proceeds will be for construction.

Central Illinois Light Co.
March 10 Commonwealth & Southern Corp. notified SEC it will sell from time to time, during a three months' period commencing March 20 on or off the New York Stock Exchange, its holdings of 7,314 shares of Central Illinois stock.

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.

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Chicago, Rock Island & Pacific RR.
April 11 company applied to the ICC for authority to issue $3,630,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Cleveland Electric Illuminating Co.
April 25 stockholders will vote on increasing authorized preferred stock from 500,000 shares to 750,000 shares to provide company with an adequate number of unissued shares and to enable it to sell or exchange such shares, if desirable, under future market conditions. Probable underwriter: Dillon, Read & Co. Inc.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

● **Dallas Power & Light Co.**
April 7 reported that the company is considering the possible refunding of its outstanding $16,000,000 first mortgage 3½% bonds due 1967, which are callable at 104½ and interest. Probable bidders: Same as in following item.

Dallas Power & Light Co.
Dec. 24 company reported planning sale, probably in May, of $8,500,000 bonds, for new money. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Salomon Bros. & Hutzler; First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman, Ripley & Co., Inc.

Dayton Power & Light Co.
April 13 stockholders approved an increase of the authorized common stock from 2,000,000 to 4,000,000 shares and to release from preemptive rights 50,000 shares of such stock to be sold to officers and employees. It is also planned to offer between 200,000 and 250,000 shares of common stock (first to stockholders) and $7,500,000 preferred stock, probably in May. Probable underwriters: Morgan Stanley & Co.; W. E. Hutton & Co.; Lehman Brothers.

Delaware, Lackawanna & Western RR.
April 3 company applied to ICC for authority to issue $11,613,600 of new Pennsylvania Division refunding mortgage and collateral trust bonds due 1985 and for exemption from competitive bidding. The bonds are to be offered in exchange for Morris & Essex consolidated mortgage bonds, 5s series A, and 4½s series B, due 1955 on basis of $400 in cash and $600 in new bonds (with interest at same rate as old bonds). The lien of the new bonds will be subject only to a new first mortgage under which a maximum of $12,000,000 may be issued. Of this amount, Metropolitan Life Insurance Co. will purchase up to $7,750,000, the amount necessary should all Morris & Essex bonds assent to the exchange. Georgeson & Co. will aid in soliciting exchanges. The First National Bank of New York is exchange agent.

● **Equitable Gas Co.**
April 8 company said to be planning the sale this year of $2,000,000 of bonds, with another $2,000,000 in 1951 or 1952. The proceeds are to be used for its construction program.

General Public Utilities Corp.
March 13 corporation has received SEC authorization to solicit stockholder approval of a proposed charter amendment which would permit the public offering of any of its stock for cash without according the then existing stockholders prior subscription rights to such stock. The proposal is to be voted upon at the annual meeting to be held May 1, and must obtain the favorable vote of the holders of two-thirds of the company's outstanding shares entitled to vote.

● **Georgia Natural Gas Co.**
April 5 company applied to the FPC for authority to construct a 335-mile line in Georgia and Florida to cost approximately $4,872,593. It is planned to finance this project by the issuance of $3,650,000 of first mortgage bonds, with the balance from the sale of common stock.

● **Georgia Power Co.**
April 11 it was reported that the company may refund its $101,271,000 3½% first mortgage bonds due 1971 held privately by 27 insurance firms. Probable underwriters: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; or First Boston Corp.

Georgia Power Co.
Feb. 21 company reported to be planning $6,000,000 additional financing before the end of 1950; $18,000,000 more in 1951, and $16,000,000 more in 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Brothers & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly).

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. Exemption from competitive bidding has been requested. **Proceeds**—To retire 4¼% notes and for working capital.

Hamilton Watch Co.
April 11 stockholders authorized 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.

Holiday Brands, Inc., Boston, Mass.
April 10 it was announced company plans to offer 400,000 shares of class A common stock. **Price** — $3 per share. **Underwriter**—Clayton Securities Corp., Boston. Expected early next month.

● **Household Finance Corp.**
April 15 it was reported that the company planned early registration with the SEC of about 100,000 shares of sinking fund preferred stock (par $100). Probable underwriter: Lee Higginson Corp.

Indiana & Michigan Electric Co.
Feb. 27 company was reported to be contemplating the issuance and sale of $20,000,000 first mortgage bonds in June or July, the proceeds to finance construction program. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. Possible refunding of privately held $22,500,000 3¼% first mortgage bonds is also said to be under consideration.

● **International Utilities Corp.**
April 15 the company was reported to be planning the sale of $4,000,000 of convertible bonds (payable in U. S. funds). Probable underwriter: Butcher & Sherrerd.

● **Interstate Department Stores, Inc.**
May 10, stockholders will vote on increasing authorized common stock from 320,000 shares to 500,000 and on authorizing the directors to issue new common stock without first offering present holders the right to subscribe for additional shares. It was stated, however, that the company had no present intentions of issuing any new stock.

Interstate Power Co. (5/23)
April 10 company applied to SEC for authority to issue and sell at competitive bidding $3,000,000 of first mortgage bonds, series due 1980; and to sell at public or private sale through a negotiated underwriting 100,000 shares of $50 par preferred stock (the latter being subject to stockholder authorization on May 2); and to issue and sell at competitive bidding not exceeding 275,000 shares of common stock (par $3.50). Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); and Smith, Barney & Co. (for bonds and common); Halsey, Stuart & Co. Inc. and The First Boston Corp. (for bonds); Harriman Ripley & Co. Inc. (for common). Probable underwriters for preferred may include: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Kidder, Peabody & Co.; or Lehman Brothers. Proceeds to pay $2,400,000 of 3% notes and $5,000,000 of first mortgage 4½% bonds, due 1978, and for new construction. Bids are to be invited on bonds and common about May 23. Registration with SEC expected about April 20.

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.

● **Jersey Central Power & Light Co.**
April 8 it was said that the company is expected to require additional permanent financing during 1950 to provide funds for its construction program, which calls for about $22,500,000 for the next three years.

Kansas City Power & Light Co.
March 31 reported planning sale of $12,000,000 to $15,000,000 of first mortgage bonds this year in addition to the sale of additional equity securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co.

Lone Star Gas Co.
March 23 announced that the company plans long-term borrowings in order to retire two short-term bank notes amounting to $5,000,000 and other loans which were the result of new construction expenditures during 1949; viz: $47,500,000 in instalment notes (including $2,500,000 current maturities) outstanding at the close of last year.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

● **Maine Public Service Co. (5/16-17)**
April 10 it was announced that the company plans the sale and issuance of 30,000 shares of preferred stock (par $20), the proceeds to go to finance construction program. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. Issuance of $1,000,000 mortgage bonds also planned. Expected May 16 or 17.

● **Milwaukee Gas Light Co.**
April 18 reported contemplating issuance of additional securities, the proceeds of which will be used to finance $13,000,000 of first 4½s due 1967 and $2,000,000 of 7% preferred stock, to fund some $8,500,000 of bank loans, and for new construction. No definite plan has been evolved. Probable bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.

Montana-Dakota Utilities Co.
May 1 bondholders will vote on increasing the aggregate principal amount of bonds which may at any one time be outstanding to $40,000,000 from $20,000,000.

Montana Power Co.
Dec. 20 reported company may sell in 1950 and 1951 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.

● **Nashville, Chattanooga & St. Louis Ry. (4/20)**
Bids will be received at the company's office, Room 901, 71 Broadway, New York, N. Y., up to 11 a.m. (EST) on April 20 for the purchase of $4,800,000 equipment trust certificates, series F, to be dated May 1, 1950, and mature in 15 equal annual instalments of $320,000 each from May 1, 1951 to 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Harris, Hall & Co. (Inc.), jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Lehman Brothers (jointly).

Northern Natural Gas Co.
Jan. 20 announced that the company proposes to issue and sell at competitive bidding $40,000,000 of 2¾% 20-year debentures. The net proceeds, together with other funds, will be used to finance the company's construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc; The First Boston Corp.; Kidder, Peabody & Co. Offering expected in June.

● **Northwestern Bell Telephone Co.**
April 17 announced company is preparing to sell $60,000,000 of new debentures at competitive bidding during the first week of June. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To be applied toward redemption of $75,000,000 3¼% debentures due 1979. **Registration**—Expected early next month.

Oswego Falls Corp.
March 20 stockholders approved $500,000 additional first mortgage bonds, which are expected to be issued about May 15.

● **Pacific Petroleum, Ltd. (Canada)**
April 12 company announced it plans to file with SEC 1,000,000 additional shares of common stock this week. Proceeds (U. S. currency) will be used for further expansion and development work in the Alberta oil field. **Underwriter**—Eastman, Dillon & Co.

● **Peoples Gas Light & Coke Co.**
April 18 James F. Oates, Jr., Chairman, announced plans for offering to stockholders of 116,962 additional shares of capital stock at par on a basis of one new share for each seven shares held. A registration statement will soon be filed with the SEC. Record date will be determined later. Proceeds will in part replace funds expended for the purchase in December, 1948, of stocks of Natural Gas Pipeline Co. of America and Texoma Natural Gas Co. Presently outstanding $10,000,000 in short term bank loans will ultimately be permanently financed.

Philip Morris & Co. Ltd., Inc.
March 20 directors authorized officers to develop plans for public financing of $25,000,000 to $30,000,000, part of which might be in the form of additional common stock. Traditional underwriter: Lehman Brothers.

Potomac Electric Power Co.
April 11 it was reported investment banking firms have formed groups to bid for a probable offering of $30,000,000 first mortgage bonds, the proceeds to be used to refund $20,000,000 outstanding 3¼s, due 1966, and to provide construction funds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp. and Union Securities Corp. (jointly); White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Smith Barney & Co. (jointly).

Public Service Co. of Colorado
May 22 stockholders will vote on increasing authorized preferred stock (par $100) from 300,000 shares to 375,000 shares; the additional 75,000 shares, in addition to $7,500,000 debentures are expected to be sold about mid-year. Probable bidders: (1) for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co. (jointly); Lehman Brothers; (2) for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp.; Kidder, Peabody & Co.; (3) for both issues: Lehman Brothers; Harris, Hall & Co. (Inc.).

Public Service Electric & Gas Co.
April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

Rochester Telephone Corp.
April 4 it was announced that the stockholders on April 19 will vote on the issuance of 300,000 additional shares of common stock (par $10). Traditional underwriter: First Boston Corp.

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) in April. Registration with the SEC expected shortly. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Mer-

rill 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 $31,534,500 outstanding 4% 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. Expected late this month.

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 Edison Co.**
April 18 California P. U. Commission granted the company exemption from competitive bidding on 1,000,000 shares of cumulative preferred stock. Probable underwriters: First Boston Corp. and Harris, Hall & Co. (Inc.). Proceeds will be used to repay bank loan and for construction costs. Expected early in May.

Sunray Oil Corp.
March 31 reported the registration statement may be filed this month involving about $80,000,000 financing in connection with proposed merger of Sunray with Barnsdall Oil Co., which is still in formative stages. Eastman Dillon & Co. are bankers for Sunray.

Texas & Pacific Ry.
March 21 directors approved purchase of 13 additional Diesel-electric locomotives (to cost approximately $3,500,000), to be financed largely by equipment trust certificates (expected to total around $2,400,000). Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Harris, Hall & Co. (Inc.); Blair & Co., Inc., L. F. Rothschild & Co. and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Bankers Trust Co., New York.

● **Traveler Radio & Television Corp.**
April 12 reported to be planning issuance of additional stock.

Utah Power & Light Co.
March 28 G. M. Gadsby, President, reports company plans late this year to sell $10,000,000 of bonds, plus an additional like amount in 1951, together with 150,000 additional common shares in the latter year and 165,000 shares in 1952, the proceeds to meet construction costs. 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.

Virginia Electric & Power Co.
March 27 it was reported that company may issue next fall $20,000,000 of "new money bonds." Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler.

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.

Wisconsin Electric Power Co.
March 23 reported company plans to issue $25,000,000 of bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Equitable Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. **Proceeds**—About one-half for refunding and remainder for new construction. Expected early in June.

Wisconsin Power & Light Co.
March 24 reported company plans to raise about $16,000,000 in new money to finance construction costs, etc. This may include $10,000,000 of bonds. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co. and Harris, Hall & Co. (Inc.) (jointly); White, Weld & Co. and Kidder, Peabody & Co.

NSTA Notes

AD LIBBING

Paul I. Moreland

Paul Moreland of Moreland & Co., Penobscot Building, Detroit, Mich., was the first to accept chairmanship of his affiliate, Security Traders Association of Detroit and Michigan, Inc., representing the National Security Traders Advertising Committee. Paul always performs, and many of us recall his outstanding work when delivering a report at our National Convention. He is active both locally and nationally, having been President of the Security Traders Association of Detroit and Michigan, Inc., and he has served as an officer and member of the Executive Council of the NSTA.

Paul, we your Committee members, know the Detroit affiliate will be well represented in our 1950 Annual NSTA Yearbook of the Commercial & Financial Chronicle.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York City.

P.S.—Remember, we are most desirous to have our members get "corporation ads" in a big way this year. Will you K. I. M. and let's start now!

Our Reporter's Report

Discussing the aims and effects of open market operations before a savings bank group recently a spokesman for the Federal Reserve Bank made a point of the uncertainty which this policy generated.

He expressed the belief that not only the actual open market operations "but the uncertainty created concerning interest rate prospects," exercised a restraining influence on the extension of credit and financing in security and mortgage markets.

The Reserve spokesman very likely will find full agreement as far as the element of uncertainty goes among investment banking people whose business calls for a minimum of uncertainty in the financing of business through the sale of new securities.

Underwriters, who must bid competitively for the bulk of new securities they market these days, have been hampered by the Reserve's open market activities since the turn of the year.

They, it is safe to say, would like nothing better than for the Treasury to make up its mind on the basis of its forthcoming issue and, accordingly, let the Reserve stand aside for a while and permit the government market to stabilize.

The experience of bankers with the last World Bank financing is a case in point. These securities were bought with the government market working persistently lower. Hence the operation was no great success.

Phillips Pete 2⅜s

Subscription books for Phillips Petroleum Co.'s $75,644,900 of 2⅜% convertible debentures, due 1975, were opened under auspicious conditions marketwise, and the issue went quickly to a premium.

The debentures are being offered first to stockholders at 100½ until May 2 and are being underwritten by a banking group. But the manner in which the price moved up to rule around 103¾ indicated that the bankers would not likely find the unsold balance, if any, very burdensome.

Carrying a conversion feature and being callable for sinking fund starting May 1, 1952, in amounts sufficient to retire the entire amount by maturity, the debentures carried strong appeal to both long- and short-term investors.

When the Yield Is Right

There is no gainsaying the fact that when the indicated yield meets with their ideas of what is proper institutional investors will be in the market for new issues.

That was proved conclusively this week by the brisk reception which marked the sale of two public utility bond issues, neither of them too large in size.

South Carolina Electric & Gas Co.'s $22,000,000 of first and refunding bonds, 30-year maturity, brought out a run of four bids from bankers. The successful group bid 102.4199 for a 3% coupon and repriced the issue for public offering at 103, to yield 2.85%. Other bids were close and the deal moved out quickly.

The same held true in the case of Pacific Power & Light Co.'s $9,000,000 of first mortgage 30-year bonds. This issue brought out six bids and was awarded to the winner at a price of 101.8011 for a 3% coupon.

Priced at 102.399 to yield 2.88% all but a nominal part of this offering was reported to have been taken in short order.

New Issues Moving In

Bankers are forming groups, and at least two will be in the field for Northwestern Bell Telephone Co.'s projected offering of $60,000,000 of new debentures.

This big issue is expected to be registered with the Securities and Exchange Commission early in May and probably will reach the marketing stage the following month. The indicated purpose is to replace an outstanding issue of 3¼% debentures due in 1979.

Meanwhile reports indicate that Milwaukee Gas Light Co. may undertake to refinance $13,000,000 of first 4½s, due 1967, also $2,000,000 of seven per cent preferred stock, and at the same time fund some $8,500,000 of bank loans.

While the matter probably is in discussion, informed sources maintain that no definite plan has yet been evolved.

THE WESTERN UNION TELEGRAPH COMPANY

NOTICE IS HEREBY GIVEN that The Western Union Telegraph Company 4½% Funding & Real Estate Mortgage Bonds due May 1, 1950, will be paid at the office of the Treasurer, 60 Hudson Street, New York 13, N. Y., on and after May 1, 1950.

W. P. WATERS, Treasurer.

MEETING NOTICE

NORFOLK AND WESTERN RAILWAY COMPANY
Roanoke, Virginia, April 4, 1950.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 11, 1950, at 10 o'clock A. M. to elect four Directors for a term of three years.

Stockholders of record at the close of business April 21, 1950, will be entitled to vote at such meeting.

By order of the Board of Directors,
L. W. COX, Secretary.

DIVIDEND NOTICES

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on April 13, 1950, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable July 1, 1950, to stockholders of record at the close of business on June 15, 1950.

The Board of Directors of this company on April 13, 1950, declared a dividend of 15 cents per share on the Common Stock outstanding of the company payable May 15, 1950, to stockholders of record at the close of business on May 1, 1950.

EDWARD FRAHER, Secretary.

American INVESTMENT COMPANY OF ILLINOIS

SEVENTY-EIGHTH CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a quarterly dividend on the Common Stock of 37½ cents per share, payable June 1, 1950 to stockholders of record at the close of business May 15, 1950.

D. L. BARNES, JR.
Treasurer

April 11, 1950

Financing the Consumer through nation-wide subsidiaries—principally:
Public Loan Corporation
Loan Service Corporation
Ohio Finance Company
Citizens Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY
Pittsburgh Pennsylvania
April 17, 1950

Board of Directors have declared for quarter ending June 30, 1950, DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share, on PREFERRED STOCK, payable July 20, 1950 to stockholders of record July 6, 1950.

Also declared a DIVIDEND of FIFTY CENTS per share on the NO PAR COMMON STOCK, payable June 1, 1950 to stockholders of record May 11, 1950.

G. F. CRONMILLER, JR.,
Vice President and Secretary

TIDE WATER POWER COMPANY
Dividend Notice

The Board of Directors has declared a quarterly dividend of 15¢ a share on the Common Stock of the Company, payable May 15, 1950 to holders of record April 28, 1950.

WARREN W. BELL,
April 17, 1950. *President.*

THE DAYTON POWER AND LIGHT COMPANY
DAYTON, OHIO

16th Consecutive Quarterly Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on June 1, 1950 to stockholders of record at the close of business on May 10, 1950.

B. C. TAYLOR, Treasurer
April 13, 1950

SOUTHERN NATURAL GAS COMPANY
Birmingham, Alabama

Common Stock Dividend No. 45

A dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 12, 1950 to stockholders of record at the close of business on May 31, 1950.

H. D. McHENRY,
Secretary.

Dated: April 20, 1950.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — There are two institutions around this town which are beginning to run into disfavor with those conservatives in Congress who know what these agencies are doing.

The first and most prominent of these is the Bureau of the Budget, which is becoming everything except in fact an agency to try seriously to work out a budget. The other is the Citizens Committee for the Hoover Report, so-called. There is a tie-up between these dislikes, for the so-called Citizens Committee is becoming, unwittingly or otherwise, the tool of the Budget Bureau in its ferocious grab for new bureaucratic empires, moving in under the halo of the "Hoover Report."

Prior to Franklin D. Roosevelt's regime, the Bureau of the Budget used to be part of the Treasury Department. Then the President annexed it. Shortly thereafter, Mr. Roosevelt by executive order gave the bureau the authority to coordinate Administration views on pending legislation.

In theory this latter power had some logic behind it. New legislation often required prospective new expenditures, particularly some of the schemes which Mrs. Roosevelt proposed to her late husband, and were referred by him to the Budget Bureau for disposal.

Gradually and subtly, however, the Budget Bureau has taken over the job of policy determiner for the White House. Obviously the President can't decide a thousand things. Unless some of these things later come to light, the decision of the unknowns in the Budget Bureau becomes final.

Of course the Budget Bureau is careful not to attempt to decide by itself major policy coming under the jurisdiction of other agencies. For example, it lets Brannan beat the drums for the Brannan plan and Mr. Acheson, with the approval of the President, work out major foreign policy, and so on.

On the other hand, there are literally thousands of things which the Budget Bureau screens out and decides as a sort of agent of the White House. As long as there are some 1,800 bureaus and offices of government, the government is spending $42 billion, and the government's activities are variegated and complex beyond the comprehension of one or a score of men, this must be so.

The Budget Bureau also has large powers to "coordinate" many other administrative problems, including statistics and administrative methods. It naturally establishes its lines of contact with "friendly" second-string powerful but anonymous, administrators within the departments or agencies. An "unfriendly" administrative officer could find that the Budget Bureau was ordering a new management survey of his operations with a view to improving their efficiency, and, just possibly, transferring the said administrative officer to a subordinate place in Omaha.

Yet the Budget Bureau still prepares the appropriation estimates of every agency for submission to Congress, and the lengthy official "justification," for those proposed money allowances. With its further power to censor and surpress the requests of agencies for legislation, plus the power to monkey with their administrative machinery, the Bureau of the Budget has just about all the trappings of a fine little tyranny.

All of this is far from as unimportant to the layman as it may sound. There always seethes constantly within the bureaucracy terrific fights as one jostles the other for more power. These fights seldom see the light of day except when one agency grabs a public "cause" as a basis for seeking more power, as when the Federal Reserve Board, for example, seeks to encroach upon other Federal and state bank supervisory agencies to make more effective—it would say—its regulation of credit or banks.

Nevertheless, on an esoteric, highly rarified but secret level of intra-bureaucratic politics, many of the major decisions of government are made. Since the Bureau of the Budget has made itself sort of the "good right hand" of the President, it has emerged top dog and many of the lesser bureaucracies quiver and shake before it.

What has brought this omnipotence of the Budget Bureau to the fore has been two developments. The first was the candid policy, proudly announced by the retiring Budget Director, Frank Pace, to give up any idea of balancing the Federal budget. Mr. Pace's thesis that the Federal budget should be looked upon as a great social document telling where the largesse of a free-spending government was being distributed, was a point of view which did not ring any bells among those on the Hill who don't "cozen" enthusiastically to bankruptcy.

The second thing was the writing up by the Budget Bureau of these proposed Reorganization plans which have the purpose, among other things, of taking semi-judicial functions and throwing them under the control of Cabinet heads. The Secretaries of the several departments, of course, cannot build on to their shoulders an extra head or put another 24 hours into their days. But the little administrative coterie of schemers and planners, all dominated by the secret elect order of Budget Bureau administrators, would be able to mess around in these things.

The Budget Bureau already has learned of the dissatisfaction of some very important Congressional gentlemen to the drift of its grab for power, and its total disregard of fiscal soundness. If the Bureau does not at least lay low for a while, this dissatisfaction will become a public issue before long.

* * *

Into this situation the so-called Citizens Committee for the Hoover Report comes barging, naively or otherwise. Senator John L. McClellan of Arkansas, Chairman of the Expenditures Committee, and himself a former member of the Hoover Commission, recently gave a little public lecture to Robert L. L. McCormick, research director and front man for the Citizens Committee. Freely translated, what Senator McClellan said to Mr. McCormick was that so far as the Senator was concerned, the recommendations of the Hoover Commission were not carved in stone and did not come down from the top of a mountain, and Mr. McCormick was not empowered to speak ex cathedra.

This lecture came after Mr. McCormick endorsed the submergence of national bank supervision to the Secretary of the Treasury. Senator McClellan said that although he was a member of the Hoover Commission, he remembered nothing like that being recommended by the Commission.

Mr. McCormick explained that this fitted in with the whole theory of the Commission of concentrating responsibility in department heads and establishing direct lines of authority. Mr. McCormick even made the declaration that a President of the U. S. "has the authority to fire anybody in the Executive branch, provided it isn't a political firing of a civil service employee."

Under this definition, the President through a Secretary of the Treasury could fire a Comptroller of the Currency who might oppose, as was once actually proposed during the war, forced allotment of Treasury securities to banks.

As explained by Mr. McCormick, it is supposed to be desirable to reduce the number of officials who report directly to the President below the some 165 who now may do so. In theory this makes for better government some how, Mr. McCormick believes.

The Hoover Commission does not propose to wipe out any of the activities which give rise to the necessity of reaching decisions for which the President is responsible. The effect of the Hoover Commission line thus becomes practically to suggest that the decisions be made for the President by subordinates. These subordinates are largely unknown. The decisions would often be unknown. The light of publicity would not play upon them. The public would scarcely know who it was who decided what, or why. Government by anonymity and political irresponsibility would be even greater than now.

* * *

When and if the Tariff Commission takes it up, the entire aluminum industry is expected to back the petition of Reynolds Metal that the tariff on aluminum be raised from its present rate of two cents to three cents per pound. It is asserted that the Canadian Government permitted Aluminum of Canada to amortize its investment during the war for tax purposes, and this factor plus cheap water power gives the Dominion a price advantage. This will be felt when foreign aid financing of Canadian aluminum exports begins to drop off—if it ever does. Canadian capacity was increased with U. S. aid from 300 million pounds annually, to over 1 billion pounds, it was explained.

Senator Carl Hayden (D., Ariz.) has a pet scheme, the "Central Arizona Project," to dam the Colorado river some distance above Boulder Dam, pump water up 1,000 feet above the canyon and dig and blast a tunnel 80 miles long to carry water into Arizona for irrigation purposes. This will bring 285,000 acres of desert land into production at a cost of $1,258,780,000, or some $3,400 per acre. This acreage can be used to grow more surplus crops to be supported. On the basis of their proportionate shares of the national revenue, this would cost New York state $187,200,000, and North Carolina, $20,014,000. The project already has been approved by the Senate and has a 50-50 chance of getting by the House Committee.

* * *

Senator Robert Taft's resolution to kill Reorganization Plan No. 12 and thus save the independent general counsel of the National Labor Relations Board has a pretty good chance, as of now, of clearing the Senate Expenditures Committee in several days. Its present chances of getting the necessary 49 "aye" votes appear to be a little better than 50-50.

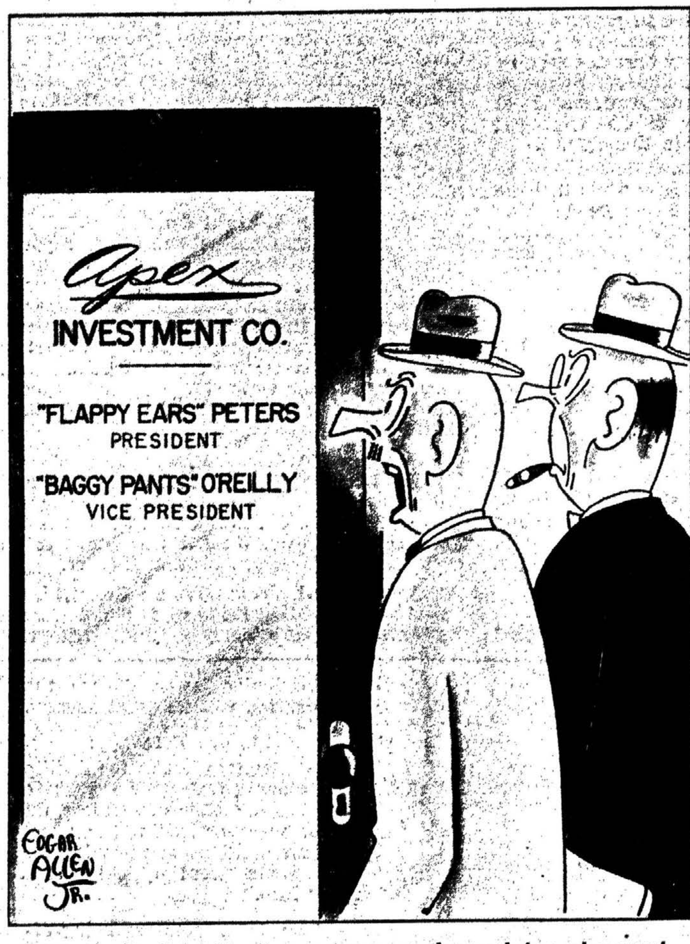
* * *

The "anti-merger" bill is still alive and probably eventually will go to the White House. This is the bill to subject to the Clayton Act verboten the acquisition of assets of a competing company, so as to lessen competition.

On the other hand, the Frear bill to subject small corporations to SEC jurisdiction, seems for the present, at least, to have run into an irresistible force.

(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



"That's the last time we engage a sign painter who went to school with us!"