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EDITORIAL

As We See It

Does private enterprise owe its continued existence to the New Deal and the Fair Deal? A foolish question? Of course. But an affirmative reply is now one of the leading battle cries of the Fair Deal as it used to be of the New Deal. It would be disastrous if such absurdities became part of the accepted dogma of the rank and file.

President Truman's campaigning has proved to be as advertised and expected throughout. Much, perhaps most, of what he has been telling the "folks" around the country is the usual buncombe about local things and about what the Great White Father in Washington is doing for them; about how important Podunkville is to the nation; about how much the President thinks of them all out where the tall mountains are and where the tall trees grow; and much more of the same order (we had almost written of the same odor). There are, however, certain basic claims which the President is again repeating over and over, thus increasing the danger that these spurious notions may presently become by mere repetition a part of the accepted notions of the people much as the miasmic origin of malaria was once all but universally accepted.

An Absurd Claim

One of the most dangerous, as well as one of the most unfounded of these notions now being so sedulously spread among the people "back home," is that the New Deal and the Fair Deal have "saved" and are now "saving" the free enterprise system of this country from total destruction. At Butte, Montana, late last week the President once again came forward with this claim. Let us first see just what the President had to say, and

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The Business Outlook

By VERGIL D. REED*

Associate Director of Research
J. Walter Thompson Company

Dr. Reed bases his diagnosis that business, measured by any standard, is unusually good and should continue so for a long time, among other things as (1) ability and willingness of consumers to buy, (2) increased life span resulting in increased demand, and (3) great backlog of unfilled orders. Says unemployment during last months has been grossly overplayed and questions whether business leaders "really believe in competitive enterprise." Looks for expanded markets due to continued population growth and new foreign markets.

We have been feeling sorry for ourselves and singing the economic blues for 21 years. This shadow of pessimism in the midst of our blessings is well expressed in the Whiffenpoof Song, written 20 years earlier. While our eyes are blinded with sentimental tears, and the sobs from our hypochondriac fears catch in our throats, as we sing that song, the lambs of opportunity gambol past in an endless file—unseen. We do not even accept the challenge to count and tag them as our own. Yet, many of us lie awake nights sweating under a heavy blanket woven with a warp of worry and a weft of doubt counting imaginary sheep on the wrong side of our beds.

Vergil D. Reed

Business Fears of Past Years

Even this crying jag is more forgivable than the gross and repeated underestimation of the vitality, stamina, and potentialities of our economy which has marked our past. The businessman, the government official, the labor leader, and college

*An address by Dr. Reed before the Fourth New England Marketing Conference, Boston, Mass., May 15, 1950.

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Commitment to Prosperity

By MELCHIOR PALYI

Asserting welfarist demagoguery has taken deep root, and consequent commitment to prosperity means we are also committed to inflation and high taxes, Dr. Palyi says inflating prices and costs create unprecedented incentives to expand productive apparatus with resulting "over production" and perpetual budgetary deficits. Decries pump priming, and points out "subsidies beget more subsidies," while every inflationary shot-in-the-arm strengthens labor union bargaining powers.

This nation is *committed to prosperity*. There is no law to that effect (the Full Employment Act is sheer verbiage). And laws can be changed. The unwritten commitment is on a double plan: political and economic.

Welfarist demagoguery has taken such deep roots in the public mind that no party could afford to deviate from, or to challenge, the Hand-out State with its domestic and global spending implications, cost what they may.

Dr. Melchior Palyi

Political psychology might change, but the hard facts of the economic scene are to stay with us. They force the hands of whoever is in power. The number one fact is the huge national debt. Let us call it $300 billion; that is what it very soon will be, if the growing deficits and Federal guarantees are taken into consideration. Given the size and the essentially short-term character of that debt; given the dependence of the banking system and of the social security set-up on the par value of the bonds; given also the Treasury's need to issue new bonds—the interest rate must be kept low and revenues high, cost what that may to the economy.

For another thing, there are the military commitments. The cost of war preparation is bound to rise, and

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NEW FINANCING IN THE OFFING—For a complete record of forthcoming corporate financing operations turn to our "Securities Now in Registration" section, starting on page 42.

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.

NATHANIEL F. GLIDDEN

Partner, Glidden, Morris & Co., New York City

(North American Company)

It would be an unimaginative banker who could suggest only one sound investment. However, there is one that I include in every list submitted to inquiring investors. It is North American Company. The reasons are many—the company will, within a short time, be known as Union Electric Company of St. Louis. This investment is widely recognized to be one of the six or eight best utility common stocks in the United States.

Nathaniel F. Glidden

The North American Company is to be liquidated and its assets turned into cash which will be placed in the treasury of Union Electric Company of St. Louis, which will have more than $20,000,000 in excess of appropriate working capital. This is a prime consideration as it will mean that the company will not be obliged to sell (as almost all other companies do) any more common stock for probably two years. The company's ratio of bonds, preferred stock and common stock are excellent and the $20,000,000 will make it more so.

Despite the miseries that the public utility laws, administered by the SEC, have visited upon the utility industry, one result has been the clarification of all the utility companies assets. The utility laws have focused attention of the Public Utility Commission and the SEC itself on all conditions and attending circumstances of the utility industry. This process has, so to speak, given a justifiable higher confidence in the industry. The utility industry in particular, is the only one that operates a monopoly regulated, to be sure, by the various Commissions. Thus, an investor in this industry is not subject to the fierce competition that means lower profits to many and disaster to others in the industrial field.

A look at the map will reveal that St. Louis is the only very large city in the United States that can expand in every direction. Furthermore, it is reported that the diversification of the industries of this city is greater than in any other large city.

It is recognized that according to Missouri laws, utilities are allowed to earn 6½% on their rate base and there are other favorable circumstances recognized by the government of the State.

This investment has two characteristics that are important, viz.: (1) It pays a generous income, now a little less than 6%; (2) Because of the considerations abovementioned, an investor here can look forward to substantial capital gain.

Despite the lack of wisdom in making predictions, I believe an investor here (other things being equal) can expect a 25% to 30% capital gain in addition to dividends sometime in 1951.

Published reports show that investment trusts, colleges and many financial institutions have invested heavily in this stock.

HELEN E. DICKINSON

Editor, "Gartley Forecast," New York City

(Standard Steel Spring)

In a period like this when the dollar buys so much less, it is necessary to find more and more dollars even to maintain the real value of capital. For the businessman or woman of moderate means, common stocks today probably offer the best opportunities for the preservation of actual purchasing power. Perhaps such issues do not merit the term "security" in the strictest sense of the word—potential capital enhancement, plus an attractive income, usually entail a measured risk. But even at current market quotations, many common stocks with good growth possibilities offer high dividend yields, amply protected by present and projected earnings.

Helen E. Dickinson

Currently there are so many good situations, in so many different industries, to choose from that it is extremely difficult to select a "favorite" issue. But it would seem that Standard Steel Spring may be included as one of today's attractive opportunities.

The company is an important unit in the automobile equipment industry. Its products include bumpers, leaf springs, universal joints and assemblies, coil springs, wire forms, steel gratings and treads. It is a company primarily dependent upon the automotive industry. Thus its present high level of prosperity is likely to continue as long as automobile production holds up anywhere close to its present level. In a smaller way, Standard also makes parts for agricultural equipment and Diesel engines.

Capitalization Simple

Present capitalization is relatively simple. There is no funded debt. In 1946, 120,000 shares of $50 par, 4% preferred stock were authorized; at the present time, 97,500 shares are outstanding. This preferred stock is cumulative as to dividends and is convertible into common at the rate of two-for-one. It is redeemable at the option of the company at $53.50 prior to May 1, 1952; $53.00 to May 1, 1954, and $52.50 thereafter. There are 2,687,500 shares of $1 par common stock authorized, of which 1,448,424 shares were outstanding at the 1949 year-end. At that time, the net assets of Falls Spring & Wire Co. and subsidiaries were acquired; in return, the company issued an additional 308,010 shares, bringing total outstanding common up to 1,756,434 shares.

The company's recent history is one of growth. Through acquisitions it has sought to take an increasing share of the available business. 1939 sales totaled only $5.28 million. By 1941 (aided by the purchase of Mulhausen Spring Corp. in mid-year) they had risen to $12.7 million. War production of course added large sums, but even during reconversion in 1946, sales totaled $21.6 million—four times the 1939 level and almost double 1941. Each year since then has increased the figure further until 1949 chalked up a handsome $53.3 million.

Stable Earnings and Dividends

For a company serving a cyclical industry, Standard's earnings and dividend record is relatively stable. It has made a profit in each year except the depression period of 1932 and 1933—even in the poor automobile year of 1938 it had a small net income. And dividends have been paid on the common in each year except 1932-1934. In 1949, Standard Steel Spring reported net income of $3.3 million, equal to $4.22 per common share on the stock then outstanding.

As has been mentioned above, the company acquired the Falls Spring & Wire Co. and its subsidiaries on Dec. 31, 1949. Last year that company showed sales of $24.5 million and earnings of $1.7 million. Based on this 1949 record, the new acquisition adds a potential 46% to sales and 27% to earnings of Standard Steel Spring. But Standard operates at an unusually high profit margin. Its net before taxes in 1949 was almost 20% of sales; after taxes it was almost 12%. Falls Spring & Wire profit margins were 12%

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This Week's Forum Participants and Their Selections

North American Company—Nathaniel F. Glidden, Partner, Glidden, Morris & Co., New York City. (Page 2)

Standard Steel Spring—Helen E. Dickinson, Editor, "Gartley Forecast," New York City. (Page 2)

Cunningham Drug Stores, Inc.—I. Komanoff, Herzfeld & Stern, New York City. (Page 35)

American Cyanamid Company—T. Reid Rankin, R. M. Horner & Co., New York City. (Page 35)

Lawrence Portland Cement Co. and Oxford Paper Co.—Edmond P. Rochat, President, Grady, Berwald & Co., New York City. (Page 35)

Germany Today—The Economic, Financial and Investment Outlook

By BENJAMIN J. BUTTENWIESER*
U. S. Assistant High Commissioner for Germany;
Formerly Partner, Kuhn Loeb & Co.

Mr. Buttenwieser cites Germany's current production, trade, monetary, unemployment and political difficulties. Maintains limitations on her rearming must not be imposed for commercial considerations under guise of military security, and endorses some German arguments for revision of Prohibited and Limited Industries Agreement. Declaring Germany is in crying need of capital and there will be opportunity and duty for foreign lending, he describes present obstacles to lifting present investment moratorium.

In facing so many of my friends and former associates in the investment banking fraternity, well may I muse with the poet: "The aisles of memory are crowded, one chokes at the gates of utterance." May I say, too, at the very outset, how deeply I appreciate the honor of being asked to discuss with you the timely and significantly far-reaching subject of Germany's economic and financial situation today.

Benj. J. Buttenwieser

As the name of this Association indicates and as I well know, you make and advise on investments. Even though I am now a governmental official, I have not completely forgotten that one of the essentials in determining investment is knowledge of the enterprise in which investment is being considered. Predicated on this concept, I assume, was your welcome invitation to be here today to try to give you my impressions of Germany within an economic and financial framework.

Obviously, it is superfluous for me to portray the utter destruction that the war wrought in Germany from every standpoint. Our Occupation Forces took over Germany just five years ago and found her, literally and figuratively, a nation of rubble—beaten, bewildered and practically bereft of hope. Soon, however, with the liberal aid and encouragement of the Western Occupying Powers, especially our own country, the German people dug themselves out of war's desolation and are slowly, but I think surely, finding their way back toward economic rehabilitation.

Thus far I have been speaking in broad terms. I know this audience well enough, however, to be well aware that you want facts. Permit me, therefore, to satiate your appetite for information with what I consider to be salient and significant data concerning Germany. From it, you will be able to draw your own conclusions as to her status. May I make clear that throughout this discussion, unless otherwise indicated, reference to Germany means the Federal German, or so-called West German, Republic.

Production and Trade

First, as to her industrial production: By March 1 of this year it reached 100% of the 1936 production of the territory which today constitutes Germany. This is physical, not a monetary, production ratio, the former being the more accurate basis for such a comparison. In the absolute, this single figure would be quite reassuring. In the relative, however, it leaves much to be desired. In the first place, Germany's population today, due to the influx of some 9,000,000 Displaced Persons, Expellees and Refugees is, when added to the approximately 38,500,000 of Germans who constitute the normal population of that area, roughly 25% greater than it was in 1936. Consequently, on a per capita basis, the production is really only about 80% of 1936. Another important consideration to bear in mind in appraising this production figure is that the production level of most other European countries is somewhere around 130% of 1936.

Second, as to Germany's trade with its all important effect on her requirement of foreign aid—a subject which I need hardly remind you is near and dear to the hearts of all American taxpayers: her trade has been expanding, but unfortunately it is still only about 40% of 1936 volume. Calculated in dollars, Germany's imports for 1949 totalled approximately $2,250,000,000, whereas her exports totalled only about $1,125,000,000, resulting in an unfavorable trade balance of roughly $1,125,000,000. This presents a very serious problem for Germany and, indirectly, a problem for our country, as sponsor of the Marshall Plan, and for all countries participating in the Plan.

A Truncated Economy

Merely taking into account these two important aspects of Germany's economy, one would naturally assume that there is a relatively easy and available panacea; namely, that with Germany's much vaunted industrial skills and the justified reputation of her populace for hard work, it should be possible to increase production and consequently expand exports. That, of course, has

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*Address by Mr. Buttenwieser before Investment Bankers' Association of America at White Sulphur Springs, West Virginia, May 18, 1950.

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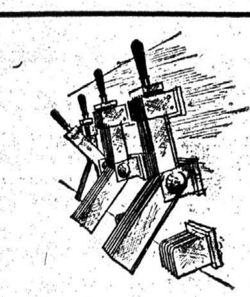

Earnings Outlook for The Building Shares

By LYMAN S. LOGAN*

Research Staff, Argus Research Corporation

Specialist in building stocks reviews construction boom situation, resulting from government guarantees and other Federal legislation. Says building activity, though as high as it can go, cannot satisfy current demands, and building costs tend to remain high. Discusses earnings and dividend prospects of leading individual companies in the building materials groups.

When I start out to talk about a group of stocks I like to have the background of the level of the market as a whole. If I am particularly interested in a stock it is because I think it is going to do better than the market as a whole and I also think that you size up stocks in the same way.

Lyman S. Logan

Now it seems to me that in a period like the present where we have a fairly high Dow-Jones average—that is on a historical price basis—we probably have some different ideas on stocks than we would have if the Dow-Jones averages were low on the historical basis. Recently I took a trip out West and called on the executives of six of the companies in the building materials group. What I was interested in finding out about these companies was whether they had three or four of the following characteristics:

(1) Could they be classified as a growth company?

(2) Were they going to earn more money this year than last year, and presumably pay out more in dividends?

(3) Did the stock have any defensive characteristics?

(4) If it did not have any of the above factors in its favor, was the stock beat down to a low level for reasons that were fairly well known and which it was beginning to overcome. In other words, could it be characterized as an overly depressed issue?

I think the best way for us to look at the building stocks is for us to appraise them on this basis, and I am going to discuss several companies and see how they stack up with regard to these three or four factors. Obviously, the company is not going to have all of these factors in its favor, but if it has enough of them its outlook can probably be considered favorable at the present time.

*A talk by Mr. Logan at a meeting of the Association of Customers' Brokers, New York City, May 8, 1950.

The Building Situation

There is one other thing that I ought to do before I take up the subject of these individual companies. I ought to place in your minds some figures about the building situation. I do not intend to give a long discussion about the building industry and its outlook, but I am going to emphasize the importance of just a few factors. I doubt if you know that the government is already committed in FHA loans for a sum of $15 billion on a contingency basis. This includes all of the guarantees for rental housing for all types of single-family dwellings for repurchases of mortgages by Fannie Mae [Federal National Mortgage Association], and guarantees for all other types of housing including that for educational institutions, military establishments, etc. The new Congress has just voted another $4 billion. This will bring the figure up to $19 billion. Last year Congress voted a public housing act which provides for 810,000 dwelling units over a period of six years. These houses will cost about $8,000 apiece, making a total around $6½ billion over the next 5½ years. This program got under way last summer and there will probably be $1 billion in bonds sold for the various public housing authorities guaranteed by the government before the end of the year.

Housing Demands Insatiable

You can see with all of this money going into building that it represents the primary stimulus to the present housing boom. Last year private residential building accounted for $7 billion. This year the figure will probably be considerably greater, with the Federal Government providing the stimulus for the greater portion of it. Moreover, this type of stimulus is going to continue. There is still a large need for dwelling units for the families that have been formed since the end of the war, and the formation of families continues at the rate of about 500,000 a year. I figure the backlog is about 3 million houses and it will take about six years to work off this backlog and meet the needs that are continuing to develop each year. This is just a statistical basis and does not mean very much except that there is a big demand for housing and it is very obvious that there is plenty of money to back up these demands, guaranteed by the government.

Thus, from these figures you can see why I am very bullish on the residential housing picture. The fact is that I don't believe that they can build all the houses for which contracts have been let and supply the needs for public housing. What I am saying is that it will just take longer to satisfy these demands and building has gotten just about as high as it can.

Higher Earnings Indicated

Last year there was a decline in sales of some of the building materials producers, but this was largely because there was a liquidation of inventories in the different stages of distribution. It was thought at that time that building costs would come down and that building materials prices would decline. When the resurgence of demand came in the late summer it became very obvious that the liquidation of inventories was a mistake.

The plants making building material could not get into production fast enough and they have been working at capacity levels ever since. This means that earnings are going to be a lot better for some companies this year than they were last year, particularly those companies that supply building materials which are used for residential construction. It seems to me that such companies as Masonite, National Gypsum, U. S. Gypsum, American Radiator, Certain-teed, General Portland and Johns-Manville, will have a sustained and heavy demand for their products throughout the current year and that these companies will, of course, show larger earnings and better dividends than they did in 1949.

MASONITE

Take first Masonite, for example. Here is a company that had a strike in 1949 for five months and only earned $3.98 a share. They had to cut their dividend down to the regular $2 basis, which is not very much, but the company was always very converative in paying dividends. So far in the first six months of the current fiscal year—that is the six-months ending February—the company has reported $4.64 per share. There has been some decline in business in the past month or two, because part of the production in the fall was to restock the dealers who had sold out during the strike period. However, it ought to be fairly easy for this company to make as much as $9 a share this year. They have some good foreign earnings in Canada, Australia, and a new operation in South Africa. These are just small additions to their total earnings. What really should boost their earnings is to get the plant in California going and I believe this plant should begin operations some time in the summer. Partly, this plant was a question of insurance against a repetition of strike troubles at the main plant at Laurel, Miss., but it ought to add some earnings and I would guess that on a normal basis when all plants are in operation and profit margins are fairly well stabilized, results ought to work out somewhere around $12 a share. The important thing about this company is that it has not raised prices, except for freight rate increases, since prewar. These freight rate increases have meant an increase of 28½% in cost to the consumer. Its product is, therefore, quite competitive with other materials.

I think there is a good possibility too that the stock might be split and there are similar possi-

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Investor Aids for Investment Planning

By GEORGE F. SHASKAN, JR.*

Partner, Shaskan & Co., Members N. Y. Stock Exchange

Mr. Shaskan considers elements of investment timing on basis of Dow Theory and other mechanical formulas. Describes formula plans as well as dollar averaging in detail. Offers conclusions regarding mutual funds, and descriptions of important tax provisions. Cites basic investing principles.

Last week we reviewed the problems and opportunities of selecting an investment program which we discussed in terms of a defensive position and an offensive position. We suggested that the defensive portion of the program could probably best be met through United States Government savings bonds and that common stocks which met a number of qualifications might make up the bulk of the offensive position. However, most of the rules for selecting common stocks we noted were vague and not subject to strict measurement. We concluded, therefore, that probably the most important consideration was that of diversification.

Geo. F. Shaskan, Jr.

Today we shall explore certain additional aids available to the investor for planning his investment program and an alternative approach to the problem which minimizes the decisions which the investor must make. We will also mention briefly several other considerations of interest to the investor, list in Polonius-like fashion certain platitudes which are partly the result of experience—sometimes sad experience—and partly, no doubt, prejudice. Toward the close of today's lecture I hope to be able to answer some of the questions you may wish to ask.

When and How to Invest

Although in last week's lecture we spoke of a defensive and an offensive investment program and certain considerations to be taken into account in selecting securities, the important questions of when to invest and whether to emphasize the defensive or offensive position went largely unexplored except to the extent that such considerations as the price-earnings ratios and net current assets per share are indirectly related to these questions.

Actually, the determination of when to invest, and what relationship should exist between the defensive and the offensive program is not an easy one and consideration of this subject might well form the basis for not only a single lecture but an entire series. However, there are a number of so-called mechanical formulas which might be applied to these problems and, while certainly not infallible, appear to have some merit.

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

Chart-Reading

I am sure that we have all heard at one time or another of chart-reading which is an attempt to determine whether securities as a whole or individually should be purchased or sold based upon the previous price action of such securities—such price action being charted and the charts then diagnosed. Probably the best known of these chart reading formulas is the Dow Theory which charts a selected number of industrial and railroad shares as two separate groups and then uses the price actions of these separate chart pictures for drawing certain inferences.

Dow Theory

While we do not have time to review the Dow Theory in detail I think we might say that generally speaking a bull market is described by this theory as one in which succeeding highs in each average exceed the preceding highs and successive lows are higher than the preceding lows—and conversely for bear markets. It is not sufficient for either the industrial *or* the railroad averages to meet the conditions but *both* must meet these conditions; in other words the railroad averages must confirm the industrials or the industrials must confirm the railroad averages. Thus, in these charts of the Dow-Jones Industrials and the Dow-Jones Railroads, we see that the industrials have approximately met the conditions for a bull market which would be an indicator to purchase securities but this has not been confirmed by the rails so that we cannot say we are in a bull market at this time according to the Dow Theory although, should rail prices confirm, we would be in a bull market.

It is not my intention to appraise the Dow Theory other than to say that, while I do not subscribe to the Theory, so many investors apparently do that the signals given by the Theory must be carefully watched since the

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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 sustained high level of steel and automotive production last week was an important contributing factor in maintaining total industrial output for the country at large moderately above that of the comparable 1949 week. A slight decline in country-wide claims for unemployment insurance during the week ended April 22 was also encouraging news.

In a forecast by Robert C. Goodwin, director of the Bureau of Employment Security, he stated recently that employment this summer probably will equal or exceed 60,000,000. This figure, which was the postwar goal of Federal planners, has not been exceeded since October, 1948. A postwar high of 61,615,000 jobs was attained in July, 1948. Mr. Goodwin further declared that the goal of 60,000,000 employed "is no longer adequate to meet the employment needs of the country."

Welcome news was the announcement on Tuesday of this week that the six-day strike of locomotive firemen against five major railroads had come to an end. Under the terms of settlement, the union said that it modified its demands for an additional fireman on big road diesels, while the railroads contended the union dropped this demand.

About 160,000 non-striking employees of the struck roads were made idle. In addition, thousands of workers had been thrown out of jobs in other industries where output had been curtailed because of reduced transportation facilities. However, the railroads immediately affected by the walkout continued to operate limited freight and passenger service within the struck areas.

* * *

The pace of steel ingot production goes on without abatement this week to a new historical high level for the steel industry.

Domestic steel producers' order backlogs mount even though production is at a record pace. Demand for all major products, and even such heavy items as plates and structurals, is rising, states "Steel" magazine this week. With demand outrunning production shipments are becoming increasingly extended. Strike of firemen on four major railroads and resulting traffic difficulties added to shipping problems. In any case, it is certain the mills will be busy most of the summer clearing away tonnage arrearages from second quarter.

Production of steel in April totaled 8,196,050 tons, the highest output ever achieved during the month, American Iron and Steel Institute revealed.

That total, it added, was more than 700,000 tons higher than steel companies made during March, and about 400,000 tons higher than the figure for April, 1949.

Minor adjustments in finished steel prices by individual producers are noted, the magazine adds, but, in the main, the market holds at levels established early this year.

* * *

Describing Chrysler's production comeback after its long strike as "amazing," Ward's Automotive Reports estimated Chrysler's output for the week at 26,000 cars and 2,700 trucks. For the last full week before the walkout of Jan. 25, Chrysler's production in the United States and Canada was reported by the agency at 35,033 cars and trucks.

Automotive output for the industry as a whole attained its historical high peak in the week just past and if output continues at present levels May will set a new production record, Ward's predicted. With Chevrolet and other producers planning further increases in assembly rates, June output should be even higher, it added.

* * *

The Monthly Letter of The National City Bank of New York, reporting on general business conditions during April, notes that the trend of business has continued upward and that it is now clear that the expectations of the optimists, as far as spring business is concerned, are being fully realized, and that in overall terms the situation is as strong as anyone, at the turn of the year, had dared to hope. Outstanding in the trade reports, the Letter states, is the demand for consumers' durable goods. Retail sales of automobiles have broken all records for the season, with deliveries of popular makes again delayed, and as might be expected some people are paying premiums to get cars promptly. Used car prices have turned upward again after a long decline.

Demand for housing and for everything that goes with it has continued strong, the report adds. Residential contract awards in March were the highest in history, 120% above a year ago, according to the Dodge figures, and daily average awards in the first half of April increased 12% over the March rate. Demand for refrigerators and other household equipment is forcing some manufacturers to allocate their production. Backlogs of unfilled orders are huge. Television sales are growing beyond any previous calculation. In all these markets is seen not only the influence of a rate of population growth and family formation exceeding all earlier estimates, and of record incomes, the veterans' insurance refund and personal borrowing, but also the benefits of progress during the past year or more in stabilizing prices, improving quality and design, and in general offering the kind of houses and household equipment that buyers want.

Steel Operations Set at All-Time High Output

For the first time in many months there is a note of hysteria in the steel market this week, according to "The Iron Age," national metalworking weekly. Here are some of the reasons: (1) Steel producers are feeling the full force of furious and unrelenting steel demand; (2) strikes have set back production 11 million tons since the upsurge of demand last fall—about 29 million tons in the past five years; (3) fearful of interruptions

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Lincoln Goward With Blunt Ellis Simmons

CHICAGO, Ill. — Lincoln R. Goward, formerly with Lee Higginson Corporation in New York, has become associated with Blunt Ellis & Simmons, 208 South La-Salle Street, members of the New York and Midwest Stock Exchanges, the firm announced. Mr. Goward graduated from the University of Virginia in 1924, after which he joined Stone & Webster in New York. He was later with Utility Equities Corporation and rejoined the Stone & Webster organization in 1935. From 1944 until the present, he has been with Lee Higginson Corporation in New York. Blunt Ellis & Simmons are members of the New York and Midwest Stock Exchanges conducting a general underwriting and investment business.

Jack Toppell Opens Advisory Office

(Special to The Financial Chronicle)

MIAMI, Fla.—Jack Toppell has opened offices at 3620 S. W. Tenth Street to act as an investment adviser. Mr. Toppell was formerly with Frank D. Newman & Co. and prior thereto headed his own company in New York City.

Four With Bache Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Daniel A. Daley, Elva M. Freeman, Thomas E. McParland, and Charles B. Poindexter have joined the staff of Bache & Co., 135 South La Salle Street.

J. H. Goddard Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—John F. Hurst has become affiliated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Joins William P. Miles

(Special to The Financial Chronicle)

NEW ORLEANS, La.—S. Gideon Steiner, III has become associated with William P. Miles, Whitney Building. He was formerly with Steiner, Rouse & Co.

F. S. Moseley Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Alan T. Shaw has been added to the staff of F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With J. A. Rayvis Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Milton D. Bernstein is with J. A. Rayvis Co., Inc., Langford Building.

Joins Luckhurst

(Special to The Financial Chronicle)

BOSTON, Mass. — William R. Walsh is with Luckhurst & Co., Inc., of New York City.

Observations . . .

By A. WILFRED MAY

The Mutual Funds, the Redemption Privilege, and the Investor

This is the second of a series of articles inquiring into the potential repercussions on the securities market and the economy resulting from exercise of the mutual funds' redemption privilege by the fast-growing number of their shareholders. (The mandatory redemption feature imposes on the open-end companies the obligation to redeem their shares on the demand of their stockholders at a price equivalent to the break-up value of the shares, based on the market value of the underlying assets.)

A. Wilfred May

In last week's column on this question, we studied the action of the managements and shareholders of investment trusts over certain past periods; finding that while cash-ins were serious during certain periods of the major 1929-33 depression, in periods of minor recessions or brief market breaks (as Sept. 3, 1946) trust managers as well as their stockholders exerted little unbalancing effect.

Inferences about future behavior on the basis of past performance are risky—particularly because of the great changes in size and character of the trust business that have taken place; but past performance can be helpful in understanding the psychology of fund participants and appraising the long-term changes in the securities markets occasioned by the continuing trust boom.

Quite surprising in the face of the great popular acceptance of the trust principles and the favorable market atmosphere is it that during the first quarter of 1950 the **net** sales (that is, sales less repurchases) of the 42 open-end common stock funds actually declined from the preceding quarter (to $37,130,000 from $42,-176,000). This was occasioned by a sharp jump in redemptions, the buy-backs from shareholders in the common stock trusts having risen by 50% over the preceding quarter and having trebled since the first quarter of 1949.

The "Above-Water Rescue" Explanation

It is believed by many experienced observers of the business that the recent rise in redemptions is largely to be explained by the allegedly characteristic tendency of shareholders who have been "hung-up" at higher prices—in this case, 1946-bull market buyers—to get out as soon as they find themselves "above water." The applicability of this explanation at some times is indicated by the rise in redemptions during bull market periods of the past decade. Thus they rose sharply during rising-price years of 1943, 1944, 1945, and 1946 (even the total net assets of the common stock funds falling in the latter year); but fell during the 1947 bearish periods.

Consistent with the motivation of cashing-in on market bulges is the ironic fact that frequently the funds with the best performance records have experienced the highest proportionate redemptions.

The correlation of redemption rises with stock market strength has applied only in recent years. In the 1930s and early 1940s, bear markets were accompanied by high rates of redemption, climaxed by very high cash-ins during 1941. This would warrant the conclusion that a companion reason for the rise in the turn-back of shares is large-scale switching from one fund to another, following high-pressure sales persuasion and in the face of a duplication of "entrance fee" payments (the load) of 9% or so.

New Holders' Investing Attitudes the Crux

The broad over-all effect of the fund craze is to broaden the base of the stock market and importantly enlarge the public's participation. The flexible factor is the form and direction in which this increased public involvement is taking place. Unfortunately the holders' above-cited cashing-in behavior, with the reasons therefor, clearly indicate that this new market element is speculative rather than investment-minded. Selling out on either market bulges or in downswings, and switching from fund to fund pursuant to actual or claimed better past-performance records, are activities surely antithetical to the investment motives—as long-term holding for income, reliance on expert invest-

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New Factors in Investment Trends

By RAYMOND RODGERS*
Professor of Banking, School of Commerce, Accounts and Finance, New York University

Dr. Rodgers, maintaining investment today is an entirely different problem to that of a few years ago, calls attention to our prevailing "directed economy" and quest for social security as factors changing investment trends. Cites increasing role of government in housing, in agriculture, and in using measures for stabilizing business, as matters affecting investment, along with chronic budget deficits and "managed money techniques." Advises investors to analyze political more than economic trends, and predicts "no devastating depression." Foresees continuation of low interest rates.

Investment of funds has always been a serious problem; and, when the funds belong to others, investment becomes, in addition, a heavy responsibility. The "prudent men" of other years, doubtless, after long consideration and careful weighing of the outlook, bought turnpike securities, canal bonds and other issues which today can only be found embalmed in the pages of our flamboyant financial history. To the extent that they adapted their investment programs to changing conditions, they justified their role in the financial world; to the extent that they persisted in error and refused to recognize that "the old order passeth and a new one takes its place," their investment funds dwindled and they lost out in the competitive race.

Raymond Rodgers

History is replete with book, chapter and verse of developments which changed the very future of humanity. Whether it was the "Admiral of the Inland Sea" at San Salvador with his New World; Napoleon at Waterloo with his crumbling world; James Watt at Glasgow with his steam engine; or one of the many other men who altered the very warp and woof of our economic fabric, such changes necessitated basic readjustment of investment policies.

Economic Impact of World Wars

Great as has been the economic travail of other years, the changes of our time have been far greater. Most of you know at first-hand the economic impact of two World Wars. Some of you participated in the greatest stock market boom of all time and many of you have had first-hand experience with two periods of inflation and the worst depression this country has ever known. You have seen almost world-wide currency devaluation and a reduction in the gold content of our own dollar. You saw the rise of Nazism in German, Fascism in Italy, and Militarism in Japan—and you had a big hand in ending them. You have witnessed with horror and disbelief the rise of Communism and its unspeakable enslavement and abasement of the souls of men as it spread over a large part of the earth.

*Talk before the First Northern Mid-Continent Conference, National Association of Bank Auditors and Comptrollers, Detroit, Mich., May 8, 1950.

The investment problems flowing from these changes have been greatly complicated by the fact that most of them have not followed orthodox theoretical or historical patterns. Wartime boom and postwar depression are considered just as inevitable as war itself. Yet the belated post-World-War-II readjustment which got underway last spring was stopped by government intervention.

Another well-known lesson of economic history is that interest rates go up as inflation develops. Declining prices and increasing interest rates on high-grade bonds were so characteristic of past inflations that it was standard investment policy to sell bonds at the beginning of an inflation period and buy them back at much lower prices as the inflation approached its end.

The Decline in Interest Rates

In complete disregard of the clear lesson of history, in the World War II inflation interest rates remained low and bonds did not behave according to schedule. This was all the more remarkable because the postwar period witnessed sharp increases in commodity prices and a long and serious spiral between wages and prices. In addition, there was very heavy liquidation of long-term government issues by insurance companies and other institutional investors, with the exception of commercial banks. Despite these upward pressures, interest behavior was so **unusual** that those who adhered slavishly to the bond selling and buying policy, which had proved so successful in past periods of inflation, had only losses to show for their pains in this one.

Equities, likewise, did not run true to form in the recent postwar period. For example, while the Federal Reserve Index of Industrial Production climbed from 160 (1935-9=100) in May, 1946, to the level of 194 in Feb., 1948, an increase of 21.3%, the index of 354 industrial shares (1937=100) dropped from 134 to 101, a **decline** of 24.6%. And, if that demonstration of the perversity of common stock price behavior is not sufficient, consider what has happened since the middle of 1949. With industrial production beginning to falter, with powerful deflationary forces beginning to materialize, and with profits declining, common stocks staged a persistent upward climb until two months ago!

Incidentally, if any of you have the idea that common stock prices always forecast business developments, or vice versa, take a look at the statistical study published by the National Industrial Conference Board a few years ago, entitled, "The Stock Market: Prophet or Historian?"

Lessons of Past, Pitfalls of Future

Any one surveying the economic and financial developments of the last ten years is inevitably forced to the conclusion that the lessons of the past will prove to be the pitfalls of the future, for those too busy or too blind to recognize the changed conditions which prevail today. In recent years, we have had a demonstration on an accelerated basis of the age-old principle that the "certainties" of one generation become the "has-beens" of the next! Truly, the economic climate has changed and the impact and lasting aspects of these changes are still not fully appreciated by many, especially in investment circles.

In its two most fundamental aspects, investment of funds today is an entirely different problem than it was a few years ago; and, as I indicated earlier, many investors are "missing the bus" because they refuse to recognize these new conditions.

The most basic change with which today's investment experts must contend—and I mean, contend—is that we live in a **directed** economy. Now, there is a great deal of difference between a managed economy and a directed one. In a managed economy, the government takes full charge and must accept responsibility for the results. Furthermore, it is a continuous thing. In contrast, in a directed economy, the government acts sporadically, or shall I say, erratically. It intervenes in the economy at different places, at different times, and with different force. In short, it does not intervene according to any formal plan, but largely in response to political pressures.

While there is no "Five-Year Plan" in America, nonetheless, certain phases of the directed economy have been repeated often enough or have persisted long enough for a new pattern of government and economic activity to become evident. Unless there is a fundamental change in our political thinking — and I mean far more than just a change from Democrats to Republicans in Washington—the following basic changes in our economy can be taken for granted. They are permanent and not transient manifestations of the new orientation of government, and must be reckoned with in all investment programs.

Search for Security

The search for security would head the list of changes. To a large extent, security has become a social rather than an individual problem. Our national preoccupation with security is pointedly demonstrated by the recent Washington efforts to extend the anti-trust laws to give security to competitors from the consequences of competition! Likewise, the Resale Price Maintenance Laws are designed to give security to retailers by protecting them from price competition!

The principle of social security on a national scale for individuals is the law of the land. In addition, powerful labor organizations are using economic warfare to force private industry to grant pensions or increase present pensions and to extend insurance benefits. These plans, particularly the privately administered pension plans, create many new problems of a social and economic character. They will vitally affect the money market—the impact of an ultimate two or three billion dollars seeking investment each year is obvious. They will affect the labor market by reducing labor mobility. They will magnify the social problem involved in keeping those above age 50 gainfully employed. (With a socially-minded government, and with a population moving into the higher age brackets at an accelerating pace, the potentialities are frightening!) Their fixed costs will increase price rigidities—one of the most serious economic problems of our time. (It will be more difficult for producers to reduce their costs and prices to stimulate declining consumer demand.)

Despite the above and many other serious implications, no over-all studies of costs and economic consequences have been made. As a result, many of the private pension plans as now constituted do not represent sound social and economic planning—but you can be certain, they are permanent!

Increasing Role of Government

Closely allied to social security is the new and increasing role of government in housing. Even conservatives feel that decent housing is less expensive than the disease, crime and unrest which flow from slum conditions.

Another very fundamental change is the responsibility which the government has assumed for agriculture. While this solicitude for the farmer is evidenced in many ways, such as cheap credit, disaster relief, soil conservation and agricultural research, by far the most important one is the assumption of responsibility for maintenance of farm income. While we do not know what form this will take—whether it will be through Brannan plan subsidies, market price support on some parity basis, or a new scheme with more imagination, we do know that the farmer will be protected. As he has largely lost the world markets for his products, this means that government will have a gigantic problem in balancing supply and demand at the price levels dictated by political expediency. If this is to be done—and every indication points in that direction — the government will have to control both production and marketing. Drastic and repugnant as such regulation would be, it seems the inevitable result of the price maintenance policies now being followed. Regardless of the methods employed by the government, we can rest assured that farm income will be maintained at levels much higher than prewar, regardless of supply and demand! This means that a sharp decline in agricultural product prices and consequent wholesale foreclosures on farms is not "in the cards."

Despite the almost insoluble problems involved, it is only fair and equitable that the farmer should be aided. We have no moral right to force him to buy in a protected market and sell in an unprotected one. So far as economics throws light on our problems, we "damn with equal fervor" both farm price support and tariffs to protect industry.

The responsibility which the government has assumed for stabilizing business activity is the most far-reaching of all its new roles and in many respects the most important. This new responsibility has been placed on the Administration by the "full" "Employment Act of 1946." It is not a partisan thing; it is the law of the land. In short, with the social philosophy which now prevails, any Administration in power, Republican or Democrat, will relax credit, increase spending, engage in deficit financing and inaugurate relief measures of all kinds to prevent a business reaction from snowballing into a depression.

The lengths to which the Administration will go to stop a business reaction were clearly demonstrated last spring and summer when spending was stepped up and orders were directed to the weak spots in the economy, when consumer credit controls were successively relaxed several times, when reserve requirements were reduced three times, when margin requirements on security loans were reduced, and when many other things were done to stop the long overdue business reaction. And stop it they did when only 8.1% of the war and postwar inflation (using cost of living as the yardstick) has been wiped out, whereas, the World War I reaction, which ran its course without benefit of government intervention, continued until 39% of that inflation had been eliminated.

Monetary and Fiscal Management

Another new condition is that we now have a managed money with all that that implies. In this connection, may I remind you that our money management is not directed toward stabilizing the dollar but instead is aimed at the goal of full employment. Money management is, in fact, one of the major devices used in directing the economy.

Closely allied with money management is public debt management by the Treasury and monetary authorities, another new condition with which investors must reckon. Our abnormally low interest rates and many other market artificialities are fruits of the debt management policies. In passing, it might be well to point out that the present debt and interest policies will, in general, be continued in the foreseeable fu-

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Banking in the Years Ahead

By E. SHERMAN ADAMS*
Lecturer in Economics, New York University

Asserting present day banking is in sound condition and no collapse need be expected even in a depression, if caution is exercised, Dr. Adams predicts some increase in bank loans, despite preference of corporations for security flotations. Looks for government financing to expand banks' security holdings, but contends despite low interest charges and high operating costs, most banks should be able to continue to show reasonably satisfactory earnings. Criticizes bond price pegging. Urges bankers go easy on opposing monetary and credit controls.

Only about ten years ago, during the period before the war, it was apparent to almost everyone that the banking business was going to pot. Here, for example, is a typical forecast of the outlook for banking which was written only 12 years ago, in 1938:

E. Sherman Adams

"The banking business is definitely void of prospects for an expansion of earnings. The function of the commercial bank as a grantor of loans to business may disappear. The ability of banks to maintain even their present low earnings is a question."

In the 12 short years which have elapsed since that gloomy prophecy was written, commercial loans of the banking system have more than doubled, the volume of bank deposits has tripled, and bank earnings have risen to around three times the level of 1938.

Who could possibly have foreseen how the American banking picture would be transformed during these past 12 years? Indeed, can you imagine anyone who would have the temerity, the colossal nerve, the brazen effrontery, to presume at any time to predict the outlook for the banking business? My topic this morning is "The Outlook for Banking."

I assure you that I am very much aware that in trying to forecast future trends in banking, we must allow a wide margin for error. The fact is, of course, that the future of banking will depend upon the future shape of the American economy as a whole and this cannot be predicted with any degree of accuracy. Nevertheless, it seems to me that it is definitely worth while for us occasionally to take a long-range view of the banking picture and to attempt to analyze the factors that are likely to determine future banking developments, even if our conclusions must of necessity be provisional.

Progress Since 1933

Seventeen years ago, in 1933, the United States banking system was flat on its back. In March, 1933, every bank in the country was closed. One out of every six banks was hopelessly insolvent and most of the others did not know whether they were solvent or not. This was the culmination of 150 years of trying to develop a banking system that would be both safe and vigorous, a banking system that would serve the financial needs of a growing economy without periodically going to pieces.

When we consider the long-range outlook for banking today, therefore, the first question that occurs to us, naturally, is whether we need to fear that there may some day be another collapse of the banking system such as occurred in 1933. Today this question is far more significant than it was in previous times because if the banks should close again, the government would in all probability take over the banking industry.

Banking in Sound Condition

At the present time the American banking system is in fundamentally sound financial condition. During the past 17 years, state and Federal supervisory authorities have avoided the fatal error they made prior to 1930, the error of chartering thousands of new banks which never should have been established.

And bankers too have avoided their worst mistakes of previous periods. Despite booming business and rising prices, bankers generally have adhered to conservative lending policies. They have avoided the sort of happy-go-lucky loan expansion which preceded the collapse of the 1930s. The average quality of bank loans today is far stronger than at any previous period in our history.

In addition, as we know, United States Government securities now comprise more than half of the earning assets of all commercial banks, and more than four-fifths of these holdings are due or callable within five years. Another added element of strength, of course, is the existence of the system of bank deposit insurance.

As of the present time, therefore, there is absolutely no reason to fear another banking collapse—provided bankers and bank chartering authorities continue to adhere to the generally conservative policies they have followed during the past two decades. We have apparently learned, at long last, how to maintain a strong, stable banking system. This is an achievement of prime importance not only for the future of banking but also for the future stability of our economy as a whole.

Now, can we arrive at some conclusions with respect to the future trends in bank loans, investments, deposits, and earnings? What each of you is especially interested in, naturally, is what will happen to your particular bank. In part, of course, that will depend upon local factors which only you are in a position to analyze. Nevertheless, your individual bank will also be affected to a very important extent by national trends. Available figures show conclusively that banking trends here in Ohio move in a very closely parallel fashion with banking trends for the nation as a whole.

Outlook for Bank Loans

First, what is the future outlook for bank loans? During the past five years total loans of all commercial banks, both in Ohio and throughout the country, have roughly doubled. Where do we go from here? Let us consider briefly the three main categories of bank loans, namely, loans to business, real estate mortgages, and consumer loans.

As for loans to business, I think we are all aware that a large part of the increase that has occurred in commercial loans since the war can be attributed directly to higher commodity prices and the restocking of business inventories. In other words, the expansion of bank loans to business was largely caused by abnormal conditions peculiar to the postwar boom.

The question naturally arises as to whether this big, beautiful, postwar bulge in our loan portfolios will disappear with a return to more normal conditions. Business loans have already declined more than 10% below their peak at the end of 1948. Some businessmen are paying off bank debt out of earnings; others are refunding their bank loans with long-term financing. In all probability there will be more such repayments of commercial loans over future years.

In fact, it may be relevant, though not very pleasant, to recall that before the war commercial loans showed very little improvement from their depression lows in spite of fairly substantial increases in commodity prices and in business activity. There was much talk at that time about the long-term downward trend of commercial loans due to such factors as the increasing concentration of industry and the preference of business corporations for obtaining working capital from security flotations instead of bank loans. These factors are still operative, though their effects have been obscured in recent years by the postwar inflation. Their depressing influence upon commercial loans may be significant during the years ahead.

On the other hand, when we consider the wage increases which have occurred during the past decade and the strength of the labor movement in this country, it is difficult to imagine a return to prewar wages, prewar prices or prewar production costs. Hence, it does not seem logical to expect that the dollar volume of business loans will drop to prewar levels. We can perhaps conclude, therefore, that even if the relative importance of commercial loans may decline in future years, the total dollar volume of business borrowing in a growing economy may not compare too unfavorably with present levels.

Mortgage Loans

Our second category of loans is real estate mortgages. Over the remainder of this year, the demand for mortgage money will undoubtedly remain very strong. However, most of the deferred wartime demand for housing has been met. Historically, the rate of new family formation during the past few years has been abnormally high. In the comparatively near future, the rate of new family formation must decline at

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*An address by Mr. Adams at the Annual Convention of the Ohio Bankers Association, Columbus, O., May 11, 1950.

Dealer-Broker Investment Recommendations and Literature

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

Detroit Stock Exchange—List of stocks traded on the Detroit Exchange including 171 issues also traded on the New York Stock and Curb Exchanges—R. C. O'Donnell & Co., Penobscot Bldg., Detroit 26, Mich.

Impact of Television on the Motion Picture Industry—An analysis of the movies and TV—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Legal in Massachusetts—Individual studies of New York City bank stocks now legal for Savings Bank investment in the State of Massachusetts—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

1949 Yields of 159 Mutual Fund Shares of 51 Leading Open-End Investing Companies—Price, $1 per copy—A. O. Van Suetendael & Co., 20 South Broadway, Yonkers 2, N. Y.

Outlook for Insurance Stocks—Reprint of talk by George Geyer before the Boston Investment Club—Geyer & Co., Inc., 63 Wall Street, 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.

Railroad Debt Changes—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Securities of the United States Government, including its agencies and the International Bank for Reconstruction and Development—1950 Edition—First Boston Corp., 100 Broadway, New York 5, N. Y.

Switch Opportunities — Suggested by a study of price movements—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Also available is the current issue of "Gleanings" containing a round-up of comments on various issues.

Television - Radio Manufacturers—Comparative study of 13 companies in the electronic field and a review of factors influencing so-called television stocks—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

• • •

American Broadcasting Co.—Circular—Carl M. Loeb, Rhoades & Co., 61 Broadway, New York 6, N. Y.

Also available are circulars on

Goodrich Rubber Co. and **National Biscuit Co.**

Anheuser-Busch, Inc.—Circular—Dempsey-Tegeler & Co., 407 North Eighth Street, St. Louis 1, Mo.

Also available is a circular on **Wagner Electric Corp.**

Botany Mills, Inc.—Analysis—H. M. Byllesby and Co., Inc., Stock Exchange Bldg., Philadelphia 2, Pa.

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

Brown & Sharpe Manufacturing Co.—Memorandum—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Also available is a memorandum on **Jones & Lamson Machine Co.**

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

Dayton Rubber Co.—Circular—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Delaware, Lackawanna & Western 1st "A" 4s of 1993—Memorandum—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

East Tennessee Natural Gas Co.—Circular—Fridley & Hess, First National Bank Bldg., Houston 2, Tex.

Greer Hydraulics Inc.—Circular—Burnham & Co., 15 Broad Street, New York 5, N. Y.

Howard Smith Paper Mills Ltd.—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada, and 80 King Street West, Toronto, Ont., Canada.

International Paper Co.—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Kaiser Aluminum & Chemical Corp.—Circular—Kebbon, McCormick & Co., 231 South La Salle Street, Chicago 4, Ill.

Marshall Field & Co.—Circular—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

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

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

Northern New England Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pacific Mutual Life Insurance Company—Report—Edgerton, Wykoff & Co., 618 South Spring Street, Los Angeles 14, Calif.

Riley Stoker Corp.—Circular—Wm. J. Mericka & Co., 150 Broadway, New York 7, N. Y., and Union Commerce Bldg., Cleveland 14, Ohio.

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

Also available is a brief review of the Cement Industry.

H. H. Robertson Company—Analysis—Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

Simmons Company—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

U. S. Thermo Control—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

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

Wells Gardner & Co.—Circular—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

S. S. White Dental Manufacturing Co.—Bulletin—Gruntal & Co., 25 Broad Street, New York 4, N. Y.

From Washington Ahead of the News

By CARLISLE BARGERON

The other day I walked into a Congressman's office with a representative of one of the railroad brotherhoods. He wanted to get this Congressman to vote against a particular bill which the railroad brotherhoods figure would cause unemployment in their ranks. I knew the Congressman and was glad to introduce the brotherhood representative to him.

Carlisle Bargeron

As soon as this representative stated his case, the Congressman reached into his desk, pulled out some papers and said it was right interesting, indeed, that the brotherhood representative would be seeking his assistance because just that day it had come to his attention that the railroad brotherhoods had called for his defeat and asked for the election of his opponent. The brotherhood representative looked about as sheepish as any man I have ever seen. The Congressman's defeat had been called for because he voted for the Taft-Hartley Act which does not apply to this particular railroad brotherhood in the slightest. Nevertheless, it has joined in the fight of organized labor to try and eliminate more than two-thirds of the Congress because it voted for the Taft-Hartley Act. Assessments are being levied against its members to carry on this campaign, particularly to get Bob Taft in Ohio; the union is a part of a railroad brotherhood "political action committee" to serve with related committees from the CIO and the A. F. of L. All told, they have provided some cushy jobs for intellectuals and labor lame ducks who have been shunted aside in the struggle for labor leadership but who in the fraternity of the game, must be taken care of.

Those who are in the business of leading labor are as determined as any other segment of American life in pushing to the top but they are, perhaps, different from many of their counterparts in private industry to the extent that they believe in taking care of their casualties. A fellow who, for example, has lost his union leadership may be assured of support from his comrades in getting a job in the government. Wholesale jobs for fallen comrades have been developed among the embassies abroad. We have long had military and naval and commercial attaches with these embassies. The labor heirarchy has now sold the proposition that with labor so prominent in foreign governments there should be labor attaches to interpret them. This has worked tremendously to relieve the pressure of rivalry among those who aspire to lead the workers here at home.

After leaving the Congressman's office I asked the brotherhood representative what he thought of his experience and he said he thought the brotherhoods and the A. F. of L. were damned fools to permit the CIO to lead them up the political blind alley which is just what the CIO is doing. The A. F. of L. has long been an influence in American political life. It didn't completely have its way. But its influence is indelibly stamped upon modern American history.

Long after the CIO came into being, there were members of Congress who would not permit its representatives to come into their office. To be against it and all that it stood for was a successful issue for the great majority of Congressmen who made it an issue. Only the pussyfooters seemed to fall as its victims. Bob Taft first aroused the attention of the country when in 1938, with John L. Lewis at the head, the CIO was at the zenith of its power, he based his whole campaign on opposition.

"I don't like John L. Lewis and I don't like the CIO," Bob went around Ohio saying in that year. He was nominated in the primary and elected in November by overwhelming majorities. It is a commentary on the proposition that he is the ablest man in the Senate and genuine but can't get votes.

Anyway, the railroad brotherhoods, long the most influential group among all labor, and the A. F. of L. have been steadily drawn into the CIO camp. Along with the CIO they have come to demand increasing wages for the workers and at the same time, more government spending which more than takes those increases away in taxes. Along with the CIO they have come to be mixed up in the ideologies now prevailing in our government's conduct of foreign and domestic affairs with which the American worker is not the slightest concerned but which permit the labor leaders to make expense account trips abroad with their ladies and pose as authorities on world affairs. On the domestic front, for example, you will find senile Bill Greene yapping in support of the FEPC, the Federation's propaganda machine doing the same thing, when A. F. of L. unions—a lot of them—practice iron-clad racial discrimination. Only recently the railroad firemen's union lost a case before the Supreme Court growing out of its freezing out of Negroes in the South.

Now, Bill Green, along with other senile old men in the Federation leadership, are moving towards a merger with the CIO, a political and an ideological rather than a labor movement. If this merger happens, the American people had better watch out. It will then be a case of the people against organized labor which I believe will be bad for the latter.

Joins Clifford Murphy

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Mortimer M. Pinansky has become affiliated with Clifford J. Murphy Co., 443 Congress Street. He was formerly with F. L. Putnam & Co., Inc., of Boston.

Joins Whiting, Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—William R. W. Fitz is with Whiting, Weeks & Stubbs, 53 State Street, members of the New York and Boston Stock Exchanges.

Federal Monetary Policy

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

Dr. Spahr, asserting our monetary policy aims at easy and cheap money, attacks present irredeemable monetary system as dishonest and as depriving people of power to exercise direct control over public purse. Holds our irredeemable currency system opens gate to Socialism and yields to demands of selfish pressure groups, in addition to fostering destructive disease of inflation. Contends, because of our money system, we no longer have a healthy economy.

Our Federal monetary policy is that of easy or cheap money. Practically every device known to man for providing a people with a depreciated and cheap money was employed by our Federal government in 1933-1934. Provision was made for the issuance of fiat United States notes, for depreciation of the dollar by suspension of redeemability of all currency except silver certificates, for devaluation of the dollar, for expansion of our currency by means of various silver laws. Pump-priming programs and deficit financing by the Federal government contributed much to the great expansion of our deposit currency.

Walter E. Spahr

The government's cheap money policy, since the devaluation of the dollar in 1934, and aside from the relatively minor effects of our silver laws, rests upon our system of irredeemable currency as a foundation.

Such a currency provides the government with what is perhaps the most subtle device thus far discovered with which to get control of a people without revolution, without their approval, and without their understanding until it is much too late. It is probably the most important device a government can employ in instituting government management of a people and their economy.

Keynes on Debauching the Currency

The late Lord Keynes, who gave so much attention to these matters and who contributed so much to the institution of governmentally-managed economy in this country and England, stated a fundamental truth in 1919 when he said in his book, "The Economic Consequences of the Peace" (Harcourt, Brace and Howe, New York, 1920), pp. 235-236, that "There is no subtler, no surer, means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

An irredeemable currency is a debauched currency. And Keynes' assertion that not one man in a million is able to diagnose the manner in which a debauched currency operates on the side of destruction of a private-enterprise economy seems to be borne out in this country in high degree. The Executive Department of the United States Government, the Treasury, most Federal Reserve authorities, the majority of Congress, and, of course, the general public, including a large number of economists and newspapers of the Socialist, pro-government-management variety, are all doing their best to perpetuate an irredeemable currency in this country.

Some of those people know what they are doing—they want a governmentally-managed economy. Others do not understand; they fall in that large group, mentioned by Keynes, who are unable to diagnose the evils in an irredeemable currency.

Perhaps there is another group—those who understand the evils of Statism and do not want it, yet who, for reasons of personal gain, wish to keep the good will of, or obtain favors from, our Federal government and therefore fawn upon it. They do nothing to fight off Statism; and they either embrace, or fail to oppose, an irredeemable currency.

Keynes made another observation that is pertinent to such people—and he was not referring to the great mass of people who do not understand the principles of monetary standards and systems; he was referring to what he called "the great capitalist class." Said Keynes *(Ibid., p. 238)*: "They allow themselves to be ruined and altogether undone by their own instruments, governments of their own making, and a press of which they are the proprietors. Perhaps it is historically true that no order of society ever perishes save by its own hand."

*An address by Dr. Spahr before the Wisconsin Manufacturers' Association, Milwaukee, Wis., May 16, 1950.

Our Currency Irredeemable

The nature of our variety of irredeemable currency needs to be understood by the responsible men and women of this country who wish to save the United States from the evils of a governmentally-managed economy.

Domestically, all our currency — money and deposits — is irredeemable in so far as gold for domestic montary use is concerned. Silver certificates are redeemable in silver for monetary purposes; but the silver money is not directly redeemable in, or convertible into, gold.

Internationally, we are on a restricted gold bullion standard. We permit foreign central banks and governments to sell gold to the United States for dollars, or to redeem their dollars in gold bullion at the statutory rate of $35 per fine ounce under Treasury regulations. Other foreign holders of dollars do not in general have this privilege.

Evils of Irredeemable Currency

The evils in our system of irredeemable currency, with the right of redeemability denied to all but foreign central banks and governments, may be summarized as follows:

(1) It is a dishonest currency. It gives our Treasury and Federal Reserve authorities privilege without corresponding responsibility. They are authorized to issue promises to pay which they do not intend to redeem and do not redeem. They cannot be held to an accounting by the holders of these so-called promises — foreign central banks and governments excepted.

Although a promise to pay is one thing, and the thing promised is something else, these so-called promises to pay (except in the case of silver certificates) are merely redeemable in other equally irredeemable promises. The thing promised becomes nothing but the promise itself.

The essence of the issue involved in this confusion of promise and performance was stated by Chief Justice Chase in the case of *Bank v. Supervisors,* 7 Wallace, 31 (1868) when he said that "The dollar note is an engagement to pay a dollar, and the dollar intended is the coined dollar of the United States. . . ."

Similarly, Justice Bradley, in the *Legal Tender Cases,* 12 Wallace, 560 (1871), said: "No one supposes that these government certificates are never to be paid; that the day of specie payments is never to return. And it matters not in what form they are issued. . . . Through whatever changes they pass, their ultimate destiny is *to be paid.*"

Said Secretary of the Treasury John Sherman in 1877 — it was John Sherman who did so much to make the Greenbacks redeemable in 1879—: "There is a large class of people who believe that paper can be, and ought to be, made into money without any promise or hope of redemption; that a note should be printed: 'This is a dollar,' and be made a legal tender.

"I regard this as a mild form of lunacy, and have no disposition to debate with men who indulge in such delusions, which have prevailed to some extent, at different times, in all countries, but whose life has been brief, and which have shared the fate of other popular delusions."

This form of lunacy prevails in this country today; and the fact that it is a popular delusion that ends in national tragedy, if not overcome by statesmen, is not yet understood by a majority of our Congress.

(2) When the Federal government in 1933 deprived the people of the United States of a redeemable currency it also deprived them of their power to exercise direct control over the government's use of the people's public purse. When our people had a currency redeemable in gold, every individual had power, to the extent he possessed money and deposit currency, to register his disapproval of the policies and practices of the banks and Treasury by demanding redemption of their promises to pay. Each individual had the power to send his message of disapproval to the central signal system in the Treasury and Federal Reserve banks—to their gold reserves—over the golden wires, as it were, provided by a system of currency redeemable in, or convertible into, gold. When distrust of the value of the banks' and Treasury's promises spread, the number of warning signals increased. Every demand for redemption was recorded by a drawing down of the gold reserves of the Federal Reserve banks or Treasury. No individual needed to join with other individuals in some organization for the purpose of sending a plea to the Reserve banks or to the Treasury or to Congress in behalf of sounder monetary or fiscal procedures; each individual could act alone and could record his judgment directly.

With the institution of our system of irredeemable currency, all the golden wires, running from all our people to the central signal system, were cut. The power of the people to record, in an effective manner, their approval or distrust of bank, Treasury, and government monetary and fiscal practices was destroyed. The signal lights went out both at the central signal board and for the people of the United States. It was as though our people had been deprived of the right to vote. The right to record their preferences for different types of dollars is probably as important, as a method of controlling the public purse, and, therefore, the government, as is the right to vote one's political preferences. Power to control the public purse by direct pressure of the individual is imperative if the individual is to retain his freedom and is to be able to record his preferences in any effective manner. We need to consider the fact that individual freedom, private enterprise, and freedom of international trade and exchange reached their greatest period of development when nations had redeemable currencies.

Since the golden wires to the central signal system were cut in this country in 1933, our people have only had the power to protest and to appeal through other devices — through organizations, appeals to Congressmen, letters to the press, and so on—all of which efforts have been ineffective because they can be, and have been, ignored.

When a government deprives a people of the power to exercise direct control over its use of their public purse, it frees itself from responsibility to them; it can and generally does ignore their protests; and it can, and often does, become their boss.

(3) The use of irredeemable currency has enabled our government to purchase the support of vote-delivering pressure groups and to put the people's purse at their disposal.

When a government frees itself of the possibilities of direct control by the people over its use of their purse, it cannot be held effectively to an accounting and, if so disposed, it can use the people's purse to buy the support necessary to keep itself in office. A basic policy then is to gain the support of large vote-delivering pressure groups. The people's money is distributed in a manner designed to insure the desired political support. Vote-delivering pressure groups soon perceive that monetary favors are to be obtained in exchange for political support and rush to Washington to make the best terms possible. One result is that the government becomes the prisoner of those whose support it can purchase, and the people's purse is passed by Congress to the control of the vote-delivering and favor-seeking pressure groups.

That is, in the main, the state of affairs that prevails in the United States today, the basic cause of which lies in the institution by the Federal Government in 1933 of our system of irredeemable currency.

Pressure groups need to be dealt with in accordance with the standards of statesmanship rather than in accordance with those of the politician. The latter is a self-server; the statesman considers the national welfare solely. Statesmanship requires the brand of character revealed by Governor Lee of Utah who is reported to have said regarding government support of farm prices: "I would say to the farmers, 'The price of freedom is the same to you as it is to everyone else—a little hardship when times are adverse.'" ("Time," April 24, 1950, p. 28.)

Since statesmanship does not characterize the majority of our Congress, the people of this country have seen their purse put in the hands of favor-seeking pressure groups by politicians; and our system of irredeemable currency has made it impossible for our people to correct this state of affairs.

Opens Gate to Socialism

(4) Our irredeemable currency opens the gate to, and invites, Socialism. The purchase of the support of vote-delivering pressure groups places the government on the road to Socialism in high degree or in a thorough-going manner. Incomes of helpless groups must be funneled to the members of these pressure groups. Wealth must be taken from some and be given to others as benefits. Projects pleasing to the pressure groups must be undertaken. Competitive markets must be hampered, circumvented, or destroyed in order to extend favors in the form of price controls, subsidies, rent controls, monopoly powers to organized labor, and so on, to those whom the government endeavors to favor. The government enters into unfair competition with private enterprise by engaging in productive activity, free of tax and similar burdens borne by private enterprise; by lending the people's money to unprofitable enterprises at non-competitive rates; by extending other favors and services at prices below those of competitive markets.

This great variety of government undertakings, most or all of which constitute steps in the direction of Socialism or paternalism or totalitarianism, is made easy, and is invited, by our system of irredeemable currency. Since the government is freed from accountability to the people, money is made easy for the government and its beneficiaries to get; and the favors of pressure groups can be obtained without the central signal board flashing any lights of protest and warning.

There is, apparently, no instrument as potent, or as fundamental, or as necessary, as an irredeemable currency if a government is disposed to lead a people into Socialism. Conversely, there is probably no more effective device that can be employed to ar-

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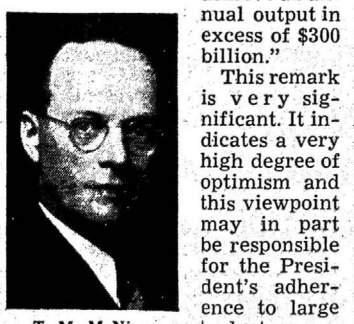
Production, Income and Taxes: Whither Bound?

By THOMAS M. McNIECE

Mr. McNiece asserts President Truman does not realize national output in terms of dollars can be raised to virtually any level merely by price increases. Maintains long-term physical output is dependent solely on population growth and increase in per capita output, latter being only source of rise in standard of living. Concludes further debt increases will put economy in ever tightening straitjacket—a situation for which Russia has been working.

Tucked away in President Truman's recent Economic Report to Congress is the following statement: "Within five years we can achieve an annual output in excess of $300 billion."



T. M. McNiece

This remark is very significant. It indicates a very high degree of optimism and this viewpoint may in part be responsible for the President's adherence to large budgetary expenditures and his repeated demand for more and more taxes. That the President does recognize that such a high level of national output * will not be reached without effort is shown by his later statement that "this growth will not come automatically, but requires conscious purpose and hard work." If the extraordinary expenditures continue and the high level of national output does not, we may be facing serious adjustments in the future.

The "New Era" Danger

Beginning with 1941 and continuing to the present time we have had an abnormally large productive output measured in both quantitative and dollar terms. That we cannot continue indefinitely with the high quantitative output is a logical certainty. Any other concept savors too strongly of the "New Era" bubble of the late twenties which burst so dramatically at the end of the decade. Fortunately we have adequate data to enable us to portray with reasonable accuracy our trend of physical output.

It will be noted, however, that the annual output mentioned in the President's report is measured in dollars. For all practical purposes output measured in these financial terms is determined by concurrent levels of prices and physical or quantitative output. National output in terms of dollars can be raised to virtually any level by price increases without any increase in physical output.

The French Experience

A good example of this is furnished by recent economic history in France. Because it is available, national income which is proportional to and derived from annual output, will be used instead of annual output to illustrate the point.

COMPARATIVE DATA ON FRENCH ECONOMY
(Billions of Francs)

	1936	1946	Ratio: 1946 to 1936
National Income	195	2,220	11.4
Industrial Production__(1914 = 100)	98	77	0.8
Wholesale Prices__(1913 = 100)	427	4,390	10.3
Cost of Living__(1914 = 100)	581	4,660	8.0
Price of Gold__(1914 = 100)	546	*3,900	7.1

*Official, based on dollar; open market price was higher.
SOURCE OF DATA: Statistique Général de la France and Library of French Embassy.

It will be noted that in the ten-year interval, because of inflation in France, national income was eleven times greater in 1946 than in 1936, while industrial production was 20% lower in 1946 than in 1936. At the same time wholesale prices were ten times and the cost of living eight times higher. There is always an element of estimate and chance for error in such data, especially in chaotic times such as the decade indicated. Nevertheless the ratios are sufficiently large and consistent to illustrate the point that the great increase in national income and therefore in national output measured in money was caused by the inflationary increase in prices and not in physical output. The low rate of production in 1936 and 1946, the latter a depression year, as compared with 1914 is due to the lack of growth in the French population and economy—a condition predicted for the United States in the near future by some of our governmental economists in the mid-'30's. President Truman's report represents a complete reversal of such governmental thought on this point.

The President's forecast of annual output in excess of $300 billion was based on the Economic Council's estimate of $300 billion to $310 billion for 1954. The New York "Times" reports that a spokesman for the Council advised that in making the estimate, allowance was made "for only a minor variation of prices from the present level." No mention was made of the direction of variation. It would appear from this, that the Presidential advisers do not expect any important price changes within the next few years. In this case the principal gains in annual output must be expected to come from increases in physical output over and above present levels of production as indicated by the President's reference to "hard work." The logic of this position should be examined.

It should be readily recognized and admitted that in forecasting growth or decline over extended periods, conclusions should be based upon normal trend levels and not upon the temporary peaks or valleys of booms and depressions. Before considering any further influence of price upon annual output, reference should be made to our actual growth in physical output over an extended period in order to see how the growth trend compares with that required to produce an annual output of $300 billion at approximately current prices.

The following data indicate the comparative levels of the normal growth trend and actual physical output for the years shown based upon the Federal Reserve Board's index of industrial production:

Industrial Production
1935-39=100%

	Normal	Actual
1920	69	75
1925	82	90
1930	96	91
1935	108	87
1940	121	125
1945	139	203
1948	152	192
1949	156	176
1950	*160	--
1954	*179	--

*Projection based upon increase in population and in output per capita.

Elements of Growth in Physical Output

Growth in physical output over a long-term is dependent upon two things, increase in population and increase in output per capita, the latter of which is the only source of an increase in the standard of living. Every limitation of output retards the increase in our standard of living. The trend of increase in living standards for the country as a whole is very gradual and no great change can occur from year to year. The data shown in the normal column in the above table measure the combined effect of increasing population and increasing output per capita. Our economy has not completed its expansion. We are not through. The projection to 1954 is based upon the increase of these two factors according to the trends of each. Data for the year 1948 will be used as a base for comparisons because some data for 1949 are still preliminary and also because prices which will be considered later were slightly higher than in 1949 and therefore somewhat more favorable toward reaching the goal of $300 billion set by the President.

Trend Levels

It should be repeated that trend levels must be considered in appraising future behavior. Our present volume of output is still above normal trend and in the reasonably near future must be expected to dip below the trend line. For 1948 the trend level is about 152% of the 1935-39 average annual activity, that is normal expectancy would indicate a physical output 52% greater than the average actual output for 1935 to 1939 inclusive. According to the Federal Reserve Board data, actual output in 1948 was 192, and according to the Cleveland Trust Company data, was about 198, or approximately 26 and 30%, respectively, above normal. This sustained period of abnormal output is due largely to three conditions all of which must end soon; first, deferred demand from the long depression of the '30's; second, deferred demand resulting from unavailability of civilian goods during the war period; third, the extraordinary foreign aid and other shipments to foreign countries since the war. When these conditions end and current replacement demand is satisfied, our output will drop. These changes are inherent in any elastic economy especially when accentuated by war.

If we follow the trend line through to 1954, we find that the value indicated is 179 which is actually less than that realized in 1948. Annual output or gross product in 1948 was $262.4 billion according to Government sources. The Federal Reserve Board's industrial activity index for 1948 is 192 as previously stated. This means that annual output in 1954 instead of reaching $300 billion would actually be less than it was in 1948 based on normal trend of physical output for 1954 at 1948 prices, the postwar peak up to this time. This leads to consideration of the relationship between annual output in dollars, physical output and prices.

Relationship Between Physical Output and Gross Product at Fixed Prices

In order to show the direct influence of physical output on annual output or gross product measured in dollars, gross product as shown in the Survey of Current Business by the Department of Commerce was adjusted to a constant price level by dividing each year's output by the Consumer Cost of Living index (1935-39= 100) as computed by the Bureau of Labor Statistics for the corresponding year.

The purpose of this calculation is to remove from annual output measured in dollars the variations due to price changes and therefore to show the influence of physical production alone on the annual output in dollars. These data were calculated for the years 1929 to 1949 inclusive and are too extensive for inclusion in this article. When charted the annual results from 1929 to 1944 inclusive are found to fall very closely into a straight line that naturally rises as industrial production increases. This orderly arrangement for such a period clearly indicates the direct relationship between industrial production and annual output in dollars.

From 1945 to 1949 the annual data do not conform to the long-term pattern but are consistently higher than the trend established by the earlier data. For example, the trend level of annual output in 1948 adjusted to 1935-39 prices is about $16 billion lower than that actually reached in 1948 when adjusted to the same 1935-39 prices. What is the reason for this departure and does it indicate an improvement or an impairment in our economic and social progress?

The data show that under the changed conditions prevailing since the close of the war, the same physical output at a uniform price yields a higher gross prod-

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*Annual output, national output and gross national product all have the same meaning.

Information Objectives of SEC and Capital Raising

By DONALD C. COOK*

Commissioner, Securities and Exchange Commission

Commissioner Cook recounts origin and objectives of Securities and Exchange Commission, and contends its operations have resulted in accumulation and distribution of vast amount of corporate information. Praises accounting rules of SEC and reviews disclosure problems connected with institutional advertising by investment companies. Upholds Frear Bill to extend jurisdiction of SEC to unlisted and unregistered corporations. Concludes "full disclosure" is fundamental in bridging gap between relative attractiveness of management-controlled and stockholder-controlled enterprises.

The Securities Act of 1933 is designed to provide the investor with full and fair disclosure of significant information and, conversely, to prevent misrepresentation and fraud in the sale of publicly offered securities. Such disclosure consists, in general, of two main requirements: (1) the filing with the Commission of a registration statement by the issuer of securities, containing full and complete information concerning the offering, and (2) the condition that the seller of the registered securities must use and deliver a statutory prospectus reflecting the information on file with the Commission to all persons solicited or sold the securities. Quite naturally, full disclosure of the many complex situations facing American business is a demanding task. It reaches at times to the very roots of accounting theory and practice into technology, and in fact into every consideration germane to the valuation of a security. I want to discuss, at a later point, some of these problems of the Act's day-to-day operation.

Donald C. Cook

While most difficulties under the Securities Act involve honest shortcomings rather than deliberate attempts to befoul the facts, yet instances of misrepresentation or fraud are not rare. Within the past year or so the Commission has encountered attempts to conceal advantages to parents or insiders which would have been detrimental to investors; failure to disclose cease and desist orders outstanding in several states against sale of the company's stock; overstatement of inventories, understatement of losses, write-ups of fixed assets; gross exaggeration of the indicated productivity of mining property, to name only a few.

One flagrant example set forth in the Commission's 15th Annual Report deals with a proposed investment company. Among the serious misrepresentations in its prospectus was the description of the business experience of the promoters. I quote from the annual report:

"... the prospectus stated that 'after successfully accumulating sufficient capital' they 'organized a distributing agency for soft beverages during 1929'; that 'they subsequently organized' a company 'for the manufacture of textiles and integrated products from the raw yarn through a nationwide retail distribution'; and that 'during 1943 and 1944 they liquidated their operations in the textile field and principally engaged in trading and investing in stocks, bonds and debentures for their own account and for the account of the members of their immediate family.'

"... (The Commission's) investigation disclosed that the beverage business in which they had engaged consisted of the sale of soft drinks to factory workers when they were still no more than 13 years of age. The company which was engaged in the business of 'manufacturing textiles and integrated products from the raw yarn through a nationwide retail distribution' was in fact a small enterprise engaged for the most part in the business of selling ladies' blouses. The reference to their trading in securities was no less misleading. . . . The investigation disclosed that during the period referred to in the prospectus the promoters traded extensively in securities and suffered a net loss as a result of their operations."

The registration statement, I might add, was withdrawn.

The Securities Exchange Act of 1934 is another important implement of disclosure. It requires companies whose securities are registered on a national securities exchange to file annual reports, showing financial statements and other pertinent information, with the exchange and with the Commission. Trading in a company's equity securities by its officers, directors and principal stockholders must be disclosed in reports which are summarized and circulated widely. Regulation of brokers, dealers and exchanges, while going considerably beyond disclosure, also serves to bring more information to light which is important to the investor. Higher standards of conduct in these quarters have done much to insure the investor fair treatment.

Among the chief information objectives of the Commission have been clarity and completeness in proxy solicitations. Whether the question is one of electing directors, of a security issuance, a reorganization, merger, or modification of the by-laws, the Commission tries to see to it that the stockhodlder is given full and accurate information so that he may determine his best interest. Provision is also made for counter-solicitations of proxies by minority groups, subject to the same rules of disclosure.

The Investment Company Act and the Public Utility Holding Company Act go considerably beyond the problem of disclosure. Yet each of them brings to light many facts which enable the investor to arrive at more intelligent appraisals of a company's operations. In the case of the Investment Company Act, as I will discuss more fully, disclosure has taken on a new importance in view of the tremendous expansion of the mutual funds. Whenever popular interest swells to these proportions, particularly when coupled with commissions very attractive to distributors, there is real danger of runaway, irresponsible representations to the investing public.

Much Information Now Available

These various acts serve to bring together a wealth of valuable information covering a majority of the publicly financed corporations in our country today. However, the Commission is in no sense a Fort Knox with a hoard of sterilized treasure. Vast amounts of information are disseminated in prospectuses, for example. Each year thousands of interested persons use the facilities of the Commission's public reference room, and nearly 3 million pages of photocopies have been purchased by members of the public during the past 15 years. The various financial services, such as Moody's, Standard & Poor's, or Dun & Bradstreet, purchase large quantities of these photocopies and, in turn, convert such information into the summary reports which are relied upon throughout our economy. This is in striking contrast to the paucity of information generally available 20 or 25 years ago. Equally striking is the relatively small expense to which business has been put in providing the public with this great body of facts. By and large, financial information disclosed under the Securities Exchange Act has been available to management all along; the question is not one of preparing it but rather of publicly disclosing it. The additional facts flowing from disclosure under the Securities Act do at times involve added expense to business, but this is one of the smaller segments of cost entailed in raising capital and is, in any event, an expenditure which has been demonstrated to be socially necessary.

It might be inferred from these remarks that the coverage of the various acts and hence of available information is well-nigh complete. This is not the case, however. The various acts have, in fact, discriminated against those security holders whose securities do not happen to be registered on a national securities exchange and do not happen to be registered on legislation adopted between 1935 and 1940. Clearly, there is no basis in logic for a system in which protection or lack of protection for the investor is dependent upon such irrelevant factors as type of industry and type of market. The Commission has proposed legislation to correct this inequity, and I want to tell you more about that later.

Work of Accountants

Obviously, the raw unclassified data about any business are not particularly useful either to investors or management. The art of accountancy was, therefore, developed to digest and classify business data according to some working rules which will ordinarily produce reasonably intelligible information about a business. When business enterprise was small the bookkeeper-accountant devoted his energies to helping management understand its business and to presenting reports designed primarily for creditors interested in "pounce" value. Newer uses of accountancy developed with the growth of the modern corporation. The separation of ownership from management created a need to report to the owners, present and prospective, as to the results of management's stewardship. The passage of Federal income tax laws immediately gave

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*Address by Com. Cook before the University of Michigan, School of Business Administration Alumni Conference, Ann Arbor, Mich., April 22, 1950.

Missouri Brevities

The public offering of the 250,000 shares of common stock (par $6) of **Spencer Chemical Co.**, Kansas City, took place on May 2, at a price of $35 per share. None of the proceeds will accrue to the company, these shares being sold for the account of three selling stockholders. The company is an established manufacturer of certain types of heavy chemicals, including synthetic anhydrous ammonia which is produced by chemically combining nitrogen from the air with hydrogen obtained from natural gas and water (steam). The Missouri bankers participating in the offering were: **Stern Brothers & Co.; Barret, Fitch & Co., Inc.; Reinholdt & Gardner; Newhard, Cook & Co.;** and **I. M. Simon & Co.**

* * *

The Kansas City Power & Light Co. on May 10 filed an application with the Missouri P. S. Commission for permission to issue $15,000,000 of 30-year first mortgage bonds, the proceeds of which are to be used to pay off $4,822,500 of outstanding notes and to finance its construction program. Total operating revenues of this company for the 12 months ended March 31, 1950, were $27,688,299, as against $26,215,142 for the preceding 12 months' period. Net income after charges and taxes amounted to $4,550,247, compared with $4,472,441.

* * *

The stockholders of **Transcontinental & Western Air, Inc.** on April 27 approved a change in the corporate name of this company to **Trans World Airlines, Inc.**, which has been used as a trade name by **TWA** since 1946 when it first began commercial operation overseas. A net loss of $1,844,049 was reported for the quarter ended March 31, 1950, compared with a deficit of $3,013,029 for the same three months last year. Total operating revenue was $21,173,014, against $21,437,746 in the same 1949 period.

* * *

On May 3, **Reinholdt & Gardner**, together with 12 other investment bankers, participated in the public offering of $27,000,000 **American Gas & Electric Co.** 2½% serial notes dated May 1, 1950, at 100.961% and accrued interest.

* * *

The book value of each share of common stock of **Stix, Baer & Fuller Co.**, St. Louis, has been increased from $22.33 at Jan. 31, 1949 to $24.28 as of Jan. 28, 1950. Net working capital per share of common stock was equivalent to $17.86 per share and the same figure for the previous year was $16.16. Net sales for the fiscal year ended Jan. 28, 1950 amounted to $45,729,158, including sales of leased departments and other income. This latter figure was 4.35% less than the total of $47,808,491 for the preceding fiscal year. Net profit amounted to $1,854,192, equal after preferred dividend requirements to $2.95 per common share, and compares with $3.53 per common share for the fiscal year ended Jan. 31, 1949.

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Newhard, Cook & Co. and **Reinholdt & Gardner** participated in the offering on May 9 of 100,000 shares of **Knott Hotels Corp.** common stock (par $5) at $12.50 per share to the extent of 7,500 shares and 3,000 shares respectively. The offering was oversubscribed. The syndicate was headed by **Hayden, Stone & Co. of New York.**

* * *

Crown Drug Co., which operates 84 units in Missouri, Kansas and Oklahoma, has obtained a loan of $500,000 from the Reconstruction Finance Corporation, H. J. Witschner, President, announced on May 10. The proceeds are to be used to remodel present stores and to open new ones outside of Kansas City.

* * *

Reinholdt & Gardner also on May 11 participated in the public offering of $30,000,000 **Seaboard Air Line RR.** first mortgage 3% bonds, series B, at 99⅜% and accrued interest. The proceeds, together with other funds, are to be used to redeem the outstanding $31,534,500 first mortgage 4% bonds, series A, due Jan. 1, 1996.

* * *

Net income of **Interstate Bakeries Corp.** for the 16 weeks ended April 22, 1950, was $700,508, equal to $1.93 per common share, compared with $748,796, or $2.07 per common share, for the like period last year. Sales amounted to $16,960,967, against $16,947,456.

* * *

Included in the list of investment bankers who on May 10 publicly offered $30,000,000 of **Potomac Electric Power Co.** first mortgage bonds, 2¾% series due 1985, at 101.127% and accrued interest were **Reinholdt & Gardner; Stifel, Nicolaus & Co., Inc.;** and **Stix & Co.**

* * *

For the quarter ended March 31, 1950, earnings of **McQuay-Norris Manufacturing Co.** were $9,920 after taxes and all charges but before payment of dividends. This compares with $71,794 earned in the corresponding quarter of last year. For the first 20 days of April, 1950, shipments were ahead of the like period in April, 1949. Compared to the first 20 days of March, 1950, shipments were 14% ahead.

* * *

Taussig, Day & Co., Inc. was one of the 10 underwriters who on April 25 publicly offered 164,560 shares of **Colonial Acceptance Corp.** $1 par value convertible class A common stock, first series, at $5 per share plus accrued dividends.

Roussel Heads LA Exch. Speakers Com.

LOS ANGELES, Calif.—F. Stuart Roussel, prominent Los Angeles investment broker, has been named chairman of the speakers committee of the Los Angeles Stock Exchange, President W. G. Paul announced.

Vice President of First California Company, Roussel, long active in civic affairs, was one of the organizers of Town Hall and a presiding chairman of the organization in 1941. He is, as well, a Vice President of the Bond Club of Los Angeles and was presiding chairman of the group in 1949.

Born in London, England in 1903, he was educated in both England and France, and is a graduate of the University of Lausanne in Switzerland.

He served in the French army of occupation in 1923, and upon being discharged, came to this country in 1925. That same year he became assistant to the Foreign Advertising Manager of Socony-Vacuum Company.

He entered the securities and investment business in 1927, joining Blyth & Company in New York, then moved to Los Angeles in 1932, with the same firm, with which he was connected for 17 years. In 1945 Roussel became associated with Nelson, Douglass & Co. as Vice-President.

A Vice President of the Balboa Taxpayers Association, his daily residence is at 353 Anita Drive, in Pasadena. His Balboa home is at 225 Apolene Street, Balboa Island.

NY Inv. Assn. to Hold 4th Outing

The members of The Investment Association of New York will attend the fourth annual outing of the association on Friday, July 7th, at the Westchester Country Club in Rye, New York, it was announced by Blancke Noyes of Hemphill, Noyes, Graham, Parsons & Co., president of the organization. The committee planning the affair is headed by John C. Hagen and Pike H. Sullivan of White, Weld & Co., according to Mr. Noyes.

The association's annual golf tournament, feature of the day's sports activities, will be under the direction of Roscoe Ayers of Hemphill, Noyes, Graham, Parsons & Co. Donald Stone of Asiel & Co. is handling arrangements for the Barroom Stock Exchange which will be in operation during the outing. Henry L. Cook of Smith, Barney & Co. and James G. Nuland of Carl M. Loeb, Rhoades & Co. are in charge of games after dark.

Originally organized as the Junior Investment Bankers and Brokers Association in the spring of 1947, The Investment Association now numbers approximately 200 members.

W. F. Martin, Inc.

(Special to THE FINANCIAL CHRONICLE)

ELKHART, Ind.—W. F. Martin, Inc. has been formed with offices at 301 West Franklin Street to engage in the securities business. Officers are William F. Martin, President and Treasurer, and Mary K. Martin, Vice-President and Secretary. Mr. Martin was formerly Elkhart representative for Herbert S. Wolff Securities Co.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John W. MacKusick is now with Walston, Hoffman & Goodwin, 550 South Spring Street. He was formerly with Gross, Rogers & Co.

Market for Government Bonds

By JOHN H. GRIER*

Vice-President, First National Bank, Chicago, Ill.

Asserting since first of year it is increasingly apparent Treasury and Federal Reserve are relaxing their rigid policy of government bond price support, Chicago bankers sees trend toward moderately higher interest rates. Because of forthcoming Treasury refunding operations, foresees no shortage of reasonably attractive yields on government securities. Urges strong opposition to fiscal policies tending to depreciate purchasing power of funds invested in government bonds.

I believe I may say without fear of successful contradiction that the most significant factors currently influencing money rates, and therefore, the price level of government securities, are Treasury and Federal Reserve policies. Inasmuch as 7,249 commercial banks as of Dec. 31, 1949, owned securities issued or guaranteed by the United States Government in the amount of $61,616 million, and as it is estimated that government securities now comprise more than half the earning assets of commercial banks, it is obvious that any factors having a bearing on the interest rate structure and prices of government securities are, and must necessarily be, of prime importance to all of us as bankers.

John H. Grier

In the past several decades our economy has undergone a considerable change, particularly with respect to the size of our national debt, the management thereof and the importance of such management to our economic well-being. Following World War I, the debt which had been expanded during the period of hostilities was gradually reduced until the depression commencing in the early 30's. During the depression the debt was steadily increased, partly for the very necessary and very commendable purpose of relieving suffering due to unemployment, and partly to accomplish stimulation of business activity. It was then seemingly that the theory of a compensatory budget was conceived; that is, the theory of deficit spending in times of business decline and unemployment, and budgetary surpluses to reduce debt in times of high industrial activity. The practicability of this philosophy could probably be argued for time *ad infinitum*, but the indisputable fact remains that currently we are seeing only one-half of the theory put into practice. However, it is not my purpose at this time to enter into any discussion of the wisdom of certain of our fiscal policies, but rather to attempt to gauge in some degree their probable effect on the government market and, therefore, on what I have previously described as the major portion of our earning assets.

During the 30's we saw gradually declining rates, which decline, of course, was due in no small measure to the influx of gold, and further accentuated by deficit financing through the banking system. This latter, as you well know, reached huge proportions during the war years and the result was overmonetization of the debt. This coupled with our productive capacity's being devoted to war materials, resulting in a shortage of civilian goods, helped to produce an era of inflated prices. We all remember full well that period of steadily rising commodity prices, expanding bank loans, and the steps taken to check the expansion and forestall the collapse which it was feared would follow. The Treasury Department permitted short-term rates to rise, the fixed buying price of bills was eliminated, the certificate rate was gradually raised and further checks were effected by the Reserve System in raising the discount rate and reserve requirements. In fact, it probably would not be incorrect to say that the entire concept of public debt management was an aftermath of the wartime expansion of the debt, and the post-war problems arising from the maladjustments which were a natural consequence thereto.

The Support Price Controversy

One policy which was the subject of much controversy was that of Federal Reserve support of long-term 2½s at par. Many at that time maintained that the Reserve System could not continue indefinitely such support, but I believe such persons possibly were not well-informed. Currently, the Federal Reserve System is required to maintain a 25% reserve in gold certificates against deposits and Federal Reserve notes outstanding. Actually, such reserve is about 56.8%, so that the System could add about $49 billion governments to its portfolio and still maintain the required reserve against the deposits thus created. It seems to me rather improbable that the System would ever be called upon to absorb any such amount. Therefore, the question is not the ability of the Reserve System to support the market, but rather the wisdom of doing so. It is my belief that in an era such as I am discussing, that is, one of an inflated money supply and a shortage of commodities, the traditional function of a central bank is to do its part in bringing the money and commodity supplies into better balance by deflating the money supply, and not inflating it. Conversely, in a period of declining business activity and prices, making credit more readily available is desirable.

I was in 1947 and 1948, and still am, a firm advocate of Federal Reserve support of the government bond market when such support is necessary, as there must always be a market and an orderly one. But providing a market when no other exists and maintaining it in an orderly manner is not, in my judgment, necessarily synonymous with support at a fixed price level. In this connection I should like to quote briefly from a recent speech by one of the Vice-Presidents of the Federal Reserve Bank of New York:

"As we said in reply to a letter from one of our member banks, it seems to us that banks and other investing institutions can safely regard fluctuation of a couple of points (or even more) in prices of long-term bonds without concern, provided the distribution of securities in their portfolio is appropriate to the character of their business."

During the period of the war we saw the inauguration of a policy of fixed interest rates, one to which we became accustomed and which we must now realize no longer exists. The successful prosecution of the war was the primary objective of all of us, and everything else was rightfully subordinated thereto. We saw then a fixed buying rate by the Federal Reserve of ⅜% on Treasury Bills which assured the creation of reserves necessary to permit the banking system to absorb that portion of the newly created debt which was not sold to other institutions. We had a fixed rate of ⅞% on certificates; 2% on 8-10 year bonds; and 2½% on long-term issues. Today we have no such fixed pattern, but rather a policy of flexibility in accordance with the Reserve Board's opinion of the needs of the economy. This policy was definitely set forth in June, 1949, at which time the Reserve Board issued the following statement:

"With a view to increasing the supply of funds available in the market to meet the needs of commerce, business and agriculture, it will be the policy of the Committee to direct purchases, sales and exchanges of government securities by the Federal Reserve banks with primary regard to the general business and credit situation. This policy of maintaining orderly conditions in the government security market and the confidence of investors in government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased."

No Longer a Rigid Price Policy

It has become increasingly apparent, particularly since the first of the year, that a more flexible policy prevails and, therefore, government security prices must necessarily be subject to wider fluctuation that we have seen for some time past. For example, from the prices of Dec. 30, 1949, "Victory" 2½s have declined about two points; the bank-eligible 2½s about 25/32nds; and issues of shorter maturity have shown a decline more or less in proportion.

To what do we attribute this decline? I repeat my statement at the beginning of this talk—to Treasury and Federal Reserve policy. The Treasury, which for so long a period followed the policy of offering practically nothing but one-year certificates in refunding operations, offered on Dec. 15, 1949, for the several issues maturing then, a 4¼-year 1⅜% note. Then in exchange for the February certificate issue they offered a 20-month 1¼% note, to be followed by a 16-month 1¼%, a 15-month 1¼%, and a five-year 1½%, indicating clearly a disposition to give the banks something more attractive than a one-year certificate. Likewise, the Reserve System, early in January commenced making the long-term bank-ineligible bonds available to the market at progressively lower prices. All of this reflects the trend toward moderately higher rates, both in the long- and short-

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*An address by Mr. Grier before the Ohio Bankers Association Convention, Columbus, Ohio, May 10, 1950.

A Defense of Man's Right To Intellectual Freedom

By ALEXANDER WILSON*

In the following satire, the author facetiously combines irony and ridicule in a gentle reproachment of his fellow men for unthinking acceptance of the meaning of fundamental facts and truths and for taking the purport of the world's mysteries without careful check, serious thought or common understanding.

"What a piece of work is man! How noble in reason! How infinite in faculties! In form and moving, how express and admirable! In action how like an angel! In apprehension, how like a god!"

With penetrating wisdom, Rousseau said, "General abstract truth is the most precious of all blessings, without which man is blind; it is the eye of reason."

Alexander Wilson

The mandate: "Ye shall know the truth and the truth shall make you free," has the same worldwide promise and significance in this distracted age as it had when it was spoken by the Man of Nazareth at Mount Olive nearly 2,000 years ago.

Laissez Faire in Our Thinking

There are some people in this make-believe world who are too lazy to think. Many are too busy to think or they think they have not time to think and prefer to live in a commonplace and comatose state of mind. Thus the aforesaid gentry go through their daily activities and motions in a state of hypnosis, deluding themselves with the thought that the line of least resistance in their daily work, responsibilities, problems and play, is the proper caper.

If this be so, they are certainly dead from the neck up but usually they do not know it for these same mortals are some times lacking in initiative, resourcefulness, perception and discernment.

Like other humans, they sleep nights, eat three square meals a day, work their eight hours and then to bed again for another somnolent period, day after day and year in and year out. But **really what moral and physical justification is there for their existence on this earth?** Would they be missed tomorrow or the day after? Are they serving any useful, creative or constructive purpose outside of the humdrum task of living? No! Would their leave-taking from this world of dreams and unaccomplished endeavors leave a gap anywhere? Again No!

When everything is said and done, how many of these same mortals perform one really disinterested, unselfish act in their entire lifetime which would justify their worldly existence and privileges?

Seriously then, how many people apply the acid test to what they study or read, or again, what they are told either in church, school, theatre, movies, or on that latest mechanical nuisance to disrupt and complicate our family life—television. Do they unconsciously accept the exaggerated and questionable statements and claims they read and are told every hour of the day? Yes. Do they foolishly take those statements, facts and claims for granted? Yes, often. Do they ever authenticate these questions? Seldom.

Or, take food, candy, bed sheets and pillow cases, toothpastes, medicines, cure-alls and everything salable and consumable, do we not accept some radio "huckster's" word for the merchandise he is peddling because it is packaged so beautifully with cellophane and bears a pretty label of which 25% is nothing more than an exaggeration, which the trusting public swallows whole: hook, line and sinker?

Likewise we seem to take our politics, religion, jury trials, investments, freedoms, and everything tangible and intangible in the same way without much serious thought.

How much of our thinking these days is just merely bare assumption or presumption and not reasoned fact or naked truth!

The World Is Being Surfeited With Good and Bad Propaganda

In this propaganda era when much of the news columns in our dailies are flooded with paid press releases and the air is loaded with radio and television broadcasts, the writer is coming to think that the public listener can be made to believe anything. Truly, this generation is cursed from morn to night with true and fictitious propaganda, or perhaps this line by the Bard of Avon in his play, "Henry the Fourth," is more expressive: "Lord, Lord, how this world is given to lying."

Witness, if you please, the Communist strain in the spread of Socialism in conservative old England; also Communism at the point of the bayonet in Russia and her conquered possessions in Eastern Europe and Asia, besides indoctrinated France and infiltrated Italy and even our own State Department and other government departments are said to be victims of the Communist propaganda line. Where does the line of waste, inefficiency, sophistry, platitudes, error and treason end and where does truth, patriotism, faithful service, good citizenship, honest and true Americanism **begin** in government?

Objective Elements of Fundamental Thinking

Reduced to its simplest terms, the writer holds the correct approach that we can make to an understanding of the "objective elements of fundamental thinking" may be briefed as follows:

(1) Theologies, dogmas, creeds, rituals are merely human concepts and observances which are always open to revision, error and abuse.

(2) At best, religious belief, faith and understanding and the knowledge of life's mysteries are based on human experience, suppositions and intellectual premises as to what **"we think we think"** is true or false regarding certain things visible and invisible, not readily susceptible of proof or explanation.

(3) Truth, in its various manifestations is something which we are often told to believe is the truth, all the truth and nothing but the truth, but unfortunately we do not, most times, reason things out for ourselves whether a thing is "right or wrong" beyond a reasonable possibility of doubt or error.

(4) No philosophy or social or political postulate, or religious claim, or theological construction can or should be accepted as infallibly correct regardless of the fact that we set up (or others set up for us) ethical, religious, social and political standards and conventions which we are told (or which we like to believe) are incontestably right and beyond criticism or change.

(5) Man's knowledge, his beliefs and understanding are always susceptible of change. No man and no age or school of thinkers can be said to have a monopoly of what we like to call and consider unadulterated truth.

(6) The adage that "There Is Nothing Permanent In This World Except Change" either in substance, thought, the sciences, our intellectual beliefs or opinions is correct in principle. Yet you will learn to your amazement that it takes courage of the highest order to innovate a new idea, a new truth, a new invention or discovery or to revolt against popular errors, fallacies, perverted truths and commonly accepted humbug, nonsense, hypocrisy and orthodoxy masquerading as the real thing. Shakespeare's statement: "In religion, what **damned error** but some sober brow **will bless it** and approve it as a text," may be construed to embrace all departments of human thought.

(7) Our concepts of spiritual matters are the known resultant of our thinking from a long series of impressions, precepts, traditions and even prejudices and superstitions that we have come to believe to be true and equitable or in essence man's version of what the Saviour of Man is said to have declared, meant and desired. Witness the conflicting differences of thought and vagaries which the various religious leaders and faiths (Catholic, Protestant, Jewish, Mohammedan, Hindu, Confucian, and other sects) have set up as spiritual tenets since the beginning of time.

(8) The divine law "pertaining to, or derived from, or of the nature of God or of a supreme being or God" is, when everything is said and done, only man's concept, his interpretation of what he **"thinks he thinks or believes he believes"** regarding certain cardinal principles and such understanding can be utterly erroneous and changeable with time, occasion and circumstances. Examples:

(a) The citizens of our country and our allies in World Wars I and II prayed for the destruction of our common enemies while the Germans, Austrians, Italians prayed that their God would kill us off and give them the victory.

(b) The same in the "War of the States" (1861-5). The divine law was invoked by the North against our Southern brothers and by the South against their Northern neighbors.

Was it not Voltaire who made this observation: "It is said that God is always on the side of the heaviest battalions."

(9) In the writer's estimation, anyone who takes another's word for fundamental truth without question or thought as to whether their statement is true or untrue, is a **mental automaton** and not much better than a **simpleton.** The word, policy or edict of the heads of any country (King, Czar, President or Prime Minister) or of the political parties in any country or the head of any church or religious sect, Protestant, Catholic, Jewish, etc., cannot and should

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*Writer of the following "Chronicle" articles: "Why a New League of Nations Will Not Insure Permanent Peace," and a "Reply to Critics" of this article, also "Peace by Force in an Uncivilized World," "Are Americans Isolationists?" "The Failure of the White Man's Civilization," "How President Truman Can Regain his Lost Prestige," "Is Capitalism the Cause of Wars?" "A Critical View of American Politics," "Straight from the Shoulder Advice to Gov. Dewey," "Can America Prosper without Foreign Trade?" "A Plan for Solving the British Crisis," "The 'Sun' That Was," also "The Widow's Mite and The Indispensable Penny."

Reprints of these articles will be mailed on request. Address: Alexander Wilson, 25 Oak Ridge Ave., Summit, N. J.

Connecticut Brevities

New Haven Clock & Watch Co. has obtained a $1,800,000, 4% 10-year loan from the RFC, the first such loan to a Connecticut watch company. Of the proceeds, $300,000 will be added to working capital and the remainder will be used to pay debts and modernize the company's plant.

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Directors of **Hartford National Bank & Trust Co.** and **East Hartford Trust Co.** have approved a merger of the two banks. Stockholders of East Hartford Trust, which has 8,000 shares of $25 par stock outstanding, will receive 4⅜ shares of Hartford National, the surviving company. Stockholders of both banks will meet at times to be announced to act on the proposal of the directors. After the merger East Hartford Trust will be operated as the East Hartford Branch and facilities will be enlarged. The addition will bring the bank's number of branches to five.

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The Lucas Machine Division of **New Britain Machine Co.** is one of the group of manufacturers that has formed Machine Affiliates Trading Corp. to export machine tools to Central and South America. Through an agreement with Export-Import Bank, sales will be paid for over an 18-month period.

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Aspinook Corp. has sold its Lawrence Print Works plant and property at public auction for $400,000. Operations have been moved to two of the other plants.

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Bridgeport Brass Co. is currently paying off its short-term loans of $1,450,000 as of March 31. The management expects to complete the payments during this quarter. At the 1949 year-end, short-term notes payable had been $2,400,000.

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Cheney Brothers has organized a new division, Industrial Fabrics Division, to handle government contracts. It will negotiate and control all such contracts as well as conduct research of a distinctive technical nature for industry.

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Colt's Manufacturing Co. has accepted nearly all the stock tendered under its offer of April 3 to spend up to $7,000,000 to purchase its own stock at a price not to exceed 53. Tenders were accepted on approximately 125,000 shares at a total cost of $6,525,000, an average of about $52 a share. There will remain outstanding about 71,000 shares.

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Hartford Rayon Corp. stockholders voted on May 12 on a plan to mortgage its property and assets for $600,000 to be used as security for a loan from the RFC. The loan would be used to pay off bank loans of $340,000 and would provide $170,000 in working capital. These additional funds would enable the company to resume full operations. The plant was shut down in September, 1949, and reopened in March after inventories were liquidated and a backlog of orders built up.

* * *

Peter Paul, Inc., has inaugurated sales of its new chocolate-covered coconut double-bar candy called "Smile-A-While" to sell for five cents. The company's present leading products are "Mounds" and "Almond Joy" which sell for ten cents.

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Stanley Works has filed a letter of notification with the SEC covering about 5,770 shares of common stock to be sold by the company at the market. Proceeds would be used to pay bank loans and for working capital. There are currently outstanding 762,856 shares.

* * *

Of the total of 400,000 shares of common stock offered to **Southern New England Telephone Co.** stockholders at $25 through rights which expired April 21, 398,396 shares, or 99.6%, were taken up. The offering was not underwritten.

Tapeworm Appears In San Francisco

SAN FRANCISCO, Cal.—The San Francisco "Tapeworm," humorous publication of the San Francisco Bond Club, issued in conjunction with the group's annual party, is now being distributed. The paper contains satirical articles and advertisements prepared by members of the club.

Benjamin R. Brindley, Blair, Rollins & Co., is editor. The issue is published for the club by the San Francisco "Examiner."

The "Tapeworm" is now an institution of the club, having first appeared in 1929.

With Sills, Fairman Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Howard W. McKinney is with Sills, Fairman & Harris, Inc., 209 South La Salle Street. He has recently been with Central Republic Company.

With Wefel & Maxfield

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—Harold E. Sheffer has become associated with Wefel & Maxfield, Ft. Wayne Bank Building. He was formerly with Foelber-Patterson, Inc.

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Banking in the Years Ahead

least to normal and will probably drop even below the normal rate. The low birth-rate of the depression years of 1931-36 is bound to mean fewer marriages during the early 1950s and this will inevitably affect the demand for new houses.

Within a very few years, therefore, the rising trend of mortgage loans may tend to level off. In some areas bank holdings of mortgages are likely to decline due to amortization payments.

For most banks, however, any such decline will probably be temporary. When the rate of new family formation again recovers to normal, the rising trend of real estate loans will in all probability be resumed.

The third major category of bank loans is consumer loans. As we know, consumer credit is now at an all-time high and the indications are that the volume will continue to increase rapidly during the remainder of this year. A recent survey made for the Federal Reserve Board reveals, for instance, that just about as many persons plan to buy automobiles in 1950 as did in 1949. It looks as though consumer borrowing will reach unusually high levels not only in terms of dollars but even in relation to national income. As long as business remains active, this high rate of consumer borrowing might continue indefinitely. However, in the event of any substantial decline in employment, the volume of this type of credit could decline rather sharply.

Adding these factors together, I think we may be justified in the tentative conclusion that the total volume of bank loans will remain comparatively high during the years ahead. As always, the total will fluctuate with changes in commodity prices and business activity. Over a period of years, however, even if there is a declining trend in loans to business, this may be more than offset by the continued long-term growth of consumer credit and mortgage loans.

Trend of Bank Investments

What will be the future trend of bank investments? This will depend to a large extent upon future changes in the public debt. We cannot, of course, predict with much accuracy the magnitude of future Treasury deficits and, we hope, surpluses. However, I think we can say, at the very least, that it would be unrealistic to expect any susbtantial reduction in the public debt for a long time to come. Judging from the rather discouraging record of recent years, future deficits in the Federal budget are likely to exceed budgetary surpluses over a period of years.

There is also at least a possibility, I believe, that we may substantially increase our expenditures for the cold war against Communism. Some people do not yet seem to realize that the cold war is in fact a war and one in which we have been suffering appalling defeats. My personal opinion is that we have as yet hardly begun to fight in this cold war, and that when we do begin to fight, it will cost more money.

It would seem, therefore, that the trend of the public debt in the future is likely to be upward and that budgetary deficits may be even larger than some people assume.

Another factor which may tend to increase the volume of bank investments, and one which has not received much attention, is the vast quantity of Series E Savings Bonds which were bought by individuals during the war and which will mature during the next five years. It remains to be seen how successful the Treasury will be in trying to persuade these bondholders to reinvest or exchange their maturing bonds for new Treasury securities. To the extent that the redemptions of these Savings Bonds exceed new purchases, the Treasury must go to the commercial banks for additional funds.

Looking at all the factors, it seems probable that the volume of bank investments will remain very large over the years ahead and not at all unlikely that they will increase.

What will happen to bank deposits? Actually we have already pretty well answered this question. In our day-to-day operations, we are sometimes inclined to forget the fundamental factors which are actually responsible for changes in the volume of deposits of the banking system. Yet when we stop to think about it, we all know that the factors chiefly responsible for the increase in bank deposits in recent years were the rise in bank holdings of Government securities and the expansion of bank loans. If bank investments are going to remain high, and if bank loans are going to remain high, then it follows necessarily that the volume of bank deposits must also remain high.

Will Deposits Grow?

What would happen to bank deposits in the event of a business depression? To answer this, we must again think in terms of what would happen to bank loans and to bank investments, the factors which will largely determine changes in the volume of bank deposits. In a depression, of course, there might be a fairly substantial percentage decline in bank loans. This would tend to cause a similar dollar decline in bank deposits. However, bank loans today represent a much smaller proportion of total bank deposits than they did years ago. A 20% decline in bank loans today would tend to cause a decline in total deposits of only 6%.

Moreover, the chances are that any shrinkage of bank loans during a depression would be more than offset by a substantial increase in bank holdings of Government securities. In a depression the tax revenues of the Government would decline very sharply. Also, in a depression, Government expenditures would increase—the Welfare State would really go into high gear.

Now I do not wish to get off the track here into a discussion of the Welfare State. As far as I am concerned, the chief objection to the Welfare State is that it consists of too much State and not enough Welfare. But be that as it may, I think we must recognize that in the event of a depression, the Federal Government would undoubtedly spend more money and this would be true even if the next occupant of the White House is Robert A. Taft.

With a Federal budget as vast as ours has now become, a sharp decline in tax revenues and an increase in Government spending would inevitably mean substantial deficits, deficits which would have to be financed in part through the commercial banking system. Deficit financing through the banking system would, of course, tend to cause an equivalent expansion in total bank deposits. In all probability, therefore, in the event of a depression, bank deposits would increase rather than decrease.

What About Bank Earnings?

What will be the future trend of bank earnings? As we have seen, the total volume of bank earning assets will probably remain high. On the other hand, there seems to be no prospect whatever for any appreciable rise in most interest rates. The key factor in the interest rate picture is the level of market yieds on Government securities, and these yields, as we all know, are controlled by the Federal Reserve System and the Treasury. Despite certain differences of viewpoint between the Federal Reserve and the Treasury, both are agreed that interest rates should not be permitted to rise significantly above present low levels. In view of the magnitude of the national debt, it is difficult to imagine any change in this policy of maintaining generally low interest rates.

The chances are that the cost of running a bank will continue to increase. If recent years are any criterion, organized labor will continue to push up wage scales, and bank salary scales will have to follow suit.

Losses on loans will increase somewhat in the future. The rate of business failures has been unusually low for years and a higher rate of mortality for business lies ahead. However, large-scale losses such as accompanied the enforced liquidation of the early 1930's definitely do not seem to be in prospect.

We might conclude, therefore, that for many banks the long-term prospect for earnings may be for some moderate decline from present levels, but not a drastic decline. Although banking expansion will be less spectacular than during the past decade, we can look forward with confidence to a continued high rate of banking activity. Most banks should be able to continue to show reasonably satisfactory operating results.

Monetary Management

My final question is this: How will the banking business be affected by future developments in the field of monetary management?

At the present time we do not know what to expect with respect to the regulation of credit by the Federal Reserve System and the Treasury. After every major war there is always a struggle between the central bank and the Treasury for control over monetary policy, especially over interest rates. The basic issue is always whether the central bank will be able to use interest rates as an instrument of credit management or whether interest rate policy will be dominated by fiscal considerations.

As of today, this issue is still undecided. The battle lines are drawn. A Congressional sub-committee headed by Senator Paul H. Douglas has urged the Congress to reaffirm the responsibility and authority of the Federal Reserve System to regulate credit on the basis of its judgment as to what is best for the economy as a whole.

Sharply opposed to this proposal is a report submitted to the Congress last January by the President's Council of Economic Advisers. The Council has now taken the position that interest rate policy should be regarded as being solely a matter of the debt management policy of the Treasury and that in the future Government bond prices should never, under any circumstances, be permitted to go below par, regardless of the inflationary consequences involved.

This is a direct assault upon the Federal Reserve System's traditional approach to monetary policy. The Council plainly advocates that Federal Reserve open-market policy should never again be used to combat inflation and that it should be replaced by the manipulation of bank reserve requirements and, in addition, certain "other measures" which the Council does not as yet see fit to specify.

The arguments presented by the Council are, to say the least, ingenious. One argument seems to be that if Government bonds ever should be permitted to fluctuate below par, investors would at once lose confidence in the credit of the United States Government. Apparently the Council believes that the present generation of bond investors in this country has no understanding whatever of bond investments or interest rates.

I am certain that it is unnecessary to remind anyone in this audience that it is perfectly normal and natural for bond prices to fluctuate below par as well as above par. This has been true ever since bond investments were first invented. For example, during the two decades preceding the outbreak of World War II, there was only one year, 1936, when some U. S. Government bonds did not fluctuate below par. In 19 years out of 20, one or more issues of Government bonds sold below par. Yet, somehow, at the end of those 20 years, the credit of the United States Government was still sufficiently unimpaired to permit additional borrowing to the extent of more than $200 billion to finance the war.

No Extreme Policies Required

An even more serious fallacy in the argument of the Council of Economic Advisers is the apparent assumption that we must select one of two extreme policies, either the extreme of supporting the bond market rigidly at par or the opposite extreme of completely abandoning all support of the Government bond market. Actually, of course, the great majority of bankers, economists and monetary officials favor trying to achieve in the future a policy somewhere in the vast area between these two extremes. Anyone who disregards the existence of this area between the extremes, either is ignorant or is deliberately attempting to distort the issue.

However, regardless of the weakness of the arguments presented by the Council, the fact is that if its viewpoint should prevail over that of the Douglas subcommittee, it would mean the abandonment of one of our most important and desirable anti-inflation weapons, namely, open-market policy. And it would mean greater emphasis upon the use of direct controls which tend to regiment the economy. It would seem obvious that bankers should give their vigorous support to the efforts of Senator Douglas to strengthen the authority of the Federal Reserve System.

Strengthening Monetary and Credit Controls

I realize that some bankers approach this problem of monetary policy from a different angle. Some bankers, fearful that certain individuals in Washington may be seeking to regiment the banking business, have jumped to the extreme conclusion that bankers should fight against every type of public control over credit. Every proposal for regulating credit is condemned by some bankers as being a step toward Socialism.

I should like to raise the question as to whether or not this is a truly intelligent approach to the problem. Whether we like it or not, a return to *laissez-faire* in the banking business is utterly out of the question. Credit man-

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Cost-of-Living in Britain

By PAUL EINZIG

Asserting British have become cost-of-living-conscious, Dr. Einzig finds current index of prices in Britain does not indicate living costs of large section of population. Points out, owing to food subsidies, Britain's price levels give incorrect idea of prevailing inflationary trends.

LONDON, Eng.—British opinion has become very cost-of-living-conscious. This is not so much because the rising prices force their attention on the long-suffering consumer, but also because cost of living statistics have become a favorite ammunition in the political battle. The battle-cry of the fall in the domestic purchasing value of the pound played a prominent part in the general election, and is likely to play an even more important part in the next general election. The government did its utmost, by skilful maneuvering of food prices and subsidies, to reduce the effect of the devaluation on the cost-of-living index, and it must be admitted that to date the increase in the cost-of-living, as indicated by the index, has been less than was expected by most people. The trouble is that the index is far from representative from the point of view of the cost-of-living of a very large section of the people. While it may indicate the extent of the rise of expenditure of the poorer classes, it is hopelessly out of touch with the rise in the cost-of-living of the middle classes. Anyone who has to keep up appearances in dress, living accommodation, the choice of restaurants, etc., has to put up with a very steep rise in his cost-of-living.

Dr. Paul Einzig

The most recent move in that direction resulted from the government's decision to do away with the maximum limit of 5 shillings for meals in restaurants. There was an immediate sharp rise in the cost of restaurant meals. In other directions too, the government appears to have adopted, in practice if not in theory, the principle of "rationing by purse." This was the idea behind the increase of the gasoline tax. The government has doubled gasoline rations for the summer months, but hopes that owing to the increased price, actual demand for the product will not increase in proportion to the increase of rations.

The Conservative Party feels that, in denouncing the government for having pursued a policy leading to the marked increase in the cost-of-living since 1945, it may gain popular support. The government has a twofold answer to this criticism. The one is that since 1945 prices in all countries have risen, British prices are merely following the world trend. The other is that under the conservative governments of 1931-45—and even during the prewar period of 1931-39—there was a much more marked increase in the cost-of-living. So far the Opposition has handled these replies with its usual incompetence. Nobody has given the obvious answer to the Socialist arguments. Yet it would have been easy to demolish the Socialist defense of the rise in the British cost of living since 1945.

It is true, the cost-of-living has risen in all countries. But in most of these countries the increase is not subsidized, or at any rate not to an extent comparable to that of food subsidies in Britain. Considering that during the current year Britain intends to spend £410,000,000 on food subsidies (compared with £465,000,000 last year) the cost-of-living should be appreciably lower than it is in countries which do not spend proportionately on the task of preventing a rise in food prices.

The answer to the argument that there was a sharp increase in the British cost-of-living before the war is that such a rise had been a natural and healthy reaction from the almost unprecedented deflationary slum that preceded it. The rise between 1931 and 1939 came after a prolonged fall. The rise since 1945 came after a substantial rise before the war and a much more pronounced rise during the war.

But general elections are not fought on economic arguments. They are fought on simple and obvious facts which the average voter can understand. So what matters is not whether the Socialists will win the argument or lose it, but whether between now and the general election the living costs will increase appreciably. From that point of view the rising trend in the United States is viewed with some anxiety in government circles. For even though it tends to help the filling of the "dollar gap" by increasing the dollar proceeds of sterling area exports to the dollar area, at the same time it tends to increase the sterling price of goods imported from the dollar area. Already these prices have risen as a result of the devaluation. It was then expected that the devaluation would be followed by a sharp decline of American prices. Instead of which, the American price level, and the world price level which it largely determines, is rising.

On the other hand, the cessation of scarcities in one line of goods after another gives rise to hopes or fears, as the case may be, that by the time of the next election the cost-of-living might come down. From this point of view the gradual disappearance of the sellers' market is welcomed, even though its effect on British exports is causing anxiety.

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Banking in the Years Ahead

agement by public authority is not a passing fancy. It is here to stay; it is permanent. In fact, the chances are that over a period of time monetary controls will be strengthened and expanded.

What is more, monetary management is the least objectionable type of control over economic conditions in a private enterprise economy. And to the extent that monetary controls can contribute to economic stability, the pressure for the adoption of other more objectionable types of controls will be reduced.

If these points are valid, and I believe they are valid, then should not bankers concern themselves with the problem of how to make credit management effective, rather than simply opposing every proposed type of control? Bankers can and should make an important contribution to the development of useful credit regulation.

In the long run we will not get any better monetary management than we deserve to get. If bankers fail to provide leadership in the development of effective regulation, they will themselves be partly to blame if monetary management develops along objectionable lines.

In conclusion, there is one final thought I would like to leave with you. More than almost any other group, bankers have a unique responsibility to provide the public with leadership, both locally and nationally. This is true not only in the field of banking and monetary problems but in other public affairs as well. The kind of leadership we need is not backward toward the Nineteenth Century. The need is for bankers who will supply leadership which is realistic, constructive and forward-looking.

S. S. Allen Joins Raffensperger, Hughes

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Samuel S. Allen has become associated with Raffensperger, Hughes & Co., Incorporated, of Indianapolis, members of the Midwest Stock Exchange. Mr. Allen was formerly associated with J. A. White & Co., and Fahey, Clark & Co.

H. J. Jensen Joins Eastman, Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Henry J. Jensen has become associated with Eastman, Dillon & Co., 135 South La Salle Street. He was formerly with Dempsey & Co. and prior thereto was with Blair & Co., Inc., in their Chicago and St. Louis offices.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Geyer & Co. of 63 Wall Street, New York, have just recently issued their annual Insurance Stock Analyzer. This compilation covers the operations of 73 of the principal stock fire and casualty underwriters and includes pertinent statistics on the capitalizations, premium writings, earnings, dividends, asset values, security portfolios and share market ranges of the different companies. The analysis is one of the most complete statistical comparisons available on 1949 insurance operations.

One of the most important and significant changes in the "Analyzer" for this year was in the method of computing insurance company earnings.

Most of the statistical organizations and insurance analysts have in the past estimated operating earnings on the basis of four elements: first, statutory underwriting profit; second, the estimated equity of the shareholder in the increase (or decrease) in the unearned premium reserve; third, investment income; and fourth, Federal income taxes. While there have been some variations in earnings in individual cases, they have been the result of the differences in the percentages used in the formula for estimating the expenses prepaid or the changes in the unearned premium reserve.

A number of individuals realized there were certain inadequacies in this method of computing earnings, primarily because of the tax liabilities incurred. Federal income taxes are paid on the basis of the statutory underwriting profits and the investment income. In other words, although the equity of the shareholder in the unearned premium was included in the earnings, no allowance was made for any Federal income tax arising as a result of the larger earnings. Thus the effect was to take the income into earnings immediately and to defer the taxes until later.

This meant that in times of rapidly rising premium volume, such as the past few years, earnings were overstated to the extent of the tax saving. Conversely in periods of decreasing premium volume the earnings would be understated because the actual tax liability would be larger as a result of the business which had previously been placed on the books and used as a basis for estimating earnings.

Geyer & Co. have in their current compilation endeavored to make allowance for the tax liability which although not specifically incurred was deferred to a later date as a result of the deductibility of expenses for increased premium volume. Thus in addition to the regular income tax liability incurred on statutory underwriting profits and investment income, a deduction from operating earnings of the amount of Federal income taxes saved by the deduction for tax purposes of acquisition costs on any increase in business has been computed. Operating earnings after taxes for the year are therefore lower than they would have been under the previous method of computation by approximately this amount.

As a means of showing the results of last year under this method of computation, we have selected earning figures of 26 fire insurance companies from the "Insurance Stock Analyzer" and present them below.

EARNINGS DATA

—1949 Breakdown—

	Underwriting Profit (Tax Basis)	Acquisition Exp. Incur. on Unearn. Premiums	Adjusted Underwriting Profit	Net Investment Income	Operating Profit before Taxes	Federal Income Taxes Actually Incurred	Federal Income Taxes Saved by Tax Deduct. Acquis. Costs	Oper. Earnings—after Taxes— 1949	1948
Aetna Fire Insur. Co.	$9.34	$1.47	$10.81	$3.59	$14.40	$4.76	$0.56	$9.08	$7.38
Amer. Ins. (Newark)	3.20	0.55	3.75	1.43	5.18	1.36	0.21	3.61	1.75
Boston Insurance Co.	3.77	1.28	5.05	3.53	8.61	1.52	0.48	6.61	5.14
Continental Ins. Co.	6.20	0.63	6.83	3.82	10.65	2.96	0.24	7.45	4.71
Federal Insurance Co	7.84	0.82	8.66	3.06	11.72	3.59	0.31	7.82	5.74
Fidelity-Phenix Fire	6.48	0.58	7.06	4.04	11.10	3.03	0.22	7.85	5.12
Fire Assoc. of Phila.	9.58	1.29	10.87	4.26	15.13	4.39	0.49	10.25	6.89
Fireman's Fund Ins.	8.89	2.71	11.60	4.78	16.38	4.47	1.03	10.88	8.36
Fireman's Ins. (New'k)	4.66	0.71	5.37	2.23	7.60	2.75	0.27	4.58	3.57
Glens Falls Insurance	4.58	2.03	6.61	2.59	9.20	2.20	*0.44	6.56	4.49
Great American Ins.	2.51	0.86	3.37	2.16	5.53	1.20	0.33	4.00	2.85
Hanover Fire Ins. Co.	3.81	1.13	4.94	2.39	7.33	1.81	0.43	5.09	3.38
Hartford Fire Ins.	15.15	2.70	17.85	5.27	23.12	7.34	1.02	14.76	13.24
Home Insurance	5.20	0.45	5.65	2.37	8.02	2.33	0.17	5.52	2.85
Ins. Co. of North Am.	9.79	2.04	11.83	7.06	18.89	4.47	0.78	13.64	9.37
National Fire Ins. Co.	10.19	1.47	11.66	4.26	15.92	3.35	*0.46	12.11	9.49
National Union Fire	4.31	1.70	6.01	2.75	8.76	2.76	*0.45	5.55	4.06
New Hampshire Fire	7.90	—2.77	5.13	3.24	8.37	3.59	+1.11	5.89	3.98
New York Fire	1.84	0.56	2.40	1.86	4.26	0.92	0.21	3.13	2.30
North River Ins. Co.	2.66	0.57	3.23	1.61	4.84	1.34	0.22	3.28	2.15
Phoenix Insurance Co.	7.59	1.71	9.30	4.61	13.91	3.27	0.65	9.99	6.70
St. Paul F. & M. Ins.	8.73	1.68	10.41	5.21	15.62	3.93	0.64	11.05	9.32
Security Ins. Co., N. H.	7.80	1.08	8.88	2.72	11.60	3.10	*0.38	8.12	6.91
Springfield F.&M. Ins.	5.69	0.73	6.42	2.86	9.28	2.94	0.27	6.07	4.25
U. S. Fire Ins. Co.	6.40	1.50	8.40	3.65	12.05	3.49	0.57	7.99	4.80
Westch't'r Fire Ins. Co.	2.32	0.47	2.79	1.30	4.09	1.20	0.18	2.71	1.90

*Additional Federal income taxes of an indeterminable amount would have been incurred if the company had not had benefit of deducting (for tax purposes) the acquisition costs on increased amount of premiums in force at end of year.

Signs of the Times

By BERNARD F. HERBERICK*
Director, Division of Education, National Industrial Conference Board

Mr. Herberick offers statistics indicating substantial rise in living standards in United States, but warns more than half population "have never seen free enterprise at work." Extols our rising levels of education and abundance of intelligence, but warns against government paternalism and the adverse effects on initiative and risk-taking resulting from heavy taxation.

As you may know, I am with the National Industrial Conference Board. Some of you are undoubtedly familiar with various aspects of the Board's work in the field of economic research. The Board has earned and merited a splendid reputation for impartial research in this area over the past third of a century.


Bernard F. Herberick

I should like you, therefore, to distinguish between the Board and its work as against my own opinions which may creep in here and there. The former are thoroughly reliable, the latter, meaning my own observations, are possibly less so.

As to signs of the times, there are many which we find as we look about us. The calendar, as an obvious example, points to spring and the resurgence of growing things. The newspapers, in their daily reporting of 24 hours' world history, are another signpost or barometer.

Taking a longer view, we find that we stand at the end of a half century. By the same token, we stand on the threshold of another. We have seen the United States, during the past 50 years, become the richest, most productive nation in the history of civilization. This has been dinned into our ears so often that we accept this as a prosaic bromide or truism. Yet with only 7% of the world's population and about 6% of the land area we produced nearly 40% of the world's goods and services. This avalanche of material goods has never been equalled in history—and that goes back a long, long time.

Our production and distribution methods are developed to a point where, with the earnings of one hour's work, we buy 29% more food than can the workers in the United Kingdom.

The Conference Board flew a team of researchers to London in 1949—just after devaluation. Their mission was to price comparable items in the London retail market, and to translate these prices into the amount of time necessary to earn them. By itself, money is not important (though I must confess a certain fondness for the green stuff). What is important is what the money you have will buy.

While I was in China as an OSS Agent, I saw the appalling effects of inflation. Bills were not counted individually. They were baled into packages of CN 10,000 and CN 25,000. One enterprising Chinese in Kunming discovered the paper used for money was more valuable than the money itself, and made himself a tidy fortune (which he kept in American dollars, or "gold" as the Chinese called our paper money).

Let us vault back to London, where we were before our quick trip to the Flowery Kingdom. In London, the Britisher worked an hour and 18 minutes in 1949 to buy a package of 20 cigarettes. The American worker worked one-tenth of an hour (or six minutes) for his "smokes." The Londoner worked four times as long as the New Yorker for a gallon of gasoline; two and a half times as long for a dozen eggs, half again as long for a pound of tea.

These statistics are, I think, an excellent set of signposts marking the road which Great Britain is traveling. Traveling, I might add, with the aid of the American taxpayer.

Conditions in U. S.

To come home again, within our own borders the purchasing power of an hour's work almost doubled from 1914 to 1948. The average factory worker's wages rose twice as much as did consumers' prices.

During the same period, nevertheless, the dollar cost of food increased sharply. However, the average factory worker during 1948 had to work less than half as long as he did in 1914 to pay the family food bill. These statistics are from a study which the Conference Board recently issued and are fascinating reading. When we speak of the "good old days" when eggs cost 15c a dozen, we should remember that the prevailing wage was 25c an hour. In 1948, hourly earnings averaged $1.47. A pretty good winter suit used to cost about $12. The worker, in 1914, received $12.72 for a 51½-hour work week.

The 1948 worker received $58.82 for a 39.7 hour week.

These statistics, I think are certain signposts which show how our living standards have risen from the beginning of World War I to the close of World War II.

Working With a New Generation

Working, as you do, with the teen-age generation, it is interesting to reflect that nearly half of our population (or 49.4%) have had no adult experience with mass unemployment (that is, with more than five million in the ranks of the unemployed). It is also interesting to note that nearly two-thirds of our present population (62.3%) has had no adult experience under a Republican administration in Washington. During the war, the death of President Roosevelt came as a very deep and personal shock to members of the Armed Forces, especially since Mr. Roosevelt had been the only President in the White House within the memory of many men in uniform.

To those in the audience who remember the crash of 1929, it may come as something of a shock to realize that nearly 100 million Americans have had no adult experience with that day when the bottom dropped out on Wall Street. Finally, four out of five Americans have had no adult experience with the first World War.

All this means that a whole generation has been born, educated and assimilated by the general public. They have never seen free enterprise at work. To these newcomers, the idea is simply an historical concept, perhaps a bit more immediate than other landmarks in history. This span of experience was driven home to me not long ago when one of our stenographers asked me who Rudolph Valentino was!

These youngsters, as you know, learn visually for the most part. Their impressions of our way of life will determine, and fairly soon, whether or not they deem it worthy of continuation. Their gestating ideas are arrows pointing to the future. Many view them with alarm. Others regard them with cold cynicism. Not far ahead lie the crossroads with one branch leading right; the other left. At that point, and even before that point is arrived at, the balance sheet of two ways of life should be examined. If this is done, the issue will never be in doubt.

Longer Life Expectancy

Still another signpost points to a longer life expectancy for present and future Americans, according to a recent issue of Metropolitan Life's "Statistical Bulletin." In 1900, life expectancy was 49 years. The 1948 life expectancy of white Americans was 68.3 years. It is interesting to note how the women have the upper hand even in vital statistics such as these. The male of the species may expect 65½ years upon this earth, while his spouse will not only attain three score years and ten but one in addition. Her life expectancy is 71 years. These, by the way, are called the "weaker sex."

The progress in medicine may be seen in looking over life expectancies in various countries. The poorest record for longevity, according to Metropolitan Life, is found in Asia and most of Africa. India, in 1931, had an expectancy of life at birth of less than 27 years. This is only slightly above that estimated for Rome during the time of Julius Caesar.

In the normal or ideal course of events, the signposts say we will live longer and enjoy a larger share of the world's goods. The signpost, however, carries a footnote. There are a group of hieroglyphics containing such phases as "nuclear fission," "guided missiles," "bacteriological warfare," and "heavy hydrogen" and the like. Every traveler ponders their meaning.

Linked with life is our daily bread. Food is something which most of us regard as an important item in our budget as well as a necessity. Between 1910 and 1940, the average American improved his diet by eating three times as many oranges and other citrus fruits, twice the amount of fats, and oils and considerably more dairy products.

In 1947, food consumption per person was 254 quarts of milk, 365 eggs, with possibly 366 for leap years and considerable tonnage of other food products. These statistics are truly amazing to one who has spent any length of time in the Orient. When I was in China, for example, the average coolie rarely ate meat. Milk was practically an unknown luxury.

I am sure that Duncan Hines will never include a Chinese Army mess in his list of recommendations. There is a vast chasm between reading about such things, or seeing them, and actually doing them. The only advantage of such diet is that it is filling—and I, as an American officer, received the guest's portion.

On the subject of food, let us not overlook water. Despite the present shortage (in certain areas), turning the water tap and drinking the water that pours out is still an unappreciated daily miracle. In the Orient, particularly in India, there is constant danger of contaminated water which may produce unpleasant physical disturbances known as cholera, typhus, and "Chungking express." Our signposts along the food route, show that we are certainly the best fed people in the world. A Bowery drifter is a king compared to the rickshaw coolie or the Hindu untouchable. Here our government reckons its surplus purchases in billions of pounds of milk, billions of dozens of eggs, millions of head of hogs and cattle. Hunger is a truly terrible thing. May we keep this horseman away from our people!

Rising Level of Education

Another encouraging signpost points to our rising levels of education. As recently as 1910 only 44 children out of 100 of high school age were in school. In 1948, the figure became 82 out of 100. At the collegiate level, university population has increased four times faster than the national population.

I am not aware of any correlation between education and intelligence. However, native intelligence abounds in our country. With increased education, it should, certainly, serve to guide us toward a fuller realization and attainment of the benefits inherent in our way of life.

Before the war, I had the opportunity to travel throughout Central Europe, which, of course, was then more or less intact. The only ruins were those which remained from World War I and time had mellowed them considerably. I was struck, in such metropolitan cities as Paris, Berlin, Vienna and Budapest, with the lack of goods and services which we Americans accept as a matter of course. Very few of your European friends, for example, had telephones. We in the United States have more than half of these facilities within our own borders.

Again, very few of your friends had automobiles (unless, of course, they were bureaucrats of greater or lesser importance). We in the United States have three out of every four of the world's autos. The list is long and impressive, particularly to the returning traveler. It is always good to be home again.

It is good to walk among people who hold up their heads, who smile and who seem happy. Contrast this picture with the filth and squalor of a Chinese mud hut or scenes on the Howrah Bridge in Calcutta, which literally crawls with diseased and deformed humanity. Life is cheap

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*An address by Mr. Herberick at meeting of the Association of Mathematics Teachers of New Jersey, Rutgers University, New Brunswick, N. J., May 6, 1950.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind.—Wallace B. Johnston, Edmund P. Powell and Robert O. Wente are with Waddell & Reed, Inc., Merchants Bank Building.

Mutual Funds

By ROBERT R. RICH

United Fund Offers One Million Shs. of United Science Fund

United Funds, Inc., an open-end mutual investment fund, having net assets of over $30,000,000, is offering May 17 1,000,000 shares of its new United Science Fund. The initial offering price will be $5 per share, which price will remain unchanged through May 31, 1950, as the newly appointed funds investment manager, Continental Research Corporation, has announced that it will make no investments of United Science Fund monies during the first two weeks following the initial offering. Thereafter the price will vary with any change in net asset value.

United Science Fund will be invested primarily in securities of companies where scientific research is being applied in development of commercially successful products and processes. It is intended that at least 80% of the investments in such companies shall be confined to those that are conducting scientific research in chemistry, bio-chemistry electricity, electronics, metallurgy, geology, mechanical engineering, aerodynamics and nuclear, or atomic, physics.

Stockholders Vote Manager

United Funds announced appointment of a new investment manager following the annual stockholders' meeting last Monday. Stockholders approved the appointment of Continental Research Corporation, which has been organized and is owned jointly by a group of the younger members of the du Pont family of Wilmington, Del., and by Cameron K. Reed, of Kansas City, and Chauncey L. Waddell of New York.

Messrs. Reed and Waddell are President and Executive Vice-President, respectively, of the Continental firm. They were also the principal officers of United Funds Research Corporation, the former manager of United Funds, Inc., whose contract has now been supplanted by the appointment of Continental Research Corporation.

Four of the eight members of the du Pont group and Charles F. Benzel, the financial adviser of their group, together with Messrs. Reed and Waddell, will comprise the investment committee of Continental Research Corporation.

S. S. & C. Shares Again Offered

James N. White, President of Scudder, Stevens & Clark Common Stock Fund, Inc. (originally organized in 1929 under the name Third Investment Counsel Corporation), announced today that shares of the Fund, having been registered with the Securities and Exchange Commission, are again being publicly offered today at net asset value. Shares of this Fund have not been available for a number of years and were formerly offered at net asset value plus 1%, which premium has now been removed.

It is intended that the Fund's portfolio will be invested in common stocks, primarily those of a quality generally considered suitable for trustee purchase in states following the "prudent-man rule" of trust investment.

Yields of 159 Funds Compiled By Broker

Yields of 159 Funds have been compiled for the year 1949 by A. O. Van Suetendael & Co., 20 South Broadway, Yonkers 2, New York.

The three-page compilation lists the Fund's name, type of fund, yield, and sponsor or distributor. The yields, which range from 0.0% to 9.58%, have been computed to include total distributions per share, including interest, dividends and profits as a percentage of the 1949 average cost price of Fund shares to investors (i. e., including the "sales load"). The A. O. Van Suetendael Company is selling the compilation for one dollar.

Mr. Van Suetendael, in the foreword, explains, "This list has been prepared to fill a long-felt need of advisory and selling personnel for an aid which provides at a glance the information most frequently wanted by investors and others."

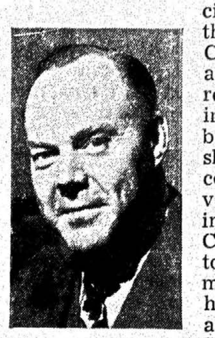
Broad Street Circularizes New York Dealers

Broad Street Sales lost no time in mailing a letter to New York State dealers, headed, "These Shares Are Eligible." The letter went on to explain that both Broad Street Investing and National Investors shares are eligible for purchase by New York State fiduciaries and trustees under the new New York State law.

Some people may feel the letter is only pointing out the obvious—but, in selling, rule No. 1 is that "Nothing is obvious."

Robert McCrary With Parker Corporation

LOS ANGELES, Cal.—Robert H. McCrary has become associated with the Parker Corporation as wholesale representative in the distribution of shares of Incorporated Investors in the Pacific Coast territory. He will make his headquarters at 453 South South Spring Street.



Robert H. McCrary

Mr. McCrary was formerly Los Angeles manager for Television Shares Management Co. Prior thereto, he was with Bateman, Eichler & Co. and in the past was an officer of McCrary, Dearth & Co., Inc., of Des Moines, Iowa.

Wineman, Weiss Co. To Be Formed in NY

Wineman, Weiss & Co., members of the New York Stock Exchange, with offices at 61 Broadway, New York City, will be formed as of June 1. Partners will be Joseph M. Wineman, Benjamin Weiss, Harry S. Graham, the firm's Exchange member, and Paul Fischer. Messrs. Weiss, Wineman and Graham are retiring from partnership in Marx & Co. on May 31.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind.—Richard L. Davies and Paul T. Hurt, Jr. have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Circle Tower.

The Disappearing Market Leaders In the D-J Industrial Average

By JOHN DUNCOMB

Writer points out several stocks which make up the Dow-Jones Industrial Average have ceased to be market leaders and therefore should be replaced by others if the Industrial Average is to be used as index of market fluctuations.

Three of the 30 stocks comprising the Dow-Jones Industrial Average have had a rise of approximately 45 points above their 1949 highs. Of the remaining 27 stocks, 15 have had, more or less, small advances while 12 are still selling below their 1949 highs.

Recently there has been considerable criticism concerning the present set-up of the Dow-Jones Industrial Average in which many stocks are no longer the market leaders they used to be. As an example, since last June, when the present market advance started, the volume has averaged close to two million shares daily. Such stocks as American Smelters, American Tobacco, Corn Products, Loew's Inc., National Distillers, Eastman Kodak, International Harvester, International Nickel, Johns-Manville, Standard Oil of California, Standard Oil of New Jersey, and Woolworth have still, at this writing, to go above their 1949 high, yet such stocks have always been, more or less, regarded as market leaders.

When the Dow-Jones Averages were set up some 50 years ago no doubt many of the stocks selected were likely chosen more for their quality than their market leadership, although several have retained their leadership for sometime such as General Motors, U. S. Steel, Standard Oil of New Jersey and a few others. On the other hand, many stocks not on the list have become leaders in the market and the list, therefore, should be increased so as to include these stocks and secure the proper balance.

The Dow-Jones list of rails, oddly enough, shows that over 50% have gone through their 1949 highs in spite of the fact that railroad earnings have not equaled corporation earnings by a wide margin.

When one watches the market these days and sees large advances being made by the motors and television stocks, it certainly seems as if the list of stocks in the industrial averages should be increased or revised so that the averages could reflect the market more closely. This could be done, in this writer's opinion, if some of the leading stocks not now on the list could be added and more of the very high-priced stocks eliminated.

Leonard Brauman Joins Kalb, Voorhis & Co.

Leonard P. Brauman, investment research specialist, has joined Kalb, Voorhis & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as Manager of Research.

He was formerly Manager of the Statistical Department for Hirsch & Co.

Long-Term Outlook for Stocks Favorable to Mutual Fund Shares

By MRS. R. H. AXE*

Vice-President, Axe-Houghton Funds

Mutual fund executive, predicting general business activity will remain high for at least two years and demand for common stocks will be enhanced by larger institutional buying, tells New Jersey bankers, because of this, purchase of Mutual Fund shares by investors is warranted as long-term investment.

In appraising the business and financial outlook as it stands today we may begin by noting the longer-term changes which have been operating, particularly in the increase in population and the small amount of new corporate securities which have been issued. We should also note the status of various indications of intermediate changes which have been reliable in the past, such as the volume of production, the price of important raw materials, the credit situation, new orders and government bonds.

Mrs. R. H. Axe

We should also observe the cyclical pattern of business.

Business Outlook

From some of these considerations it would seem that general business activity should remain at high levels at least another year or two before any fundamental unfavorable shift occurs. If we look at the next five or ten years instead of the next two, however, we must recognize that at some time within this period American business will have to face a less favorable situation, with war-accumulated shortages of heavy goods completely made up. The principal offsetting factor is the increase in population which at the present time is already estimated at 150,000,000, as compared with 131,000,000 at the end of 1939. If the present increase continues the population will reach 165,000,000 by 1955. The new census figures will be particularly interesting and we believe that they will indicate that the population is actually growing at a higher arithmetic rate than from 1900 to 1915 when the industrial expansion of the United States proceeded at a pace which many observers concluded would never again be duplicated. It is difficult to apprehend the full significance of the present increase and many of our concepts of business trends grounded in the experience of the years between the two World Wars may need substantial revision.

To apply general economic analysis to the investment market we conclude that the increasing recognition of the need to use common stocks in institutional and other funds formerly restricted to bonds is justified.

Common Stocks Attractive

In appraising the level of common stocks today we must also allow for the substantial increase in normal earning power and assets which has occurred during the last decade. In relation to assets, for example, prices of leading stocks last June were approximately the same as at the low point of 1942 or 1924, based on book values.

Other general factors we must take account of in appraising the present investment situation are the high level of returns available from many common stocks in relation to the yield on bonds, general absence of public speculation, the fact that the floating supply of most stocks is much smaller than it was twenty years ago, and the probability that common stocks will continue to be taken out of the market by long-term investors, investment trusts and pension plans.

The main dangers the investor has to face are non-economic: the possibility of unfavorable legislation or of war. It is impossible to estimate these dangers and the probabilities will no doubt continue to shift from time to time. Careful selection of stock groups provides some hedge, but by no means a complete one, against these risks.

Our conclusion is that general level earning power is likely to remain fairly high for at least the next year or two, that many common stocks represent good longer-term values at present levels, and that consequently it is sound investment policy to maintain a reasonable percentage investment in stocks, with of course careful selection of issues that seem to offer the best future earning power in relation to present prices.

Which stocks should a banker recommend to his customers?

Investment Status of Mutual Funds

For many legitimate reasons bankers cannot afford to recommend any one stock to their customers, whether listed or unlisted. The danger of that stock going sour is much too great. The banker can afford to suggest a well-managed Mutual Fund because through this medium the investor gets professional management for his money.

Mutual Funds, as we now know them, originated in England about 1875—although the fundamental premise of Mutual Funds was first advanced about 1825, possibly as an outgrowth of economic conditions brought about by the War of 1812.

The first of these Mutual Funds made its appearance on the American scene about 1924. They had only a moderate growth until the Investment Company Act of 1940 was passed by Congress.

Net assets of the 94 leading Mutual Funds have increased by more than 300% since the Investment Company Act of 1940 was passed. Approximately 1,000,000 shareholders have in excess of $2,000,000,000 in Mutual Funds.

The Mutual Fund is the logical and satisfactory answer to the investment problems of the individual investor. It provides him with good investment management with experienced buying and selling, wide diversification, full bookkeeping service, continuity of income, an opportunity to increase his capital and an assurance of a high degree of liquidity.

Mutual Funds are not in competition with savings accounts or Savings Bonds. The function of Mutual Funds is to fill the broad gap between savings and corporate investments, a gap which, up until now, has been a veritable canyon. Mutual Funds are providing a totally new approach to many financial problems. They are creating a new pattern for investment—a new way to convert the people's savings into capital—that much-needed equity capital which is so essential to maintaining our free enterprise system of economy.

*An address by Mrs. Axe before the Annual Convention of the New Jersey Bankers Association, Atlantic City, N. J., May 12, 1950.

Baltimore Bond Club Annual Outing

BALTIMORE, Md.—The Bond Club of Baltimore will hold its Annual Outing on Friday, June 9 at the Elkridge Club, W. Carroll Mead, of Mead, Miller & Co., the President of the club has announced. The outing will start in the afternoon and will include golf, tennis, the "Stock Exchange" and dinner according to Harrison Garrett, of Robert Garrett & Sons, the Chairman of the Entertainment Committee. Out-of-town guests are expected from Philadelphia, Washington and New York.

Officers of the club are: President, W. Carroll Mead, Mead, Miller & Co.; Vice-President, W. Lloyd Fisher, Baker, Watts & Co.; Arrangements, Harrison Garrett, Robert Garrett & Sons; Treasurer, E. Clinton Bamberger, Baumgartner, Downing & Co.; Secretary, F. Barton Harvey, Jr., Alex. Brown & Sons.

Entertainment Committee for Outing: Harrison Garrett, Chairman; Robert P. Chambers, Jr., John C. Legg & Co.; Edward B. Freeman, Lockwood, Peck & Co.; F. Barton Harvey, Jr., Alex. Brown & Sons; Francis E. King, Jr., Merrill Lynch, Pierce, Fenner & Beane; Jack A. Kolscher, George G. Shriver & Co.; John Van C. Koppelman, Walter Koppelman & Co.; John C. Legg, III, John C. Legg & Co.; George D. List, Robert Garrett & Sons; Henry S. Miller, Mead, Miller & Co.; William L. Reed, Robert Garrett & Sons; Philip S. Stirling, Stirling, Morriss & Dousman; LeRoy A. Wilbur—Stein Bros. & Boyce.

G. H. Walker Co. Bridgeport Branch

BRIDGEPORT, Conn.—G. H. Walker & Co. announced the opening of a Bridgeport, Conn., office at 118 Bank Street, effective immediately. Walter Breslav will act as manager and other registered representatives in this office are Province L. Pogue and A. Maurits Johnson. Mr. Breslav and associates were formerly with Marx & Co. at the same address.

G. H. Walker & Co. is a member of the New York Stock Exchange and has offices in New York, St. Louis, Providence and Hartford.

Dell Stevens Heads Tripp & Co. Dept.

Dell H. Stevens has become associated with Tripp & Co., Inc., 40 Wall Street, New York City, as manager of their analytical department, the firm announced. Mr. Stevens was formerly an officer of Andrews & Wells, Inc.

Eugene R. Tappen

Eugene R. Tappen, formerly for many years a member and Secretary of the New York Curb Exchange and a moving spirit in the reorganization and eventual housing indoors in Trinity Place of the old New York Curb Market, died suddenly May 12, after suffering a stroke at his home in 533 Skyview Avenue, Clearwater, Fla. He was in his 69th year.

The Next 50 Years in Plastics

By PAUL O. POWERS*

Technical Adviser, Battelle Memorial Institute, Columbus, Ohio

Predicting a thousand-fold growth in expansion of plastics, industrial research specialist contends plastic materials will find uses in many additional fields, but holds much is still to be learned in composition and methods of production of useful plastic materials.

Projection of the present trends and expansion in plastics indicates a one-thousand-fold growth in the next 50 years. Since the increase in the last decade has probably been retarded by wartime conditions, the natural rate at the present time may be even greater. While the attainment of a production capacity of 500,000,000 tons of plastic materials in the year 2000 does seem excessive, there is little doubt that there will be a continued increase in the scale of manufacture of plastic materials. It seems apparent that most of the increase in the next decade will have to be produced from petroleum materials. But it is also possible that this trend may have to be reversed if production approaches the levels suggested above, since the present production of petroleum could not supply the raw materials for such large production of plastic materials. Therefore, use of cellulose, rubber, and other natural products may have to be increased again because of their relative availability.

Paul O. Powers

It seems doubtful if the per capita consumption of plastic materials in the sense of molded and extruded articles can be expanded hundreds of times in the coming decades. However, it is apparent that plastic materials will find uses in related fields as fibers, as elastic materials, as films, and in many new forms. The increasing use of plastic materials in engineering uses and as building materials can be foreseen. While the physical volume will undoubtedly increase, the types of plastic materials are now pretty well established, and an examination of the chemical structures of presently useful plastic materials shows that most of the useful materials are already well-known. There remains, however, a large unexploited area in the field of copolymers and modifications of existing plastics. Also, plastics designed for certain specific applications will continue to appear.

Research in plastic materials has already established a firm foundation for further growth, and this field is active at the present time. When the knowledge that was possessed of the structure of plastic materials 25 years ago is examined, the tremendous strides that have been made become apparent. Fundamental information is now available on the methods of formation of plastic materials, their structures, and methods of controlling the structure. Causes of deterioration and methods of reducing deterioration are understood. Also, much study has been given to the efficient use of plasticizers. An encouraging start has been made on the correlation of the physical properties of plastic materials with their chemical structure.

However, there is much still to be learned about the composition and methods of producing useful plastic materials. It is from the background already established that further study will be made. Continued research in these fields may be expected to result in improved materials of more widespread utility.

*Abstract of Dr. Powers' address before the American Institute of Chemists, New York City, May 11, 1950.

Continued from page 4

Investor Aids for Investment Planning

signal of a bull market will probably touch off a large wave of security buying while the signal of a bear market will do the reverse. The Dow Theory, as you can see will not tell you exactly when to buy or sell because it is based upon price action of the past and we may already be in a bull market or a bear market for some time before the so-called signals appear. However, in any long-term trend of prices down or up the Dow Theory may be of some interest.

Just as the Dow Theory relies on price averages of certain securities, a number of investors chart the price movements of a particular security and arrive at certain conclusions from these price movements. For example, in this 10-year price chart of Schenley Industries common stock we see that after dropping from a high of 100 in 1946 to about 24 in 1947, the price over the past few years has averaged about 30-32 which might lead certain investors to conclude that the stock has more or less established a price base at this level and future price movements are more likely to be higher than lower.

Chart-reading of individual security prices, I believe, gives us a good deal of information about a security and is useful if used in connection with basic information with respect to the company and its security. Used without any reference to such basic data chart-reading may be satisfactory for the trader but is in my opinion not warranted for the investor.

Formula Plans

Formula Timing Plans are a second type of so-called automatic investment approaches which attempt to determine the relationship which an investor should maintain between defensive and offensive securities. In brief, they are based on the assumption that when common stock prices are low, historically speaking, the investor should shift his emphasis from defensive securities—bonds, preferreds, Savings Bonds, cash, etc.—to common stocks and when common stock prices have become high from an historical viewpoint he should put more emphasis on defensive securities and lower his holdings of common stocks. In general, I believe this assumption is a sound one and over the long run may be of great benefit to the investor since it provides an equilibrium which is so often lost in the excitement of activities of the moment. As you can see in this chart of stock prices from 1897 to 1950 — which happens incidentally to be the Dow-Jones Industrial Averages — there has been considerable fluctuation of common stock prices over the past 15 years, the investor would have done well to shift his emphasis to common stocks when the averages declined below 150 and to shift to a more defensive portfolio when they exceeded 200.

Yale Plan

There are two well-known formula timing plans, each deriving its name from the University which more or less originated the plan for the handling of the University's investment funds. The first of these plans is known as the "Constant-Ratio Plan" or Yale Plan. Under this plan, a fixed ratio of offensive and defensive securities — generally speaking, stocks and bonds — is selected and as the market moves up and down, securities are bought and sold to maintain this ratio. Assuming, for example, that we decided under the Yale Plan to keep half of our investment funds in savings bonds and half in common stocks, and further that we had some $100,000 to invest, then we would obviously purchase $50,000 of savings bonds and $50,000 of common stocks. Let us now assume that the market rises so that our total portfolio is worth $130,000, of which savings bonds remain at $50,000 and common stocks now aggregate $80,000. To obtain our desired goal of 50% investment each in defensive and offensive securities we would sell some $15,000 of common stocks and purchase an additional $15,000 of savings bonds.

Vassar Plan

The other plan is called the "Variable-Ratio Method" or Vassar Plan according to which a market level is first selected which is assumed to be more or less normal and then a suitable balance between bonds and stocks is taken, based upon that level. When the market level falls a certain distance below the so-called normal level, the proportion of stock is increased, while should it rise above the so-called normal the proportion of bonds or defensive securities would be increased. For example, if we were to invest $100,000 according to the Vassar Plan we might first assume that the normal level for common stocks as gauged by the Dow-Jones Industrial Averages was 170 to 190. We might then decide that at this normal level we would keep 60% of our funds in common stocks and 40% in bonds but that should the Dow-Jones Industrials decline to between 150 and 169 we would increase our proportion of common stocks to 70% and should the Dow-Jones Industrials decline further to between 130 to 149 we would further increase the proportion of common stock holdings to 80%. On the other hand, we might decide that should the Averages rise to between 191 and 210 we would reduce our holdings of common stocks to 50%, etc. . . . Translating this to figures we will assume that the market is in the normal price range so that we put $60,000 of our funds into common stocks and $40,000 in savings bonds or other defensive securities. Now, however, the market has risen to say 210, in which case we would sell sufficient common stock so that our common stock holdings would constitute only 50% of our total investment portfolio.

Formula timing plans, to repeat, give one a perspective on the market so to speak and assure —provided, of course that they are followed — that one is not carried away by the day-to-day excitement of rising or falling prices. As you can see they are logical because the investor is buying at lower prices and selling at higher prices rather than rushing after securities after they have started to climb or dumping his securities after seeing them decline over a long period. However, there is still the problem of determining what relationship we consider normal between defensive and offensive positions or what is a normal market level. Moreover, in perhaps one of the most difficult problems—that of choosing specifically what securities to invest in—the formula timing plans are of little help.

Another of the mechanical investment formulas is called Dollar Averaging. Dollar Averaging is simply the periodic investing of the same dollar amount of money regardless of the market action or the price of securities. For example, we might assume that we decide to invest $100 in Security ABC every quarter in which case we would buy whatever number of shares $100 would enable us to purchase without regard to the market price or what securities in general were doing. Let us follow this mythical investment through for a few years and see just how Dollar Averaging works out.

Date	Amount Invested	Total Amount Invested	Price of Stock	No. of Shares Purch.	Total No. of Shs. Purchased	Approxim. Average Cost
Jan. 15, 1950	$100	$100	10	10	10	10
Apr. 15, 1950	100	200	20	5	15	13⅓
July 15, 1950	100	300	20	5	20	15
Oct. 15, 1950	100	400	10	10	30	13⅓
Jan. 15, 1951	100	500	5	20	50	10
Apr. 15, 1951	100	600	2	50	100	6
July 15, 1951	100	700	2	50	150	4 7/10
Oct. 15, 1951	100	800	5	20	170	4⅖

From the above example we can draw a number of interesting observations. First, we observe that the two-year period covered was one of violent price action in which the price of our security ranged between $20 a share and $2 a share and at the close of the period was selling at $5 a share or 50% under the price prevailing at the beginning of the period. This is probably a considerably wider swing than one will normally encounter. We also note that our maximum purchases were made when the price of the security was low and that when it was high we made fewer purchases. Finally, we note that once the price of our security turned up to a more normal figure our average cost was less than the market price so that we had a profit even though the market level was only half as high at the end of the period as it was at the beginning.

We may conclude, therefore, that while Dollar Averaging will not guarantee profits it offers considerable possibilities of "beating the market" or assuring a profit over the long-run. It works because we are buying more securities when the price is low and fewer securities when the price is high. (This incidentally is the opposite of what many—if not most—investors do.) So long as the market fluctuates, and assuming the company in whose security we are dollar averaging does not go bankrupt or the price of its security remains permanently at a price level far below its normal range, Dollar Averaging will work out to your advantage. From these assumptions, however, we should also draw the conclusion that when Dollar Averaging we should select securities which are fundamentally sound, or better still, Dollar Average with a number of securities rather than just one.

Even if Dollar Averaging for one reason or another gives us little positive results it provides what we might call a negative result which may be very advantageous. If we are following a Dollar Averaging program we are less likely to be carried away with the excitement of a boiling market and purchase securities at inflated prices which cannot be maintained over the long-run.

So much for the mechanical formulas which help us in selecting our investment program. I mentioned earlier that it is also possible to reduce the amount of investment selection we must do ourselves. By buying the securities of investment companies we shift in effect a large part of our responsibilities to companies whose principal interest is the management of investment funds. Our problem is then the simpler one of determining just what kind of investment company we are interested in and then selecting a good one or several good ones.

Investment Companies

You will recall that Mr. Dalenz gave us an interesting lecture several weeks ago on investment companies. To review for just a few moments, you will recollect that such companies fall into two broad classifications — closed-end companies which have a relatively fixed amount of capital and which do not offer to redeem their securities, and open-end companies or mutual funds which issue new securities to meet investor demand and which redeem their securities at or close to their asset value. Within these two broad classifications investment companies can also be classified according to their portfolio holdings or the specialized results which they endeavor to accomplish. Thus we have companies specializing in (1) a particular industry such as the oil or steel industry; (2) in a particular class of securities such as bonds, preferred stocks or common stocks, and (3) those which have a particular goal such as growth, high dividends, and so forth. Some of the companies even attempt to provide a fully-rounded investment program with both defensive and offensive positions, and as we have seen such investment companies are referred to as balanced companies.

Although the record of investment companies is not exceptional and while the initial costs of investing in certain of them is somewhat high, I believe they offer a number of important advantages — particularly to the smaller investor and to the absentee investor—which warrant careful consideration. For example, we have already noted that possibly the most important rule in investment planning is diversification, primarily as a matter of fact because most of the other rules were so vague. Investment companies provide wide diversification, invested as they are in securities of numerous companies —sometimes as many as 200. We have noted that marketability is an important consideration — investment companies, particularly the open-end ones, generally offer excellent marketability. The investment company provides specialized and continuous management. There is considerable convenience in not having to keep safe and to keep track of 25, 50 or even 100 securities even assuming that we are able to diversify. Instead of 100, 200 or 400 dividend checks a year—most of them probably small if our total investment funds are spread over so many different issues—we recieve four dividend checks a year. No worries about stock splits, options, rights and the many other chores which the security owner is faced with and which he so frequently neglects to exercise even when they carry valuable benefits. By pooling his funds with those of many other investors, the holder of investment company shares is by and large following an investment program which formerly was available only to the larger investor.

Taxes

Although taxes are an important consideration for the investor, we have, unfortunately, had little time to discuss this subject. Moreover, all that we can hope to do in the next few minutes is to note some of the more common considerations of interest to the investor.

Most investors will be concerned with two types of income taxes—the capital gains tax and so-called normal income taxes. There are a number of differences in these two types of taxes which are of considerable importance to the investor. First, just what are capital gains taxes. We are all, I think, quite familiar with normal income taxes which are the taxes we pay, after certain allowances, on our wages or salary, dividends, rents and so forth. Capital gain taxes, on the other hand, are taxes collected from profits obtained on the sale of capital assets, of which securities are one important form.

While taxes must be paid on capital gains, as described below, the deductions which we can take for capital losses are limited. Capital losses are deductible from capital gains before any such net gains are taxed, but if capital losses exceed capital gains we may only deduct $1,000 of such losses against our normal income in determining the tax for such normal income. Any net capital loss above $1,000 is then carried over for five years to be deducted from capital gains provided there are any, with the additional provision that in each of the succeeding five years $1,000 may also be deducted from normal income if there is still a net caiptal loss balance.

Capital gains are also taxed on a different basis from normal income. If the capital gains have been obtained from capital assets held for more than six months before their sale, only 50% of the profit is taxable with the additional provision that in no event shall the taxpayer pay taxes on such profit in excess of 25% of the long-term gain. Conversely, if there is a loss from the sale of capital assets held for more than six months only 50% of the loss may be taken into account in deducting such loss from capital gains or with respect to the limited deduction permitted from normal income.

Capital gains and losses on the sale of capital assets held for less than six months, on the other hand, are fully taken into account.

Perhaps one or two examples will clarify this special treatment of capital gains and losses. Let us assume that during the year we have had the following security transactions:

Date Purchased	Date Sold	Cost	Sales Price	Profit or Loss	Amount of Profit or Loss Taken into Account
Feb. 2, '50	Apr. 7, '50	$1,500	$1,800	$300	$300
Mar. 15, '50	Oct. 7, '50	2,000	2,800	800	400
May 7, '50	Dec. 11, '50	3,000	2,000	—1,000	—500
June 9, '50	July 12, '50	2,000	1,800	—200	—200

Our total capital gains after adjusting for the special tax treatment afforded long-term gains have been $700 while our total capital losses for tax purposes have also been $700, so that deducting the capital losses from the capital gains we will pay no taxes on our capital transactions. Now let us assume that we had made certain additional transactions which resulted in long-term gains of some $2,000. We would then have a tax liability on 50% of these gains or $1,000 and we would then pay taxes on our overall capital gains taxable profits of $1,000 at the normal tax rates with the special provision that in no event would we pay more than $500 of taxes on our total long-term profits of $2,000. Let us assume, on the other hand, that instead of making $2,000 of additional long-term profits we had lost $2,000 on the sale of securities held for less than six months. In this case we would have a net capital loss after adjusting for long-term special provisions of $2,000 of which only $1,000 might be deducted from our normal income and the balance of the loss of $1,000 would be carried over to be applied either to next year's capital gains or as a deduction from next year's normal income.

Tax-Exempts

The income from certain securities is exempt from normal taxes, which is another important tax consideration for many investors, particularly those in the high-income tax brackets. For example, an investor whose tax rate is at the 60% level would pay some 60 cents in taxes out of each dollar of dividends or interest. Therefore, if a security provided a 6% yield the investor's after-tax return would be only 2.4%. On the other hand, the investor may be able to purchase securities the income from which is tax-exempt such as certain municipal bonds and state bonds. Although the yield may be considerably lower on these bonds, say 2½ or 3%, since there are no taxes on the income the investor actually obtains a higher yield. Similarly, the dividends paid on certain securities may be considered for tax purposes a return of capital and therefore these dividends are not taxed as normal income but go to reduce the cost price of the security.

While tax considerations are certainly important, the decision of what securities to purchase or when to purchase or sell securities should be made on the basis of sound business evaluation and not with the principal goal of obtaining tax advantage. If a security is not sound, the fact that it carries some tax advantage will not make it a sound security. If a careful evaluation suggests that a security should be sold the fact that it has been held less than six months should not dictate the continued holding of such security.

Offensive and Defensive Issues

We mentioned last week that in our opinion the entire defensive section of our investment program might be made up of government savings bonds so long as the yields on high-grade bonds and preferred stocks were so low. We did note, however, that we thought that bonds and preferred stock did have a role to play in the offensive section of our program—but in this instance we are speaking not of the high-grade issues but those bonds and preferreds which are selling at substantial discounts or which have heavy accumulations of unpaid interest and dividends. Frequently, we find the market turning against a particular security even though it appears to have excellent prospects because the company has a poor record or because it appears to be in a declining or an out-of-favor industry. Such a security may, as a result, be obtainable on a "bargain basis," and be a valuable addition to our offensive position. This is essentially what happened during the early forties in railroad bonds and utility holding company preferred shares. Unfortunately, we do not have the time at this lecture to review this subject but it is one which you should be aware of and about which you can obtain a good deal of information from Professor Graham's book.

Do's and Don'ts

We have already run over our time, I am afraid, but I should like to list a few do's and don'ts which I suggest for your consideration. As I mentioned earlier, these are partly a result of experience and no doubt a good deal a reflection of certain prejudices on my part.

(1) The most important investment rule I believe is diversification—don't put all your eggs in one basket no matter how attractive the basket appears to be.

(2) Possibly the second most important rule is to have patience—don't become discouraged.

(3) Remember that the market fluctuates; if you miss an opportunity of purchasing a stock don't run after it and don't fret—chances are you'll have the opportunity again.

(4) Take a long-range view and stick to real values—don't be carried away by the excitement of the present.

(5) Beware of sacred cows—no matter what your grandfather told you, remember that times change, products change, consumer preferences change, managements change and what may have been an excellent investment yesterday, figuratively speaking may tomorrow be a very poor one.

(6) Beware of tips—the fellow giving you the tip probably knows less about it than you do. In any case investigate first.

(7) Invest on sound business evaluation—not on how much you can save on taxes or how you can "beat" Uncle Sam.

(8) Look for the not obvious—the obvious is probably already reflected in the market's evaluation of a security and the security's price.

(9) Stick to securities of American corporations and companies whose businesses are largely if not entirely within the United States. Foreign situations may look attractive but you have considerably less chance of knowing what's really going on or doing anything about it.

(10) Stick to securities of established companies with proven records—avoid new issues particularly if they represent new companies with unproven record.

I shall be pleased to stay and answer any questions which you may have. Also, please feel free to call upon me at any time if I can help to answer questions which may come up in the future. Let me thank you for your serious attention and attendance over the past 12 weeks and for being such good sports in sticking with what must have been at times most difficult sledding. I hope that you have enjoyed the series half as much as I have enjoyed giving them.

COMING EVENTS

In Investment Field

May 19, 1950 (Baltimore)
Baltimore Securities Traders Association outing at the Country Club of Maryland.

May 22-24, 1950 (Cleveland, Ohio)
Association of Stock Exchange Firms spring meeting of Board of Governors.

May 24, 1950 (New York City)
Commodity Club of New York Dinner Meeting at the Hotel Statler.

May 26, 1950 (Cincinnati, O.)
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 26, 1950 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual outing at Highland Country Club.

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

June 2, 1950 (Buffalo, N. Y.)
Bond Club of Buffalo Spring Party at Wanakah 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 9, 1950 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

June 9, 1950 (New York City)
Municipal Bond Club of New York annual meeting and field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 9, 1950 (Philadelphia, Pa.)
Philadelphia Securities Association annual field day at the Aronomink Golf Club, Newtown Square, Pa.

June 10-11, 1950 (San Francisco, Calif.)
San Francisco Security Traders Association annual spring outing at the Diablo Country Club, Contra Costa County, Calif.

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

June 16, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer Outing at Whitemarsh Country Club.

June 16, 1950 (Toledo, Ohio)
Bond Club of Toledo 16th annual Outing at the Inverness Club preceded by a cocktail party and buffet dinner June 15 at the Commodore Perry Hotel.

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.

July 7, 1950 (New York City)
Investment Association of New York annual outing at the Westchester Country Club, Rye, N. Y.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

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

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Fall Meeting.

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

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel (Starlight Roof).

Fewel & Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Paul Kennedy, Jr., has been added to the staff of Fewel & Co., 453 So. Spring Street, members of the Los Angeles Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

In the process of rediscovering herself Britain is beginning to rediscover Canada. Indecisive as they were on the surface, the British elections marked, nevertheless an important turning-point in the land of austerity and restriction. Immediately thereafter the climate for private enterprise and the exercise of business imagination changed significantly. Further plans for nationalization of industry and additional curbs on individual initiative were halted in their tracks. From that point British industry, commerce, and finance could once more envisage the time when they would be released from the strait-jacket of governmental restrictions and controls.

Prior to the elections it was almost impossible to look beyond a maze of red tape and the obstacles of official bureaucracy. Now the traditional trait of awareness of overseas opportunities has a more congenial atmosphere for its practical expression. Largely ignored by the Labor government, the tremendous scope for opportunity provided within the Dominion of Canada is fully appreciated in private circles. Almost overnight the British have become keenly Canada-conscious.

This phenomenon was clearly demonstrated during the recent debate in the British House of Commons on Anglo-Canadian trade. It had been expected that the discussions would be of a somewhat perfunctory nature. On the contrary there was a lively debate that terminated with numerous Conservative M.P.'s still trying to catch the Speaker's eye. During the discussion President Harold Wilson of the Board of Trade was severely criticized by Opposition members for his lamentable failure either to promote Anglo-Canadian trade or to preserve the customary cordial relations with the Dominion. At the same time highly laudatory references were made to Canadian generosity towards Britain during and after the war. Moreover, the general impression evidently prevailed that Canada was the land of promise of the coming decades.

Practical evidence of British faith in the highly promising prospects of Canadian markets is provided by the recent new British drive to expand sales in the Dominion. General Electric of England, the largest manufacturer of electrical goods in the United Kingdom has just announced the opening of sales agencies throughout Canada for the distribution of its wide range of electrical products. Another leading British firm, the English Electric Co., has also demonstrated its belief in the future of Canada by its recent purchase of a controlling interest in John Inglis Co., of Toronto. The English Electric Co., group which includes Marconi Telegraph Co., and D. Napier & Son, manufacturers of airplane and marine engines, is a pioneer in the field of diesel and gas-turbine locomotives, and has recently put into production the advanced Canberra jet-bomber. In addition this company is one of the leaders in the field of atomic research in its application to industry.

These recent contributors to Canadian industrial expansion follow in the footsteps of world renowned British firms such as Rolls-Royce, the Austin Motor Co., the Hawker-Siddely airplane group, producer of the Avro jet air-liner, and John Brown & Thomas Firth Ltd., builders of the Queen Mary and Queen Elizabeth and the specialists in the field of stainless steel. These and many other British industrial leaders already established or planning establishment in Canada can scarcely fail to give important impetus to the Dominion's rapidly growing industrial development. In turn British industry has ample scope for expansion in the manufacturer's paradise provided by Canada's almost limitless natural resources, her wealth of available factory sites, abundance of hydro-electric power, and accessibility to the vast markets of the American continent. In the progressive New World atmosphere traditional old country skills and industrial genius can bring about a new British industrial revolution.

Such a development would be by no means inimical to the interests of this country. The record shows that U. S.-Canadian trade has increased proportionately with the growth of Canadian industry. Furthermore large-scale British participation in Canadian industrial expansion and closer integration of the Anglo-Canadian economics would help to provide a permanent solution of the British-Canadian U. S. dollar problem; this in turn would clear the way for the restoration of freedom of the Western world's trade and exchanges.

During the week the external bonds continued to ease slightly and the internals were little affected by the announcement of the forthcoming of $745 million Dominion of Canada refunding issues of 2% 4½-year and 2¾% 18-year bonds. Both the corporate-arbitrage and the rate-for-free funds remained unchanged. Stocks on the Toronto board were traded in the heaviest volume since the Sept. 19 devaluation market. The gold group registered the widest advance with Elder Mines, East Malartic, Newlund, Akaitcho, and Villbona among the most favored issues. A 13-year peak was established by the base-metals and Normetal, East Sullivan, Anacon Lead, and Buffalo Canadian were notably prominent in this section. Western oils were mostly lower but Federated Petroleums met with special demand and moved against the trend. There was little interest in the industrial group but lumber shares led by B. C. Forest and Canadian Western Lumber advanced on expectations of increased orders from the United Kingdom.

Phila. Secs. Ass'n Outing Plans

PHILADELPHIA, Pa.—Newlin F. Davis, Jr., Kidder, Peabody & Co., President of the Philadelphia Securities Association, announced that plans have been completed for the association's annual outing on Friday, June 9, at the Aronimink Golf Club, Newtown Square, Pa.

Under the general chairmanship of Russell M. Ergood, Jr., of Stroud & Co., Inc., the committee on arrangements has planned a full day's entertainment, starting with the annual golf tournament and ending with dinner in the evening.

Committee members are as follows:

Reception—Chairman, John D. Foster, DeHaven & Townsend, Crouter & Bodine; Dudley R. Atherton, Jr., F. S. Moseley & Co.; James J. Mickley, Corn Exchange National Bank & Trust Co.; William B. Morgan, 2d, Stroud & Co., Inc., and Charles S. Nagel, Provident Trust Company.

Golf—Chairman, Harold J. Williams, Boenning & Co., and Harry B. Snyder, Yarnall & Co.

Entertainment—Chairman, Llewellyn W. Fisher, Sheridan, Bogan, Paul & Co.; Thomas J. McCann, Gerstley, Sunstein & Co.; C. D. Schloesser, Jr., Halsey, Stuart & Co. Inc.; Wm. E. A. Davidson, Insurance Co. of North America; Edmund L. C. Swan, Hornblower & Weeks, and James G. Davis, Newburger & Co.

Prizes, Etc.—Chairman, Herbert H. Blizzard, Herbert H. Blizzard & Co.; Lewis P. Jacoby, Jr., Thayer, Baker & Co.; Newton J. Aspden, Aspden, Robinson & Co.; Robert F. Powell, Kidder, Peabody & Co.; Franklin L. Ford, Jr., E. W. Clark & Co.; Harold F. Carter, Hornblower & Weeks, and William A. Lacock, E. W. Clark & Co.

Publicity—Howard York, 3d, Doremus & Co.

To Be Reiner Partner

On May 25 Clarence A. Bettman, members of the New York Curb Exchange, will become a partner in Milton E. Reiner & Co., 115 Broadway, New York City, members of the New York Stock and Curb Exchanges. Mr. Bettman has recently been active as a Curb floor broker.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

After a sharp rise in quotations of the longer eligibles, the market backed and filled and now seems to be settling just above the levels prevailing before the refunding announcement. Although there was investment buying in the bank issues, it is reported that a not unsizable amount of the purchases were by the fast-moving operators. This may have been responsible in some measure for the toppy action of the market, which resulted in prices coming off from the levels reached in the early part of the rally.

The bank 2½s of 1967/72 continue to have the best market action although this bond has come down from the prices that were registered when it became evident that interest rates were not going to be increased as much as some had expected. The 1956/58s, and the 1956/59s also responded to the news and indications point to rather substantial buying of these bonds by both large and small commercial banks. The 1952/54s, the 1⅜s of 1954 and the 1½s due 1955 were well taken, with the bulk of this buying reportedly coming from the large money center banks.

Ineligibles Under Pressure

The ineligibles continue to be under pressure, with the Central Banks again pushing large amounts of these bonds into the market. Prices faltered slightly because of Federal's selling but, on the other hand, the demand has been and still is, from all indications, quite substantial. The buyers of the tap bonds, according to advices, are mainly pension funds, savings banks, union funds, the smaller life insurance companies, fire and casualty companies and a few charitable institutions.

It is reported that some of the fire and casualty companies and eleemosynary institutions have been taking profits in the equity market and the proceeds from these sales are being put in the Victory bonds. Switches from the bank bonds are likewise bringing a certain amount of buying into the ineligibles, with the near-term eligible tap bonds again coming in for a goodly part of it. It is still not easy to get holders of the 2½s due 9/15/67-72 to part with their bonds. It is reported that even the recent sharp run-up in price of this obligation brought practically none of them into the market, either for swop purposes for the Vics or for outright sale.

Buying by New York City Banks

New York City member banks have been consistent buyers of bonds due in more than five years, with purchases since the middle of March amounting to $103,000,000. Indications are that the 2¼s of 1956/59 and the 2¾s due 1960/65, have been the leading issues in these acquisitions, although the 2⅞s and the 1956/58s have not been far behind. The longest bank bond has also been prominent in this buying but not in quite as large amounts as these other issues. Reports also point to some liquidation by these institutions of the September 1967/72s with the funds going mainly into the 1956/59s and the 1960/65s.

The 1½s due 1955 have been under accumulation, since the terms of the refunding were announced, with the buying rather general among most of the commercial banks. The feeling seems to be that the 1955s should continue to hold their ground and future offerings for new money purposes could have a favorable effect upon this obligation.

Coming Refunding Rate Put at 1¾%

There were some opinions not so long ago that the Fall refundings might even have a few 2s but most certainly there would be 1¾s. The latter view still holds that 1¾s will be offered for the maturing 2s and 2½s, but the 1¾% rate is the highest now expected. Not a few in the financial district would not be too surprised if a coupon lower than 1¾% were used as part of a split offering.

The conflict between the Treasury and Federal over the level of money rates still goes on, and the rates which will be used for the deficit financing and future refundings will depend in no small measure upon the way and the extent to which these differences are reconciled. The cost consciousness of the Treasury over debt charges will tend to keep interest rates low. As the deficit mounts the pressure will be on because the Treasury wants to keep the cost down whereas Federal has to keep the inflationary forces from gaining further strength and momentum.

Market Memos

Some money market followers believe the future trend of interest rates will be materially influenced by what happens to military expenditures, particularly when the new budget figures are submitted by the President to the Congress. To be sure, this is still some months away, but nonetheless more than passing attention is being given to this item. It is felt that if there should be a sizable increase in spending for armaments, which would add to the deficit despite higher taxes, money rates would tend to ease. Under such conditions power to deal more directly with the inflationary forces would most likely be asked for by the monetary authorities.

Real estate loans continue to move ahead and quite a few of the smaller banks, which have been making these loans, are now putting funds into the near-term Treasury market in order to give them greater liquidity. Earnings are not greatly affected by this combination of investments. Another combination that the out-of-town banks are using is the purchase of the 1½s of 1955 and the 2½s of September 1967/72.

Continued from first page

Commitment to Prosperity

the cost of caring for the veterans is not likely to fall. Nor could the welfare commitments be compressed in more than a moderate fashion, certainly not in a hurry—unless we should permit unemployment to become rampant. The fact is that more than 6 million men and women are on the payrolls of Federal and local governments; that the farming community depends altogether on Federal support; that directly or indirectly, governmental spending and subsidies provide employment, wholly or in part, for most of the population.

A Kommando Economy

The combination of Welfare State and *Kommando* economy is bound to walk in very large budgetary boots. Falling prices would cause unemployment and increase the expenditures to keep up the sacrosanct "living standards." Moreover, unemployment and lower prices would reduce Federal revenues. As a matter of fact, a 25% decline of prices may cut revenues by as much as 50%. The budget's candle would burn at both ends.

All of which amounts to saying that we are committed to inflation and high taxes so as to keep welfarism and war preparations rolling. "Little" deficits of $5 to $10 billion per year may suffice while the boom lasts; later on, the spirits will have to be bolstered to the tune of $20, $30 or more billion annually. That raises the crucial question: Can a depression occur at all if the government has the control over the monetary and fiscal machine to offset or neutralize the downward trend of prices? (And the long-run trend is downward.)

In other words, the question is whether eternal prosperity, the agonizing dream of all ages, has become a tangible reality—without the pitfalls of totalitarianism which claims the same accomplishment.

Leading to an Economic Canaan

Several techniques, singly or combined, seem to lead to the economic Canaan—to permanent full employment on a high level of real incomes. (Note in passing: The ideal at stake is common to all levels of civilization. In primitive societies, magic was to solve the problem. Bellicose groups satisfy the utopian striving by expropriations at home and lootings abroad. In religious communities, ethical behavior is assumed to guarantee economic welfare. In a scientific-minded era like ours, technological progress is the alleged key to a self-perpetuating prosperity, as in the 1920s. When that turns into reckless malinvestments—and brings about the depression—we then embrace administrative technology: managed money and "directed" economy, to keep us on the even keel of the "high plateau.")

Theoretically, prosperity might be kept going *ad infinitum* without incurring new Federal deficits—if only people would spend their accumulated savings. The vast volume of liquid funds ($170-odd billion cash and bank deposits) needs only to circulate incessantly. Relaxing on credit controls would be another "natural" that should help. In addition, Federal guarantees may bolster the sale of private securities, to say nothing of direct governmental borrowing from the public. In short, the wheels of consumer spending and business investing might be kept rolling without unbalancing the national budget.

But as a matter of practical politics, the managers do not rely any longer, if they ever did, on such comparatively slow ways to inflate the credit system. Liquid savings are not being spent recklessly. (If they were, prices would skyrocket.) Actually, more and more liquidity is being accumulated, even if the rate of accumulation in the hands of individuals currently runs as low as 4% of their incomes. And net "dis-saving" is not likely to occur on a major scale, unless in a deep depression or in a runaway situation—when the consumer's income or his income's purchasing power vanishes.

Nor have bankers forgotten the lessons of the 1920's and '30's. (Some did, as indicated by reckless instalment loans.) Genuine, non-inflationary borrowing from the public has its natural limitations, too: the public as well as the financial institutions like to assure themselves of the profitability of the investment. That excludes the prospect of unlimited funds from nongovernmental sources for undertakings, the purpose of which is to support shaky prices.

As to government **guaranteed credits**: they, too, can be no more than a supplementary device—unless carried to the point where the Treasury has to stand substantial losses (as in the case of the RFC). Which takes us back to the ultimate financial wells of the Welfare State.

Threatening "Over-Production"

Let us be clear about the problem at stake. Inflated prices and costs create unprecedented incentives to expand the productive apparatus and to increase productivity (by labor-saving devices, synthetic substitutes, etc.). The consequent "over-production" threatens to bring down wages and prices, calling for more supports which in turn cause further expansion, and so forth, as visible already in the realm of agricultural commodities.

Basically, the same situation is developing in all major areas of industry, and on a global scale at that. Can one keep this vicious spiral from breaking? Raising taxes would not do: they kill the proverbial goose. Continuous money-creation is the inescapable—and easy—answer. That much is well understood by the Managers. They have abandoned the Keynesian idea of compensatory budgets: that deficits in a depression could and should be matched by balanced or even over-balanced budgets in the boom.

Instead, perpetual deficits have have been recognized (by Mr. Leon Keyserling, the President's top economist, for one) as a prime requisite for eternal prosperity. Which is logical, indeed; the mechanics of artificial prices can work only with the aid of ever-fresh props. The self-propelling nature of "repressed inflation" should be borne in mind.

Small Doses of Medicine Ineffective

Equally important is the corollary that small doses of the medicine will not do. They have to grow by leaps and bounds. The inflation-stimulated capacity expansion and the consequent rise in output call for a continuously increasing money supply if prices should not tumble. This is true for several reasons.

(1) The longer the policy of artificially bolstered prices and wages (and profits) lasts, the more the conviction becomes ingrained that they will never decline, and the stronger grows the **impetus** to sink capital into long-term investments, including costly labor-saving implements. The incentive to "speculate" in inven-

tories and capital values tends to spread, too. The strain on the price structure increases with rising productivity and accumulating inventories. And so does the need for more money to ease the strain.

(2) Small doses of pump-priming are likely to be ineffective also because of the fact that a moderate excess in the money supply may be absorbed in idle reserves. The tendency to hoard is pronounced when symptoms of price weakness arise. On every such occasion, the deflationary attitude of the public would have to be counteracted by intensified pump-priming so as to hold the price level.

(3) Price supports are subsidies, and subsidies beget more subsidies. That is characteristic of the Welfare State's "ethics": pressure groups join hands in raiding the Treasury and the consumer pocketbooks.

(4) The effects of mechanization are cumulative; they are not even visible for a while. But sooner or later, they break out in the form of a vastly enhanced outpour of commodities—and of more durable "durables" — that discourages new investment, especially in the equipment industries, in turn raising the political demand for hand-outs.

(5) Inflating the money supply through whatever channels or procedures does not affect in equal measure the diverse sectors of the national economy. Some may languish in the midst of a prosperity for others. Would that not be "unjust"? The idea of price parities is a convenient vehicle for rationalizing pressure group requests. The prosperous sectors need not get less, but those in trouble would draw more—money.

(6) Every inflationary shot-in-the-arm and every boost of production tend to strengthen the bargaining power of the unions and to raise wages, pensions, etc. Prices may rise in the process, and higher prices call for more monetary support.

(7) In spite of all supports, technological unemployment (a forgotten concept!) is bound to develop; it does already. This is a consequence of the inducement high wages create to apply labor-saving devices. We may have the greatest boom and five or more million unemployed simultaneously. But the unemployed have to be fed and housed, if not provided with automobiles and videos as well. The cost will be appalling, adding to the deficitary trend.

(8) The problem is world-wide in scope. Take oil, as an example, that is being feverishly prospected in Venezuela, Arabia, Canada, Indonesia, etc., presumably much cheaper than the domestic product. That means not only cutting off outlets for the excess American output, but also the threat of sooner or later flooding the U. S. market. Can we then protect our oil against price-breaking foreign competition? If, say, Venezuelan oil will be kept out by trade barriers, that country will cease to buy from us, reducing our markets (to say nothing of the Good Neighbor and Save - the - World-from-Bolshevism policies).

Obviously, "oil" is one small item only in the grand total of boondoggling prospects. A new Acheson Plan for South-Eastern Asia and other Point Four programs to give away dollars are likely to be the temporary escape from the dilemma. But it takes far more than a moderate inflating of the dollar to cope with an overproduction of global dimensions.

Military Expenditures — Largest Item in Subsidizing

The list of forces and circumstances which tend to increase the need for inflationary dosages is not complete. Such "extraneous" matters as the growth trend of military expenditures are left aside, although the latter constitute in effect the biggest single item of domestic subsidizing. Also, it may be remembered that the urgent backlog of capital goods demand may be nearing satisfaction, unless it be bolstered by large-scale shots-in-the-arm. At any rate, as pointed out before, the inflation medal has a reverse side: it overstimulates production and speculation. What then?

How far can this paradoxical process go? One school of thought wants us to believe that it may go the French or the German way until prices skyrocket in a run away fashion. If so, the process will come to an abrupt and dismal end, followed by a much sharper depression than ever experienced, ruining the government's credit and bringing about the collapse of our whole financial set-up.

Short of a new war-like development, no nation tumbles into a self-inflammatory inflation unless it is so impoverished that it feels as if it had nothing more to lose. Presently, the American people are not only the richest in the world. As a nation they are rich by any standards. They would not like to see their savings, deposits, bonds, private and social security funds swim away. Perhaps, in the depths of a long-lasting depression they may change their minds and may prefer wholesale ruin to partial suffering. But then we would be already in a depression, and for some time. This post-depression outlook is a chapter in itself.

New Boom Sponsored by Deficits

What we are facing now is a new wave of boom sponsored by deficits. It will deteriorate in a run-away fashion if it is not permitted to lapse—if the inflationary financing continues. But if it is stopped, the boom collapses. The painful dilemma will become acute, in the light of all available indications, in a reasonably short time—maybe in a matter of a couple of years. (Major strike waves may help to postpone it further.)

The "solution" of the dilemma should be obvious. Caught between the devil and the deep blue sea, the Managers' escape can be only: physical controls, price floors and price ceilings (simultaneously), production restraints, forced cartelization, marketing and stockpiling schemes, etc. In other words, regimentation will have to step in to "stabilize"—to correct the self-defeating monetary tinkering.

The Brannan Plan is the first design of this sort: to maintain high prices on the one hand, a high level of demand on the other, and to keep at the same time the incentive from operating by expanding the supply. It is worth mentioning that a Brannan Plan for industry has been discussed lately by another responsible group, a national organization of purchasing agents.

It is advisable to watch the signs: the progress of monetary (and price) inflation and the public reaction to that; the productive capacity expansion on a global scale; and the preparations for physical controls at home and abroad.

Physical controls will not eliminate the Law of Supply and Demand, but they may postpone its operation. The problem of excessive supplies is with us already—if only in a limited range of economic activities—and must rapidly spread over to more fields, domestic as well as international.

Harris Kirk, Jr. Opens

BALTIMORE, Md.—Harris E. Kirk, Jr., is engaging in a securities business from offices at 38 South Street.

Why? Why? Why?

"A generation or more ago, local financial institutions and investors ordinarily took care of the capital needs of expanding small businesses. Then, as now, the original funds usually came, for the most part, from the owner's personal savings. If the business weathered its initial period of losses, additional money was frequently forthcoming from friends or relatives; or the local banker might well provide substantial financing—almost as a partner — for small ventures with good prospects. With an outlook for further profitable expansion, the small businessman often could obtain long-term capital aid from wealthy individuals or from larger financial institutions. In this way the vigorous smaller concern could make use of its opportunities for growth.

President Truman

"With the increased mechanization of industry, the capital needs of small business have greatly increased. Adequate venture capital, however, is no longer available from traditional sources. This is not because there is any shortage of savings. There are ample savings; the problem is to channel them into the hands of small businessmen who need more capital to expand their operations." — President Truman.

Why, we wonder, should such a change occur in this situation?

The President offers an explanation of a sort, but it is far from satisfactory.

To our way of thinking, he has not even demonstrated that small business, by and large, cannot obtain all the capital it really is entitled to. He certainly has not shown that it is denied credit where credit is warranted.

But, after all, if it really is true that small business used to be able to get what capital it needed, what has happened to change the situation? A true answer might embarrass the Fair Deal.

LETTER TO THE EDITOR:

Robots Capable of Supplanting Manpower in Factory and Office

Mathematics Professor at Massachusetts Institute of Technology writes Editor on possibilities of use of electronic apparatus to replace worker in the factory and office.

Editor, Commercial and Financial Chronicle:

As I have recently been misrepresented in one of the newspapers by an inexperienced reporter, I write the following statements to give my opinion on the future of automatic machinery. More material is to appear in a book of mine entitled "The Human Use of Human Beings," printed early this fall by Houghton-Mifflin. First, the technique of automatic machinery to replace human judgment in the factory which originally started with isolated pieces of apparatus and with a series of unrelated inventions has become organized and systematized with the use of the electronic computor as the decision center of the apparatus.

Second, this apparatus with proper sense organs and effectors is capable of running assembly lines and a whole factory.

Third, the cost of such an apparatus is high at present, but is very rapidly becoming less as research models are beginning to take standard form, and to be subject to mass production.

Fourth, the apparatus is quite capable of performing acts of accounting, cost accounting and statistical testing as it proceeds with its work of manufacture, and is therefore as much of a threat to the white collar worker as to overall labor.

Fifth, the work is transforming the task of the industrial engineer to that of the man who puts on the machine the original instruction or taping. This is a highly skilled task, and must be well done, although probably one or two people can do it for a whole industry. Besides this man, and his small staff the only other people around a factory will be the maintenance and the trouble-chasing crew. The work of the latter will be greatly facilitated by known methods by which troubles may be made to show themselves before they have actually interfered seriously with the operation of the machine.

Sixth, the machine will have its most immediate use in the factory. It will have much less effect on small-scale industries like auto-repair and on agriculture, but there is absolutely no reason why the use of these machines may not spread considerably in the future and ultimately come down to an agricultural level. This is a difficult development job, rather than one of the introduction of any new principle.

Seventh, if the apparatus comes in gradually, it may be possible with the aid of a good deal of thinking to offset the social disorganization and the unemployment caused by a radical reorganization of human valuation in society. If it comes in suddenly, its impact may be catastrophic, and revolutionary.

Eighth, in the presence of war with Russia, we shall have to face simultaneously a maximum demand for Army personnel for the purpose of occupation, and a maximum demand for productive output. These will immediately bring the automatic factory into importance as one of the first needs for fighting a war. The personnel to develop the automatic factory already exists among those trained in electronic engineering in the last war, and among those developed by that generation. It is a conservative prediction to say that the large-scale automatization of industry will then take place in from two to five years. Social reforms are almost never made in war time. We shall thus find ourselves confronted by the know-how of the automatic machine and a large backlog of already constructed automatic machines. Our returning soldiers will face a permanent situation of technological unemployment. This is the stuff of which revolutions are made.

I request that if you mention my name in connection with this material, you print this statement above exactly as it stands, making it clear that further comments on it are your own responsibility.

NORBERT WIENER.

April 26, 1950.

Department of Mathematics
Massachusetts Institute of Technology
Cambridge 39, Mass.

See Bigger & Better Bawl St. Journal

Wall Street, which takes itself seriously 364 days of the year, is getting set for the annual one-day lampooning of its best known figures and institutions when the "Bawl Street Journal" comes out on June 2 as a feature of the Bond Club Field Day.

In recent years, the burlesque publication has ranged far afield in poking fun at men and events in the news, and this year will be no exception. Headlines, cartoons and comic advertisements in the 1950 edition are expected to cover such items as a solution to the riddle of flying saucers; expose of a new world horror, the hydrogin drink; adoption of a two-platoon system for bull and bear markets; and a feature page of pictures and gags depicting the Bawl Street Zoo.

In each of the past four years, the paper has set new highs in national circulation. Edward Glassmeyer, of Blyth & Co., circulation manager, reports that bond clubs of other cities are cooperating in this year's distribution and that advance orders are being received from all parts of the country for copies of the paper to be delivered on June 2. The "Bawl Street Journal" will also be on sale that day in the financial district.

Kenneth Cronyn With MacBride, Miller Co.

NEWARK, N. J.—MacBride, Miller & Co., 744 Broad Street, announce that Kenneth W. Cronyn has become associated with the firm as a sales representative. A member of the Bond Club of New Jersey, Mr. Cronyn was formerly associated with Paul J. Mahoney, Inc., New York, and with J. B. Hanauer & Co., Newark.

Banking Industry: "Half-Slave and Half-Free"

W. W. Townsend points out this situation is developing a creeping paralysis, which is forerunner of Socialism and Communism.

Speaking on "The Outlook for the Finance Industry," before the Nassau County Clearing House Association at the Garden City Hotel this week, W. W. Townsend, President of Townsend-Skinner & Co., Inc., business and bank consultants, stated that under existing circumstances bankers were being asked to live "half-slave and half-free," a situation as intolerable and impossible as was the situation which finally provoked the Civil War.

W W Townsend

"Economics," said Mr. Townsend, "are being distorted in the interests of politics. Regulatory bodies, such as the Federal Reserve Bank and the Office of the Comptroller, are issuing their instructions quite as definitely in the interests of the government's fiscal policy as they are in the interests of the banks and of the banks' depositors.

"This situation has been developing as a sort of creeping paralysis ever since the early days of the New Deal. It was accentuated by the emergency presented by the war; and in order to win the war and escape the consequences of its loss, which would have been the greatest of all evils, we indulged in a whole host of lesser evils by comparison, but the fact that they were lesser evils did not make them good and in the course of time we cannot escape their consequences.

"The old laws can be circumvented but they cannot be repealed. When we learned to fly we learned to circumvent the law of gravitation but the law is still there and still operates. When we buy the farmers' potatoes and then destroy the potatoes we are not repealing the law of supply and demand; we are distorting it by injecting an element of demand which has no place and no part in a normal economy.

"As far as the bankers are concerned, there is very little they can do about the entire conspiracy of circumstance but at least they owe it to themselves, to their stockholders and to their depositors to understand just exactly when, why and how the present situation with which they are confronted had its beginnings and how it is being carried forward inexorably by the present trend toward state capitalism, which is of itself the forerunner of socialism and, ultimately, of communism.

"Much that has been done cannot be undone and the hardest thing in the world is to unmake a mistake. There is no reason, however, why basic errors in fiscal policy, such as deficit financing during periods of high prosperity, should be allowed to persist. Their continuation is bound to carry us down the path which Dr. Nourse so accurately characterized as 'the slippery road to misery'."

what is best for you. In Russia you do the job to which you are assigned or else you receive a visit from the NKVD. You take such goods and services as the government furnishes. The alternative is to do without them—or worse. No one bothers to persuade Ivan.

Under our system, then, the consumer is Czar. He, by the millions, dictates whether this company or that company shall remain in business.

Another Czar, quite different in character and purpose, also sits in judgment on business. He is taxation. He lives by the earnings of others. His tribute is exacted 164 times from each cake of soap, according to the Tax Foundation. The average new car purchaser pays $450 in taxes on the family bus. Your breakfast egg, the Tax Institute says, was subjected to no fewer than a hundred taxes.

The pump primer of free enterprise is venture capital. Venture capital is risk capital with which investors back new or existing enterprises.

Venture capital, subject to punitive taxes, is being driven from the market. Such capital is subject to double taxation normally, and to triple and quadruple taxation under certain circumstances. This anemia of the lifeblood of free enterprise, this scarcity of risk capital, is causing grave concern among economists and businessmen.

The large brokerage houses are going to the grass roots to raise money for business. They approach the farmer, the small merchant, the worker.

Risk capital must be tempted to leave the comforts of tax-exempt Federal, state and local bonds. Without such financial encouragement, free enterprise, the great fountainhead from which tax levies flow, will dry up at its source. The vast irrigation canal system by which government drains off these funds will then go dry.

In closing, let me remind you of the basic precept of politics. Uncle Joe Cannon, who was ever a stark realist, said something like this: "Never vote against an appropriation or for a tax increase — if you want to stay in politics."

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Signs of the Times

in the Orient. So I repeat, it is always good to be home.

What of Future?

But what of the future in our country? Dr. Moulton, of the Brookings Institution in Washington, says that Americans can be eight times richer than they are. He points to the Canadian iron ore finds as one signpost for future development. The basis of our economy lies in steel production. The dwindling Mesabi Range caused considerable concern, so that the finds in Labrador come in good time. Dr. Moulton believes that the unfilled desires of the great bulk of our increasing population provides the essential foundation for an almost limitless economic expansion.

The Brookings economist believes that expansion for shelter and home maintenance will increase about sixteen times. Attire and personal care will increase by twenty times. Health and education about thirty times.

Dr. Moulton offers some fascinating possibilities in the harnessing of energy from the sun's rays. He sees the sea as a source of protein. He comments upon the possibility of growing certain food crops on the ocean's bed.

These predictions and estimates deal with the scientific and physical almost entirely. There are other areas which may merit your attention. L. M. Giannini, President of the world's largest bank, sees a trend away from independence and initiative of free enterprise into the direction of Federal Government paternalism. He said recently "it will be a great day for the American people of all stations when they awaken to the fact that the benefits of the so-called Welfare State are not free but must be paid for in full." "They will," he says, "be paid for in the loss of personal property, constantly mounting taxes, both hidden and direct, and in the high cost of living aggravated by deficit spending."

The Federal budget has increased ten thousand times since 1789. The estimated budget for 1950 is 43.3 billion dollars. Of this, 25.7 billion, or more than half, goes into national defense, veterans' and services benefits and interest on the public debt. Our first billion dollar budget came in 1865 during the war between the states. It has been multi-billion class ever since World War I. We now find that more than 25% of the national income is going into state, local and Federal treasuries.

The functions of government are not normally concerned with the production of wealth but rather with the dissipation of funds received from taxation on private investment. Many economists believe that 25 cents of every dollar in national income going to the government is a truly urgent danger signal.

What then, is the basis for the position of the United States in today's troubled world? Other countries have greater land areas, more material resources, more human resources.

The only answer can be: the American system. What, then, makes the American system such a resounding success while others fail dismally? There are, after all only two ways of life. All systems are variations or improvisations based on the free way or the forced way. Under the free system, we are free to make our own choices and rely upon persuasion rather than force to get what we want. We are free to sell and to be sold.

The other way is to be told

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A Defense of Man's Right To Intellectual Freedom

not be blindly accepted without review and analysis as to its verity. The Great French Philosopher Voltaire may have had such a thought in mind in his famous reply to Helvetius when he declared: "I do not agree with a word that you say, but I will defend to the death your right to say it."

(10) In the author's opinion there are sometimes extenuating circumstances which transcend legal, church and natural laws in the spiritual world, as we know and understand them, which the writer tried to explain in the Court of General Sessions of the State of New York (Judge Mulqueen presiding) at a murder trial of an illiterate Italian some years ago in which the writer was panelled for jury duty but was excused by the District Attorney from serving and then penalized by Judge Mulqueen because of his reservations regarding capital punishment in some cases and **not** in others.

(11) It seems to the writer that the above line of reasoning and course of action was the guiding conclusion in the acquittal verdict rendered in the Dr. Herman Sanders case, March 7, at Manchester, New Hampshire.

Truth on Trial

If truth was more than an intellectual comparison for what we solemnly define as the difference between right and wrong, or between justice and injustice, or between that which is true, good and beautiful and that which is untrue, bad and horrible, the world would not have suffered from man's warlike barbarisms and inhumanities and the perversion of religion, education, science and culture in the last two World Wars.

From the beginning of time, the world has been drenched in blood by ignorance and greed, hate and fanaticisms. And this old world is now facing the future possibility of a third world war while the nations **on both sides** claim to have a monopoly of truth and justice on their side. So, after all, what is basic truth, your version or the other fellow's version?

The Atomic Bomb; A Regrettable Act

A war President sanctioned the search for a formula that made the atomic bomb possible and at his death his successor in office, ordered it used on the Japanese after experiments in New Mexico had proved its catastrophic power. This in spite of the fact that our Generals and Admirals in the Pacific area afterwards were reported to have stated that Japan was in the last lapses of defeat before we used the atomic bombs on Hiroshima and Nagasaki, perhaps needlessly killing thousands and tens of thousands of noncombatant men, women and children.

So we are told that "truth crushed to earth will rise again," which would be a more comfortable thought if we had not developed and used the atomic monster on Japan and in the event of future hostilities this country is preparing to outdo that unfortunate proceeding in a third world war against any Outlaw Nation like Russia, with the hydrogen bomb.

In the opinion of the writer, we are to be blamed for our own predicament because we brought the atomic bomb into the world and now it may boomerang on its originator. The ignominy for this action in innovating this mass murder Frankenstein on Japan will be hard for this country to live down. Yet, there were many sincere Americans who considered our atomic offensive against Japan as retribution for Pearl Harbor and also other persons who honestly believed that the use of the atomic bomb on Japanese cities was necessary to shorten the war. Still others believed the reports that persisted after V-J Day, that Japan was ready to sue for peace before the atomic bombing occurred at Nagasaki and Hiroshima.

Intellect's Place in This Unthinking World

What is the most important activating force in the Universe, what is responsible for our thoughts, understanding, impressions; for man's great achievements and failures; for love, for hate, rancor, faith, hope and charity, our emotions, conceptions, imagination; for everything under the sun?

There is only one answer and that is the one gift that lifts mankind above the level of the animals—Man's intellect!

Without this God-given intellectual faculty, Man's advance from the cave and the jungle would not have been, and all the progress this world has known and witnessed, would not have come to pass.

As a result of his intellectual strivings, we have man-built cities, skyscrapers, automobiles, railroads, tunnels, bridges, ships, airplanes, and everything material, as well as the development of law, medicine, science, literature, culture and the arts.

If Man Were Brainless, His Level Would Not Be Higher Than The Animals

Without Man's brain, the world would have been a vast intellectual vacuum, lacking human interest, personality, intelligence, objectiveness and accomplishment.

Can you imagine Man without a mind, without a brain, without an intellect?

Would he not find his level somewhere between the antic-provoking monkey or more likely the savage man-killing gorilla much as the Germans did when they carted off to the gas chambers at Treblinka the 500,000 Ghetto Jews of Warsaw for certain death. Or, when Hitler caused some 6,000,000 of God's anointed people to be barbarously killed in cold blood. These were non-combatant human beings. To what depths of degradation do men descend and for what! ! !

Veritas Vicit

Who, then, is fighting for truth, for justice, for humanity? Who is justified and who is not justified? Only the Fates can answer those questions when the pages of history are made up for eternal record.

What Is Truth?

The time immemorial question, which Pontius Pilate asked Jesus Christ: "What is Truth?" is one which thinkers and philosophers, poets and prophets, men of letters and scientists as well as millions of understanding peoples of all climes, all races, all faiths and no faith—will continue to address themselves to, until the millennium.

The most searching question of the ages "What is Truth?" is the great affirmation that man has propounded in every generation during which humankind has tried to find a valid, unchanging, satisfying answer for the everyday relationships of life and living.

The Apostle Paul's Letter to the Philippians gives us an illuminating exposition of what Truth is in fact and principle

"Finally, brethren, whatsoever things are true, whatsoever things are honest, whatsoever things are just, whatsoever things are pure, whatsoever things are lovely, whatsoever things are of good report; if there be any virtue and if there be any praise, think on these things."

John M. Wenner to Be Daniel Rice Partner

CHICAGO, Ill.—Effective May 18, John M. Wenner will become a partner in Daniel F. Rice and Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Wenner has been with the firm for many years in charge of the investment department.

Jasper Corp. Formed

(Special to THE FINANCIAL CHRONICLE)

JASPER, Ind.—The Jasper Corporation has been formed to engage in a securities business. Officers are Arnold F. Habig, President; A. C. Sermersheim, Vice-President; H. E. Thyen, Secretary; and Ray F. Schneider, Treasurer.

Too Much Government

By BERNARD M. BARUCH*

Chairman, War Industries Board, World War I

Elder Statesman and adviser to Presidents asserts we are having "too much government," resulting in a perpetual inflation that menaces freedom. Decries loss of individual responsibility through excessive government regulation, and says "way to protect human rights is not to socialize them." Says millions are penalized by current inflation that is "wracking the country in the name of security." Scores "deficit financing."

Washington today is a dismaying example of Dryden's observation about those "who think too little and talk too much." For five years we have been engaged in a mighty struggle for peace and survival—the "cold war." Yet nowhere are all the tangled strands of that struggle brought together in one place to be woven into a unified global fabric. We continue to stagger from crisis to crisis, with the initiative left to the enemy. We remain too obsessed with today's details to think through the bold strategy so vital for tomorrow.

Bernard M. Baruch

What is lacking is not so-called "information." There has never been so much "news," so many statistics, so many alleged "real inside stories." Yet the public has never been more confused.

To print all the facts collected by our great communications agencies would exhaust our paper supply. Of what avail is a forest of facts if we have lost the art of sitting on a log and thinking the facts through? We appear to have lost our ability to distinguish between the true and the false, the good and the evil.

The object of all fact-gathering is to furnish material for thought and reasoning to arrive at sound judgments which can lead to clear and constructive decision and action.

Failure of Our Educational System

That ours is a well-intended confusion is significant. It indicates that the failure of our educational system is a double one—of bad moral habits as well as bad thinking habits. I refer to morals in the broadest, ethical sense. Too many people seem to regard good morals and good intentions as the same thing.

Morality rests upon values—what we regard as good and evil, what we live for, what we would die for. Without such values, everything would be reduced to a cynical zero. Values, in turn, rest upon discipline, on regulating one's behavior by the light of one's values and the rights of others. Morality, in other words, requires both good intentions and the strong backbone of self-discipline. Yet how many of our schools and teachers attempt to teach values without discipline!

This dual educational failure—the failure to instill in students the "know how" of thinking and a disciplined grounding in ethics—is all the more tragic because never were these two qualities in greater need.

I have already remarked on the folly of dealing with national and international problems on a piece-meal basis, without a thought-through strategy. Let me now turn to the moral dilemma which grips us all and which will grow ever sharper as the role of government grows.

*An address by Mr. Baruch at 30th Anniversary of the Founding of the School of Business and Civic Administration, College of the City of New York, May 11, 1950.

Government Not a "Cure All"

Some of you who look to government action as the cure-all for our numerous ills may be startled by this statement—that our moral problems will grow more acute the more the government undertakes to do. With the revolt against the old *laissez-faire* do-nothing government philosophy has come a sense of community responsibility for the individual welfare, and rightly so. Civilized society cannot survive the jungle law of fang and claw, with its ruthless survival of the fittest.

But do-nothing government is dead. Virtually every phase of economic life is subject to some government intervention or regulation. The issue we now face is whether, as some say, community responsibility should be everything—and individual responsibility nothing. This doctrine ignores the human law that there are limits to the burden a community can carry. There is a point of no return beyond which government intervention and the lack of responsibility among non-producers slow down all production and defeat their own purposes.

To lift the levels of human dignity and living is a proper function of government. I joined with both Woodrow Wilson and Franklin Roosevelt in their programs of humanitarian reform, in the Adamson eight-hour day, collective bargaining, economic equality for farmers and other "new freedoms." I opposed the conscription of labor in the recent war, even when President Roosevelt's "liberal" advisers favored it. I have favored pensions and care for the aged, infirm and handicapped, and have urged that America take the lead in lifting wages and working standards all over the world.

Enormous advances have been made under our present system, the best in the world. These advances can be pressed further in years to come—as long as we preserve our form of government. But the way to protect human rights is not to socialize them. The chief threat to human rights is no longer one of too little government, as it may have been thirty years ago when this School of Business and Civic Administration was founded. Freedom's greatest threat today is too much government, that all limits to government action may be swept away.

Pressure Groups Strongest Under Socialism

Is there to be no line beyond which government shall not go, as it is in Soviet Russia, and becoming so in socialistic England? Is government action to be prompted by the sheer expediency of whichever greeds or pressure groups appear strongest at the moment? Or is it to be subject to higher ethical restraints, and if so, what are they to be?

That is the dilemma which will confront you through the rest of your lives. You will have to ask yourself not should the government take action, but how can the government's action be made just and fair to all?

Do-nothing government, we were told, was a cloak for powerful interests who wanted to be "let alone" to despoil the country's resources and the public. How unselfish are they who today invoke the power of government to further their own interests, or to get votes?

The plunder of our natural resources has been largely checked, though not entirely. Are we now to have a new system of plunder of the national treasury?

Is the old "let me alone" philosophy to be replaced by nothing better than a "gimme mine" philosophy?

Under the old philosophy of do-nothing government, it was not necessary to define or regulate social relations in detail. It was assumed that if each individual looked after his own interests, the end result, through a Darwinian process of natural selection, would be for the general good. That age had never met Hitler.

With government regulation, we now must consciously define man's relations to his neighbors, of the various segments of society to one another. To consciously regulate ourselves poses enormously greater problems than when taking things for granted, trusting to the automatic workings of competition.

Inflation Wracking Country

Look at the inflation that has wracked the country in recent years, with such injury to those with fixed incomes and wages—firemen, teachers, policemen, nurses, civil servants, pensioners, the aged, and others. This inflation has not been the result of do-nothing economics. It has come from government-managed economics, from government favoritism to certain pressure groups, in disregard of the national interest.

To prevent this inflation, as you know, I urged that in war, priority controls be accompanied by an over-all ceiling over the entire economy, over all prices, all rents, all wages, all costs, with taxes high enough to eliminate profiteering. This plan would have treated everyone alike. It would have frozen all prices arbitrarily as of some fixed date. Adjustments could be made where essential to stimulate production and to relieve inequities.

Instead, under political pressure and only after much costly delay, a piecemeal price control plan was passed. This law legalized inflation. It allowed farm prices to rise to 110% of parity; it left wages free. When this broke down, the Administration attempted to "hold the line" with an over-all ceiling, as had originally been recommended. By then the damage had been done.

With the war's end, we scuttled and ran. The process of inflation by pressure groups was given whirl after whirl—with the end not yet in sight.

Millions have been penalized through a cruel reduction of their purchasing power. Was that just, or fair?

What moral would you draw from this inflation?

Only recently increased old-age pensions were voted. This justly recognized that since 1939 living costs have risen around 60%. What good will increasing pensions do unless the spiral of inflationary policies and deficit spending are halted and pressure groups fought off?

Every form of saving has been depreciated — life insurance, government bonds, thrift accounts, annuities and pension funds. Week after week, bit by bit, these sums were put aside by millions of persons for their old age, for buying a home, for sending a child to college. To the extent that these savings are cheapened, the ability of these millions to care for themselves and their families is weakened. They have been made more dependent upon the governmnet. They have been made more insecure.

Yet, all this has been done in the name of "security."

False Gospel of Security

This false gospel of security through deficit financing is evidence of bad thinking habits. If men and women are to provide for their futures, they must be able to put aside part of the earnings of their most productive years and be assured those earnings will not be wiped out. Saving is the first bulwark of security. Inflation is the worst enemy of saving.

In Soviet Russia, the people saved up their rubles, the accumulated sweat and hopes of a generation of work and deprivation. Then, ruthlessly, the Soviet Government slashed the value of the ruble to one-tenth. For all Russians over forty, nothing was left but to work at a bare subsistence level until they died. They could never hope to regain the savings their government had wiped out.

In Eastern Europe, the Communists have demonstrated another form of tyranny — near-feudal slavery through inflation. Farmers, for example, are paid liberally for their crops. After the crops are collected the money is ruthlessly depreciated. To get working credit for a new crop, the farmer is compelled to join a communist-dominated organization which controls his planting and returns.

Wherever they have come to power, the Communists have wrecked the value of money. They have robbed savings of their value and keep the people enslaved through a system of perpetual inflation.

Nothing quite so bad has happened here—yet. If American fiscal policy becomes a perpetual inflation machine—as "deficit financing" would make it—the result must be to enslave us to the government.

One of man's oldest delusions has been that he could avoid the necessity of working and saving by some money trick—lowering its value, printing more of it, changing lead to gold, burying gold in caves or concrete dungeons. In every instance these efforts have brought ruin.

"Deficit Financing" a Failure

Moreover, "deficit financing" has convicted itself as a system of practical economics. It has been tried. It has failed. England, where Keynes and his school were born, cannot finance her own recovery by deficit spending. In this country, when the recent war ended, the apostles of bigger and better deficits predicted a calamitous depression. Ten million were to be unemployed. Waging a campaign of fear against the American people, these deficit spenders pressured for and got tax reductions. Inflationary increases in prices and wages necessarily followed.

I opposed reducing excess profits taxes after the war, an action which, to date, has cost the Treasury thirty to forty billion dollars. Even before the war ended, I stated that for at least five and possibly seven years after the war, there would be more work than there minds and hands to do—no matter what the government did or did not do. After that it depended upon the peace. If those taxes had not been reduced, there would be no budget deficit today.

Ever Expanding Government Will Wreck Society

Now, what I have said here is not intended to suggest that a return to do-nothing government is either desirable or possible. Nor that we should cease to strive for a more equitable sharing of the fruits of our production. I do want to impress upon you that the mere shift from do-nothing government to government intervention does not, in itself, solve our problems. Unless this ever-expanding government activity is brought under the restraints of the highest moral laws, it will wreck our society.

Woodrow Wilson wrote, "It will be a bad day for society when sentimentalists are encouraged to suggest all the measures that should be taken for the betterment of the race."

Everywhere in the world today there is change. Nowhere is there peace. When I was a student here at City College, it was taken for granted that change was good, that change meant progress. None of us can believe that any longer. All of us have seen that change can be bad and oppressive.

Yours is a far more confused and difficult outlook than that which confronted my generation. You must stand amidst all the many changes pressing upon us and decide which are good and which are bad. You can take nothing for granted.

The world is always in need of leadership. Today the need is for self-disciplined leadership. With the training you have received here and the self-discipline which can only come from your own souls, you will find open to you positions of ever greater trust and responsibility—positions in which you, holding firm to the values and freedoms we cherish, can join in leading this country towards peace and a fuller life.

NY Security Dealers Anniversary Dinner

Harry R. Amott

The New York Security Dealers Association will hold their Silver Anniversary Dinner at the Waldorf-Astoria Hotel (Starlight Roof). Harry R. Amott, Amott, Baker & Co., Inc., has been appointed Chairman.

Leo Huber 50 Years With Goldman, Sachs

Lee Huber on May 13 completed 50 years of association with Goldman, Sachs & Co., 30 Pine Street, New York City. He has been in charge of the firm's Cashiers Department for many years.

With Thos. D. Sheerin Co.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind. — Orville A. Wilkinson is with Thomas D. Sheerin & Co., Inc., Fletcher Trust Building.

Thomson & McKinnon Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind. — Hiram McKee and Bernard H. Neitzel have become affiliated with Thomson & McKinnon, 5 East Market Street.

With Harrison & Austin

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, Ind.—William J. Toth has joined the staff of Harrison & Austin, Inc., National Bank Building.

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New Factors in Investment Trends

ture. In connection with the outlook for interest rates, may I remind you that current policy aims at limited flexibility, say from 1¼% to 1%, or even lower, in the short-term sector of the market, and somewhat increased flexibility in the long-term sector. Nonetheless, while no one can guarantee that interest rates in the next two or three years will not fluctuate more than they have in recent years, the range is bound to be limited.

Obviously, interest rates have to be kept low because of the great size of the public debt and because of the new borrowing necessitated by the high level of spending. The large volume of floating debt, particularly the $56 billion of E, F, and G bonds, which are, as a practical matter, demand obligations, makes low interest rates imperative. It is only fair to point out, however, that even if we did not have the government tilting the scales in favor of lower interest rates, the basic natural supply and demand factors would prevent any material increase. The immense pension funds, the high level of insurance sales, the slackening of demand for funds for business expansion, and the declining price levels, all point to easier money rates.

Chronic Budget Deficits

Probably the most serious new condition which investors have to face is the prospect of chronic budget deficits. This is said, partly because the cold war will be with us in the foreseeable future, but mainly because there is no inclination in the Congress to save money. Oh, now and then, someone pays lip service to economy in government, but the vote is practically always for more and more spending! If, as a political matter, we must have a deficit in 1948-49 and in the current fiscal year when business activity is at peak levels, when tax rates are very high and when full wartime excise taxes are in force, we cannot escape serious misgivings as to whether the budget will ever be balanced again.

Certain inescapable conclusions flow from the new conditions which I have described. In brief, we must, with a heavy heart to be sure, look to a future marked by:

(1) Big government;
(2) Military preparedness;
(3) High taxes;
(4) Deficit financing; and
(5) Low interest rates.

So much now depends on government actions, Treasury debt management and the credit and monetary policies of the Federal Reserve authorities, that it is no longer sufficient for an investor to know all the principles of investment. Nowadays, he must keep his eye on Washington and correctly interpret the long-term implications of the fiscal policies, debt management programs and monetary management actions, as they take form. In addition, he must correctly assay the other and more direct interventions of government in economic affairs.

It used to be that the investor's chief job was to keep in touch with interest trends and the business cycle. Now, he has to worry about politics, pressure blocs, cold wars, "uncompensated compensated" budgets, and many other things. Truly, investment is a 24-hour-a-day job, as these things go on night and day.

A dynamic investment policy in a directed economy necessitates analysis of governmental trends as well as of economic trends. Ability to do this requires training; and it presupposes access to **good** information. Moreover, the problem of information is aggravated by the immense amount of material available—it's really an onerous job to separate the wheat from the chaff.

What Investment Policy to Follow

In the light of the principles enunciated, what investment policy should a banker follow now?

Good corporate bonds are too "good!" They have, in my opinion, been too high for several years. When long-term governments are on a 2.25% basis and AAA corporates are on a 2.58% basis, as they have been currently, the corporates are too close to the governments in yield. There are more than 33 basis points in value between a government bond with its protected market and a corporate issue without protection.

Likewise, municipal bonds have been ruling at levels which are high and which are out of line with the government issues. Although I do not expect such prices again, some people seem to forget that the municipal bonds in the "Bond Buyer's Index" sold on a 5.52% basis on Dec. 1, 1933! In particular, I am concerned about the small local municipal issues which have been bought in many instances because of local pride. Their limited marketability could again prove very dangerous as it did in the thirties. Also, the issuance of the anticipated medium-term bonds by the Treasury for its deficit financing will adversely affect even high-grade municipal issues with 5-to-12-year maturities.

A comment or two on mortgages may be helpful. As you all know, this country is riding the crest of a construction boom. This boom is especially rampant in housing. Government intervention, particularly cheap financing under government guarantee, is at the base of the tremendous construction activity.

There are four aspects of this situation which are of direct interest to bankers:

(1) Some localities are likely to have troublesome excess housing—even at today's high income levels—before the end of the year.

(2) Slackening of the housing boom will adversely affect business activity and employment.

(3) Public housing activity will be continued on a substantial basis regardless of the supply of housing, especially if business activity turns downward.

(4) Foreclosures on some of the properties financed under Title 608 may be anticipated. (Although such foreclosures will not cause losses to the mortgagees, they will adversely affect the value of similar properties and thus reduce the safety of regular mortgages in the same localities.)

These four **probabilities** all point to a decrease in property values, especially of old properties, in the next two or three years. You should weigh the soundness of your valuations and the adequacy of your amortization provisions in the light of these probabilities. Mortgages found wanting should be brought into line or sold before they become, as Eugene Field, the poet, said of a loan made to a friend, "a permanent investment"!

What About Equities?

This leaves us with the question of what to do about equities where their purchase is permitted for trust funds. At the outset, let it be understood that equities are not a complete hedge against inflation. Equities and commodity prices do not move in any synchronized fashion. Any attempt to preserve the purchasing power of the income or of the principal by equity purchases inevitably increases the risks—and may well increase them disproportionately!

On the negative side, competition from government, both direct and indirect, is increasing. Labor costs are high and the power of labor continues to increase. High taxes on corporations and the possibility of even higher rates depress the market prices of all issues. Also, high personal income taxes have adversely affected the demand for equities.

On the positive side, the capital gains tax of 25% makes equities desirable for holding by those in the higher income brackets. The average return of 6.5% is more attractive in comparison with bond yields than it has been since before the war. Many corporations, especially the larger ones, are in strong financial position because increased postwar demand and wartime tax policies caused a large part of the net earnings of recent years to be plowed back into the business, which greatly increased the book value and earning power back of each share. While earnings are below last year, dividends paid have been at a higher rate than last year because corporate expansion has been largely completed. The market for stocks is on a sounder basis than when common stocks enjoyed their last boom because little bank credit is being used in the market.

Most important of all, as long as our present social philosophy prevails, there will be no devastating depression such as we suffered in the thirties. This means that the government will launch a flood of public works, housing, relief, etc., when business starts a serious downward trend. This assures at least a resonable level of business and profits for the well-managed companies, especially when the labor cost is not an important element in total cost.

Weighing these disadvantages and advantages, it seems that a bank with a competent staff, or access to a competent staff, to analyze and watch not only the company and the industry, but also basic economic and political trends, is warranted in putting a larger proportion of trust funds, where permitted, into equities than is commonly done.

Controlled Fluctuations

In conclusion, bonds today are not as attractive as before the war because of low interest rates and the high level of commodity prices. Although we now have, and may expect a continuation of, greater flexibility in rates and market prices in the government issues—both the short- and the long-term issues—the market for them will continue to be protected. In this connection, it must be pointed out, however, that should future occasion demand, certain issues will be permitted to go somewhat below par. Such controlled fluctuations of two or three points would not concern the true long-term holder, but as Harold V. Roelse, Vice-President of the Federal Reserve Bank of New York, put it, in what may well have been prophetic words, on April 12, "The investor who attempts to get a long-term rate for short-term holding—and perhaps a trading profit as well—must assume the risks of such a policy." I hasten to add that I see nothing in the near future which will cause the government bondholded to look **up** to par rather than **down** to it!

Municipal and other tax-exempt issues have a definite place in the portfolio, especially to the extent that tax-exemption is needed. But quality, marketability, and the possibility of adverse effects when the Treasury, as it will sooner or later, issues medium-term obligations, should be carefully weighed.

The bonds of the International Bank, although not previously mentioned in this talk, are obviously quite appropriate for bank investment.

High-grade corporate bonds are currently too close to governments in price and yield. The greater safety of the government issues and the advantages of a protected market are worth considerably more than the current spreads indicate.

Common stocks, as always, have shortcomings; but under certain conditions, and for certain purposes, their current high yields, compared to bonds, make them desirable. In buying common stocks, however — no matter for what purpose — it must be remembered that the dangers are great and the pitfalls many!

It is "gilding the lily" to point out that basically your investment program should be determined by such internal factors as composition of deposits, capital-deposits ratio, and character of loans. In particular, your investment policies should be fitted to your loan policies.

Fortunately, the favorable outlook for business in the next few months puts you, in general, in the enviable position of being able to pursue safely a policy of, as the philosophers put it, "moderation in all things"! And what could be better than that?

Railroad Securities

Chicago Great Western

Chicago Great Western continues to give a particularly good account of itself from an operating standpoint, despite which the market action of its stocks over the past couple of months has been disappointing. Perhaps in some quarters it is felt that the heavy property rehabilitation program that still faces the company detracts from the appeal of its equities and that the real earning power will not be fully demonstrated until at least 1951. This earnings consideration is unquestionably true. Also, dividend policies are apt to be quite conservative for some time to come. Nevertheless, many rail analysts see a particularly bright future for the company and feel that even current results justify considerably higher prices for both the preferred and common stocks.

Prior to installation of a new management a couple of years ago, Chicago Great Western was traditionally a high cost producer. The equipment situation was poor and the roadway property had been allowed to deteriorate seriously. The first problem tackled by the new management was that of the equipment, with particular stress on motive power. A program of dieselization was instituted. The projected diesel program was completed last September. The effect on operations of the new managerial policies is best illustrated by the trend of transportation costs in recent years.

The following figures compare the trend of Great Western's transportation ratio since 1946 with that of class I carriers as a whole:

	1946	1947	1948	1949
Great Western	47.8%	44.6%	40.3%	34.6%
Class I	42.1	40.0	39.5	39.8

In relation to the industry Great Western between 1946 and 1949 improved its transportation expense ratio by just short of 11 points. The importance of this accomplishment is apparent when it is recognized that at the 1949 level of revenues each point in the transportation ratio is equivalent to $0.92 a share of common before Federal income taxes, and $0.57 a share after such taxes. The long-term trend of transportation costs is in itself impressive. Since the diesel program was completed last September the record has been little less than phenomenal. In the final quarter of 1949 the transportation ratio ran month by month from 8.5 to 9.8 points below a year earlier. Moreover, for the first quarter of the current year the ratio, at 32.6%, was 8.3 points below year earlier levels. From the standpoint of transportation efficiency the road now ranks well up among the leaders in the industry.

The second problem confronting the management was to rehabilitate the roadway property. This is a considerably more lengthy process than the mere purchase of new equipment. Also, it was not started as early as the equipment program. Last year an aggressive program was started, with the result that the road's maintenance of way ratio was among the highest in the industry. Moreover, this program has been accelerated in the current year. For the first quarter, in the face of somewhat lower gross revenues, maintenance of way and structures expenditures were above those of a year ago by the equivalent of almost $1 a share of common stock outstanding.

Despite a modest drop in gross and the higher maintenance charges, earnings month by month in the first quarter have been higher than in like 1949 periods. For the quarter as a whole net income was equivalent to $1.24 a share on the common. Had maintenance been held to 1949 levels earnings would have amounted to $1.95 a share, after adjustment of taxes. In the opening 1949 quarter earnings amounted to $0.80 a share. Obviously, such extraordinary maintenance work is, by its very nature, merely temporary. At least the major portion of the work should be completed by, if not before, the 1950 year-end. Once the property has been thoroughly rehabilitated the real earning power will be revealed. Granted continuation of traffic at or around present levels this real earning power could well come to $8 or $9 a common share, or about half recent quotations for the shares.

New York Stock Exch. Weekly Firm Changes

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

Transfer of the Exchange membership of the late Alfred Eckstein to Donald Stone will be considered on May 25. Mr. Stone will act as an individual floor broker it is understood.

With the retirement from partnership of Harry S. Graham, member of the New York Stock Exchange, on May 31. Marx & Co., New York City, will withdraw as a New York Stock Exchange member firm.

Interest of the late Arthur W. Butler in Butler, Herrick & Marshall ceased as of April 30.

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Production, Income and Taxes: Whither Bound?

uct. Investigation shows that essentially all this difference exists in the national income component of gross product. In simple terms it means that goods and services cost more than formerly.

Analysis of the constituent parts of national income discloses what should be reasonably obvious under recent trends and that is that total costs have increased much faster than total production. The largest total increase is in wages and salaries of those in private employ. There is also a great increase in government wages and salaries, and this is a parasitic load inasmuch as government produces nothing and must be supported by actual production. Finally, income from unincorporated business, including farms, also shows an increase that is relatively greater than the increase in physical output. All of these factors increase national income and gross product by more than is warranted by past standards of performance. It is a form of insidious, half-hidden inflation, a domestic cold war or war of attrition still proceeding under the guise of social gains.

This means a lessening of the efficiency of production. When costs increase we must pay more for goods. The higher the cost of an article, the fewer are the people who can afford to buy it and therefore the smaller the potential demand and the smaller the number employed to make it. For other reasons not pertinent to this discussion, this situation also carries with it the probability of deeper and longer depressions when they do occur.

From all of these considerations we must conclude that the higher level of gross product for the same quantity of production for the years since the war is a real impairment of our economic progress. The only means of recovering our lost efficiency is to produce more goods and services for the same money or to produce the same goods and services for less money. Neither seems to be very feasible under present conditions. If so, we must be reconciled to a retarded demand and therefore to a slower rate of progress as measured by an increase in the F. R. B. index of industrial activity. We cannot produce less and share more. It is the quantity of goods and not the number of dollars to be divided among us that governs our standard of living.

That $300 Billion Goal

All of this has a very important bearing upon our ability to reach the $300 billion goal mentioned by the President and therefore to pay the extraordinary costs of government apparently projected for the future. If we conclude that no great and immediate improvement in performance is likely and if we wish to base the possibilities of meeting the President's objectives on actual 1948 performance and prices, the first step is to assume that a new trend has been established at the higher level prevailing in 1948. There is a two-fold purpose in adjusting the annual output data in dollars to a uniform price level. One is to determine whether or not industrial production as measured by the F. R. B. index has a consistent influence on annual output in dollars and the other is to determine the measure or trend of that influence if it is consistent. Both of these objectives were attained. The level of industrial production does consistently influence annual output measured in dollars and the trend or relationship was determined.

This straight line trend may then be passed through the actual annual output in dollars for 1948 and the approximate annual output at 1948 prices determined for any level of industrial production measured by the F. R. B. index. It was previously pointed out that the projected normal level of industrial production for 1954 is 179. It would be greater than this if a business boom was in progress and less than this if in a depression. At this level of production and at 1948 prices the expected annual output would be about $250 billion instead of $300 billion. An industrial production index of nearly 230 would be required to yield an annual output of $300 billion.

This means that to attain the annual output of $300 billion in 1954, a price rise of 20% over the 1948 level would be necessary. This is equivalent to a consumer cost of living index of 205 as compared wtih 171 reached in 1948. Thus to reach the goal of $300 billion suggested by the President, we need not only to retain the inflationary effect of the postwar cost increases but also the added price inflation of 20% above 1948 costs. It therefore seems that any continued governmental spending policy based upon the attainment of such an objective may prove to be very dangerous.

Relationship Between Industrial Activity and National Income

The foregoing conclusion regarding the large expenditures of the government suggests that such expenditures be considered in connection with national income out of which taxes are paid. Moreover the public is more familiar with the conception of national income than with that of annual output or gross product. The same general relationships exist between national income and industrial activity as those portrayed for annual output.

For the years 1929 to 1944, national income when adjusted to 1935-39 prices closely follows a straight-line trend as does annual output. For the years 1945 to 1949 national income is higher than the trend established in earlier years for the same output and for the same reasons as previously discussed in connection with annual output.

The preliminary figures for 1949 indicate a further rise in our abnormally high costs and while they serve to increase the apparent dollar value of national income, their long-range effect is unfavorable. The increasing agitation for subsidies may be one indication of this. The continued pressure for more and more pay will ultimately have a bearish effect on demand and production. Our business activity has been sustained at abnormal levels since the war for the reasons previously mentioned.

Buying to satisfy this deferred demand has been made possible to a large extent by purchasing power acumulated during the war and expended later as goods became available. This reservoir of purchasing power has been drawn upon to make purchases at the unusually high costs in effect today and the real value or purchasing power of the accumulated funds has been declining since 1945. When demand from those who have the means to pay is largely satisfied for a time and when these savings on the part of many are sufficiently diminished, demand will decline.

Business declines of 10% below normal cause troublesome dislocations of industry, employment and finance. Reductions of 20% are very serious. The relatively short depressions of 1921 and 1938 were each somewhat greater than 20% below normal.

At the present time combined Federal, State and local expenditures are between $55 billion and $60 billion per year and are increasing. Since the war receipts of these three branches of our government have varied between 26 and 30% of national income and this when business activity and national income have been the highest in our history. In spite of this, these three branches of government as a whole have had operating deficits in 16 of the last 21 years, nearly all of them caused by the Federal branch which also forecasts deficits for the next two years. A return to normal levels of business will greatly increase the deficits unless the costs of government are sharply reduced. These increased deficits would appear in our Federal operations because the amount of Federal taxes collected depends so much upon the volume of business activity.

National Income, Taxes and Budgetary Results

The following data illustrate the effect of governmental costs at $55 billion per year, with prices at the level of 1948, tax collections at the rates shown and the return of business activity to normal and below as indicated. It is strongly emphasized that these data are not forecasts of what will happen for the year 1954 but are estimates derived from the analysis of results under the conditions named and with industrial activity at normal and below for 1954 as indicated.

POSSIBLE BUDGETARY RESULTS FOR 1954 UNDER THE FOLLOWING CONDITIONS:

Total Governmental Expenditures at $55 Billion Per Year
Consumer Prices at 1948 Levels
Industrial Activity and Taxes at Indicated Levels

Per Cent of Normal Activity	F. R. B. Index 1935-39 = 100	National Income (Billions)	Taxes: % of Natl. Income for Balanced Budget	Taxes at 25% of Natl. Income (Billions)	Deficit at 25% Tax Level (Billions)
100 -------	179	$212	26	$53.0	$2.0
90 -------	161	196	28	49.0	6.0
80 -------	143	178	31	44.5	10.5
70 -------	125	162	34	40.5	14.5

It will be observed that at a projected normal activity for 1954, taxes of 26% of national income would have to be levied to balance the budget while taxes of 25% would result in a deficit of $2 billion. For declines of 10% and 20% below normal, taxes of 28 and 31% of national income respectively would be required to balance the budget and this at a time when people could not afford to pay such high rates. With taxes at 25%, deficits of $6 billion and $10.5 billion respectively are indicated for the depressed business conditions.

As a matter of fact these estimates are greatly on the optimistic side under present costs and conceptions of governmental functions, especially in the fields of subsidies and social welfare. Cost of government rises during depressions and this tendency is greatly increased under present political practice. Unless policies are greatly changed, the cost of government will rise appreciably in the next five years. To avoid costs in excess of $55 billion five years hence, present costs must be effectively reduced and there is no evidence of either desire or courage to do this except on the part of an extremely small number of leaders in the executive and legislative branches of our government. The figures shown allow nothing for debt reduction and they also show no hope for any worthwhile reduction in prices and the cost of living. It should be remembered that the Economic Council apparently assumed no real change in prices by 1954.

Conclusions

Finally, the conclusions to be drawn from all of this are that unless we can return to a more reasonable conception of the real function of government under our constitutional provisions, we shall be faced with economic and financial problems that will seriously test our patience and ability to remain a free nation. No real and lasting relief from confiscatory taxes is apparent under existing legislative and executive policies. We should not be deceived by tax-reducing gestures during an election year.

With a debt-laden nation such as ours, the historic alternative to a more rational conception of the responsibilities and costs of government is additional and acute inflation, voluntary or involuntary, through further depreciation of the dollar. This is a real danger. Our present debt level and production trends allow for no appreciable and continuing budgetary deficits without facing this crisis.

Further increases in taxes will put business and personal expenditures and investments in an ever-tightening straitjacket with a corresponding reduction in employment, income and tax base. Revenue will dry up at the source. Moreover existing savings in the form of life insurance, annuities, savings accounts, retirement pensions and government bonds will waste away at accelerating rate. We cannot continue to increase our costs of production, of services and of government at a faster rate than we increase production itself without meeting this crisis head-on. This is what Russia has been waiting and possibly working for. She has merely underestimated the elasticity of our economy which, nevertheless, has its limits. These limits must soon be manifest unless our political navigators or the people who support them will change our course.

Securities Salesman's Corner

By JOHN DUTTON

A friend of mine who has been selling tangibles for the past 20 years, including everything from industrial sewing machines to textiles, recently became tired of traveling six to eight hundred miles a week, and only seeing his family about once a month—so he quit the road.

In order to be near his family and come home each night he started out selling accident and health insurance. He has been doing a nice business right from the start. He has only been at the job of selling intangibles for about six weeks and he tells me he never knew anything could be so easy. I asked him why he felt this way and he said, "I don't know but I just seemed to be relaxed on the job. I start out each morning and I have my leads. I make my calls and have an evening appointment which winds up my day around 8:30 p.m. Then I take a nice cool ride home with all the windows of the car down—it takes me about an hour to come in from my territory—compared to **what I used to do, this is a cinch.**"

Sometimes we need to find out what the other fellow has to do in order to appreciate how well off we are. This man thinks he has a soft job because he can come home every night. He doesn't mind the 12 hours he is putting in every day since he once had a harder job. He finds selling intangibles less difficult than the other positions he has held. I think I know why that is true.

He told me that he has developed eight different "closes." He told me two of them and they were excellent. Just think of that for a moment. Eight different "closes." How many have you? He told me how he uses "low pressure salesmanship," but it is the highest kind of "high pressure." If his clients only realized what he was doing he would never make the sales he is bringing in every week. This man is an experienced salesman. I'll show you just one example of it.

He laughingly told me that a young fellow from the home office had come to town and was going to show everyone how to do it. Like many of these experts who can tell you how to sell, this one ran true to form. He took out most of the men in the office and that week sales were the lowest on record. Of course it is understandable—probably all the salesmen wanted to show up Mr. Big and took him to some of their most difficult prospects. Also, as you well know, the hardest sale in the world is where two salesmen go in to see one prospect. He immediately freezes up and takes the defensive.

After a week of fumbling around, this field supervisor laid down the law. He demanded that everyone come into the office every Saturday morning for at least three hours. Of course this stirred the men's resentment since they were all on straight commission, and the fact that they were asked to put in three hours on a Saturday, placed them in a position of having to accept an ultimatum. My friend (who knows more about selling than this little third vice-president in charge of pencil sharpeners will probably ever know) brought out the point that it would have been so much better if he had asked for cooperation rather than putting his proposition in the form of a demand. He said, "I would have told them, 'how about you fellows coming in for a while on Saturday and let's see if we can't smooth out some of the rough spots.' Maybe we would have stayed for three hours or even more, but at any rate everyone would have been given the idea that it was all for their benefit and time well spent—instead of a demand for them to give up their time on a weekend when they felt they should be doing other things."

I asked my friend if he told the home office expert his opinion on the matter and he replied, "Good Lord no! The little fellow has such a big head now that if I tried to tell him something for his own good he'd resent it. I don't need his help, but some day I may need his goodwill in the home office."

That is what you call selling, my friends!

Goldman & Co. Adds

Goldman & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Thomas M. Heyman has become associated with the firm.

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As We See It

then note the absurdities of his position. Here are his words as reported in an Associated Press dispatch from the scene:

"The Federal Government has always taken a hand in the country's economic affairs. Indeed, one of the purposes for which our Union was formed was to promote trade and commerce among the several states. Some people seem to forget that sometimes, but it is true.

"During the last 17 years, however, the Government has played a larger part in our economic life than ever before. There is a reason for this, and one that is not hard to find. The reason is the great depression of the early 1930's—and the lessons we have learned from that depression and from the events since then.

"We have learned that in a dynamic, highly industrialized economy such as ours, the Federal Government must use its strength and resources to prevent violent cycles of boom and bust. We learned during the period from 1929 to 1933 what happens if the Government stands on the sidelines—with men in high places merely smiling cheerfully and saying everything is going to be all right. We have learned since 1933 that a government which takes positive action can supplement and support the efforts of private business in such a way as to keep our economy steadily expanding.

"These lessons have been hard for some people to take. In fact, they deny them still. All of you, I am sure, have heard many cries about Government interference with business and about 'creeping Socialism.'

"I should like to remind the gentlemen who make these complaints that if events had been allowed to continue as they were going prior to March 4, 1933, most of them would have no businesses left for the Government or anyone else to interfere with—and almost surely we would have Socialism in this country, real Socialism.

"The truth is that Government action during the last 17 years has been the salvation of private business in this country and has strengthened the private enterprise system against Socialism, Communism, and all other 'isms.'"

Saved From What?

What precise meaning, if any, can be attached to the President's statement that but for what the New Deal and the Fair Deal have done during the past seventeen years "almost surely we would have Socialism in this country, real Socialism"? What the speaker seems to us to be saying to the great rank and file of the people is about this: "If we wise men in Washington had not proceeded to do this and that to assuage your feelings you fellows in the heat of your general discontent would by now have abolished the American system and instituted 'real Socialism'—whatever that is—in its stead. The capitalist—that is the people who own the tools of production and the rest—ought to be eternally grateful to us in Washington, not always attacking us."

In view of what the President professes to think of "real Socialism," such a statement from him is hardly flattering to his audience! We cannot understand why these elements should feel greatly flattered by being told in effect that the American system—and, of course, with it the position of unique economic welfare which the American people had gained for themselves long before the New Deal or the Fair Deal had been imported from abroad—would have become victims of their wrath but for a farseeing fatherly Federal Government! A more straightforward statement, it seems to us, would have been an assertion that "we in Washington have (at a price, of course) saved you from your own foolish selves and your ill-directed wrath. For that you, as well as some of our critics should be duly thankful."

Is Any of It True?

But is any of this really true? In the first place, in this country, thank God, the owners and operators of this free enterprise system about which the President speaks are the very people to whom he is addressing himself! In final analysis, the President is telling millions of Americans that had it not been for the New Deal and the Fair Deal they, one and all, would have abandoned their farms, their gas stations, their stores, their local businesses, and their other sources of income, as well as their own freedom of action, and thrown themselves upon the mercy of a giant bureaucracy centered in Washington, depending upon it for their daily bread, and their daily work orders! Such an idea seems to us to be utterly absurd. The fact is, of course, that the New Deal President won a resounding victory in 1932 on a platform which was, of all the platforms of our history, the very antithesis of New Dealism, and his inauguration brought a great lift to the nation precisely because it appeared to promise a basis upon which the people of the country could work themselves out of their economic difficulties—a goal not reached in seven years and more of New Deal efforts before we entered World War II.

There is nowhere a shred of evidence to support this often repeated claim that Messrs. Roosevelt and Truman have saved the free enterprise system in this country. The sooner that idea is dropped or exploded the better for us all.

More Nonsense

A second claim made at Butte—for about the thousandth time—is like unto the first. It is in effect a play on words by which the Constitution of the country is employed to justify the statism of the day. Such terms as the promotion of commerce, and the general welfare clause are cited as indications that the founding fathers expected and demanded that the Federal Government go in for New Deals and Fair Deals. Nothing, of course, could have been further from the minds of the framers of our Constitution as all informed Americans well know. Such things would have been regarded by them as hindering commerce and hurting the general welfare. If any one doubts that this is true, let him try to imagine George Washington, Hamilton, Madison, or even Jefferson uttering such sentences as these taken from the President's Butte address:

"Don't let anyone tell you that the Government should retire to the sidelines while the national economy goes back to the days of 'boom and bust.' The power of the Government exists for the people to use. It would be folly for the people to be afraid to use their collective strength through the Government.

"The strength of the Government is being used now—and, so far as I am concerned, it will continue to be used—to protect your jobs and improve your welfare.

"Perhaps our most important single economic goal is to see that there are enough jobs for those who need them. This was the purpose behind the Employment Act of 1946. That act pledged the resources of the Federal Government for the maintenance of maximum employment, production, and purchasing power. We are now committed to keep our country prosperous."

It was Jefferson who once remarked that he trembled for his country when he remembered that God is just!

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Federal Monetary Policy

rest a march into Socialism than to make the people's currency redeemable, thus restoring to them the power to exercise direct control over the government's use of their purse.

The evidence seems overwhelming that a defender of irredeemable currency is, wittingly or unwittingly, an advocate of Socialism or of government dictatorship in some form.

So long as a government has the power over a people, that is provided by an irredeemable currency, all efforts to stop a government disposed to lead a people into Socialism tend to be, and probably will prove, futile. The people of the United States have observed all sorts of efforts, organized and individual, to bring pressure upon Congress to end its spending orgy and processes of socialization. It should be amply clear by this time that none of these efforts has succeeded. Moreover, there is no good reason for supposing that any of them, except the restoration of redeemability, can succeed in arresting our march into Socialism. A government possessing the powers given it by an irredeemable currency can ignore the pleas and protests of such groups and individuals. And, if it be disposed to lead a people into Socialism—which appears to be the policy or tendency of our Federal Government—it does ignore such groups and individuals.

If, therefore, the majority of Congress would spare the people of the United States the suffering and disasters inherent in Socialism, that majority must face the fact that the first and necessary, and possibly the only, means of doing this lies in the restoration of redeemability in our currency.

(5) Our government's move toward Socialism and its yielding to the demands of self-serving pressure groups has resulted in profligate spending and dissipation of our national patrimony. There seems to be no good reason for supposing that this spending and dissipation can be ended so long as the majority of Congress is composed of politicians and so long as they have an irredeemable currency at their disposal.

These politicians have been and are converting our Federal Government from what should be the responsible agent of the people into their autocratic boss. The fact that our United States Government is, constitutionally, a government of restricted and delegated powers, while the states have governments of general powers, seems today to be ignored. The implication of that should be pondered by us all. This most basic concept in our constitutional arrangements is treated today as though it does not exist. One may ask: What has become of Constitutional Law in this nation? When Constitutional Law dies and the people are deprived of the power of control their public purse, that nation is on a road that has led many another country to catastrophe. There seems to be no valid reason for supposing that if the United States continues on such a course it will be immune from these common consequences.

(6) Our system of irredeemable currency has enabled our government to build a huge bureaucracy, national and international, that cripples private enterprise domestically and in foreign trade and exchange. Since gold imports and exports, legally made, are under the control of our Federal Reserve banks and Treasury, these and other government-owned or dominated institutions automatically gain control of all legally-conducted transactions in foreign exchange. Such control reaches to exchanges of goods, to investments, and to travel, and subjects the ingenuity of private enterprise to the crippling impediments of government regulation. This is an important part of government management of a nation's people and economy. It is totalitarianism at the international boundary line; and, from that point of vantage, government control is reflected back into the internal economy of our country in many and often subtle and far-reaching ways.

Multiple Quotations of Dollar

(7) Our system of irredeemable currency has provided multiple quotations for our dollar at home and abroad. This is a characteristic of weak currencies. After resumption of specie payments, beginning Jan. 2, 1879, Secretary Sherman, one of our greatest students of monetary principles, said in May of that year: "I want to convince everybody that . . . the United States is not bound to have its notes hawked about at a discount, but that a note of the United States may travel about the world, everywhere received as equal to gold coin, and as good as any note ever issued by any nation, either in ancient or modern times." Today our government cannot correctly make that claim. It cannot and does not prevent the so-called promises of our Treasury and Reserve banks, in the form of irredeemable money, from being hawked about at a discount.

(8) Under our hybrid system of irredeemable currency and restricted international gold bullion standard, the gold reserves in the United States Treasury are usable only by foreign central banks and governments. Although the gold certificate reserves in Federal Reserve banks are computed against all their Federal Reserve notes and deposits, only foreign central banks and governments can obtain these reserves, and, through them, the Treasury's gold. All other holders of Federal Reserve notes and deposits are denied this right. Our people and institutions, with claims against those reserves of precisely the same kind as those held by foreign central banks and governments, are denied access to those reserves while they are placed at the disposal of foreign banks and governments.

That sort of discrimination cannot have any valid defense. If there must be discrimination—and normally there should not be—it surely should be in favor of our people and institutions. During World War I, we suspended gold payments in our dealings with foreign countries, but we maintained freedom of redemption at home. Since 1933, we have reversed this procedure; we have maintained redeemability for foreign central banks and governments while denying it to our own people. This is merely one aspect, but an important one, of the obsession in behalf of internationalism that has swept this nation like a mania.

Consequences of Irredeemable Currency

The consequences of our use of an irredeemable currency have diffused themselves throughout out economy in a multitude of ways. Money is the bloodstream of a nation. An irredeemable currency is a diseased and corrupted bloodstream. Secretary Sherman said of it in 1877: "A depreciated paper money cheats and robs every man who receives it of a portion of the reward of his labor or production, and, in all times it has been treated by statesmen as one of the greatest evils that can befall a people." ("Recollections," I, p. 589.) Keynes said in 1919—and he assumed he was quoting with approval a statement supposed to have been made by Lenin—that by " . . . a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some. . . ." (Op. cit., p. 235.)

Irredeemable currency, easy money, and a depreciating purchasing power of the monetary unit constitute a destructive disease—subtle and far-reaching in nature. Nevertheless, the popular demand is for more and more of a depreciating currency — for the very thing that injures. As the artificially stimulating effects of a depreciating currency wear off and as maladjustments and hardships multiply, the popular demand for this narcotic becomes more intense. In due time, great distortions appear, fears become widespread, and the rate of depreciation tends to increase. Productive machinery stalls, savings disappear, and unemployment, hunger, and distress stalk the land.

We in this country seem to take the position that we shall escape these evils. There is perhaps no way at this date to estimate with accuracy what the final outcome for us is to be if we continue with the poison inherent in an irredeemable currency. Our disease is of the creeping variety, and extremely deceptive, because of the hybrid nature of our irredeemable currency system. Nevertheless, we have our powder kegs. For example, besides the basic evils mentioned, there are the great potential dangers which exist in the huge surplus of reserves in our Federal Reserve System. These could support an expansion in our bank deposits to the extent of $360 billion in addition to the present $162 billion. The annual rate of turnover for our great volume of bank deposits is relatively low (12.3 for 332 reporting centers as compared with the rate of approximately 30 in 1929). Should the rate rise to that of 1929, prices could reach fantastic levels in this country. The expansion of consumer credit is now 2½ times that of 1929.

We No Longer Have a Healthy Economy

A healthy economy is one in which the maximum harmony in relationships exists among the agents of production and the forces operating in the exchange of our goods and services, in consumption, and in the distribution of income. Today we have a mixture of the healthy and unhealthy with the two sets of forces apparently almost in balance. Among the unhealthy forces at work, our irredeemable currency, easy money policy, and various governmental policies — particularly those involved in governmental management of our economy—are eating more and more deeply into our structure. As the maladjustments grow relatively more important as against the forces that contribute to harmonious relationships in our economic system, we should expect a corrective reaction to set in.

If at that time additional injections of cheap money should be made by government planners in an effort to overcome falling prices and losses, the poison in the economic system would merely be increased and the painfulness of later readjustments would be magnified.

It needs to be emphasized that national well-being and harmonious relationships are not necessarily indicated by expansion in such aggregates as the volume of money and deposits, total spending, and national income figures. Aggregates of that type may reveal nothing as to economic harmonies or maladjustments. When a nation's currency is depreciating rapidly, as, for example, in Germany in 1920-1923, such aggregates would reach great size. But no sensible person would suppose that they would reflect economic soundness or prosperity. Economic collapses can start from any high point in any major index of production or price expansion when a sufficient number of strategic factors are pinched between costs and prices and severe distortions overbalance the forces struggling for harmony. Much attention is being directed these days to such aggregates as national income, national product, total volume of wages paid, total profits, total savings, total spending, and so on. These aggregates are a favorite tool of the Keynesian economists and economic planners. The concepts commonly involved, and the manner in which these aggregates are often used—to say nothing of the unreliability of the data—frequently will not withstand careful analysis. The inferences sometimes drawn are too simple to fit the facts; and sometimes they have dangerous implications because of what they obscure. It is with harmonies and disharmonies in our economic system, rather than with aggregates, that we should concern ourselves chiefly in our analyses of business conditions and economic well-being

We also need badly to stop our practice of looking at assets while ignoring liabilities. The debt of our people is stupendous. Any individual with wealth to mortgage can create the appearance of a great increase in his well-being by borrowing to the limit and spending freely. He may increase his assets and his productive activity, and he may easily demonstrate that he is better off — if he will ignore his liabilities. A great proportion of the analyses and discussions of our economic well-being is concerned solely with assets while the liabilities, which may become the ruthless bosses at any time, are ignored.

It also needs to be emphasized that harmonious relationships are fostered only when objective standards of appraisal are given free play, and that the only objective standards that exist as to what is the proper price for a commodity or service are those provided by the operation of the forces of supply and demand under conditions of free and fair competition. The price of a bushel of wheat is proper when all buyers and sellers involved determine it in a freely competitive market. Every other notion as to what is a proper price for a good or service is subjective. The employment of subjective standards is the device of the wishful thinker and the dictator. When a government substitues its judgment as to what prices should be, in lieu of their determination by all buyers and sellers in free markets, it is instituting dictatorship. There is no objective or scientific standard of appropriateness involved in a subjective standard. The latter is merely a matter of the wish and of the will of the authority which has the power to enforce its will.

Government dictatorship creates economic maladjustments rather than greater harmonies in economic relationships. Government prescription of minimum wages, of prices for farm products, of interest rates, of profit margins are all acts of dictatorship. The management of a nation's currency, as it is done when the currency is irredeemable, is an act of dictatorship at one of the most sensitive nerve centers in a nation's economy.

There has been a rapid increase in the infliction of the subjective standards and will of government officials on the people of this country in recent years. We are in the midst of a struggle between those pushing for government dictatorship and those who desire free markets and the objective standards they provide.

When President Truman stated recently that he proposed to claim credit for such prosperity as we now have, he revealed, perhaps inadvertently, that he thought we had already attained a sufficiently high degree of government management of our economy for the Party in power to claim credit for what he seemed to regard as a healthy prosperity. The implication of his claim seems to have been lost upon the people of this country.

Since a healthy economy rests upon the determination of values and price by the objective standards of the free market, rather than by the employment of the subjective standards inherent in dictatorship, it is the duty of a good government to provide the people with objective standards for measurement. A good monetary standard requires that there be a monetary unit of fixed weight and that all substitute monetary promises be redeemable in the standard monetary metal—if standards of honesty are to be respected. Tampering with a standard of measurement after it has been prescribed, whether it be the foot, the gallon, the pound, or the dollar, has no defense. Such manipulation is an attempt to substitute subjective desire and will for the objective standards on which all science rests.

The unsound in Federal easy-money policies and in many other aspects of our economy cannot be eliminated so long as we attempt to operate with an irredeemable currency which is a basic feature of a governmentally-managed economy which, in turn, rests upon subjective evaluations — the tools of dictators.

Summary of Sound Money Benefits

The benefits to be obtained from the institution of a redeemable currency may be summarized as follows:

(1) Our people would once more have an honest currency; and Treasury and Federal Reserve officials would once more be conforming to accepted standards of honesty in respect to honoring promises to pay on demand.

Dishonesty is a fatal element in the social and political fabric of a nation. Its consequence is trouble. There is no valid defense for this current manifestation of dishonesty in officialdom. When the bonds of integrity are loosened at official levels, the disease spreads rapidly through the foundations of society and its social institutions.

Secretary of the Treasury, John Sherman, stated correctly in 1877 ("Recollections," I, p. 589) that "There are times when such [irredeemable] money is unavoidable, as during war or great public calamity, but it has always been the anxious care of statesmen to return again to the solid standard of coin. Therefore it is that specie payment . . . is pressed by that great body of intelligent men who study these questions, as an indispensable prerequisite for steady business and good times."

Sherman made another pertinent observation: "Why ought not anyone who issued a promise to pay on demand be made to pay it when demanded, or pay interest thereafter?" (*Ibid.*, p. 591.)

(2) Power to control the government's use of the people's purse would be returned to their hands where such power belongs. The fact that they might exercise that power slowly or too late, as has been the case sometimes in the past, does not alter the fact that the constant threat of its use tends to keep a government and the banks within bounds which do not raise fears. Every individual would be free to exercise his own judgment as to what percentage of his dollars he would prefer to put in gold in an effort to protect the value of his savings. If, with this freedom of choice, people are misled and fail to take the proper protective measures, they cannot charge their misfortune to a lack of power to use their own judgment. With a redeemable currency at their disposal, they would have a power not possessed today, and it seems reasonable to suppose, if our government should continue with its programs of profligate spending and dissipation of our national patrimony, many people would begin to exercise their power to protect their savings and to this degree tend to bring this practice to a halt.

(3) Multiple quotations for different kinds of dollars should disappear. All our currency would be convertible into, and have equal value with, gold. Restoration of redeemability would be somewhat like the replacement of a weak and dangerous foundation of a tall building with the best and strongest foundation materials known.

(4) The introduction of redeemability should instill confidence and provide incentive for more saving, more investment, more trade and, consequently, more and safer prosperity. The consequences would depend much upon the management of credit and the behavior of all the other forces that affect production and prices. A good basic monetary system, like good strong rails on a railway, is a great facilitating instrument and, moreover, contains some elements of safety. But neither provides an insurance against the consequences of human foolishness, or stupidity, or recklessness, or bad management. Although the institution of redeemability should invite great social benefits, bad fiscal and banking policies and practices could precipitate a serious situation despite the existence of a gold standard and redeemable currency. The problem is to get good monetary management under the restraints of a redeemable currency. The solution to the problems inherent in the uses of credit is not to be found in freeing money managers from the restraints provided by a redeemable currency.

Said the wise John Sherman: "To resume is to recover from illness, to escape danger, to stand sound and healthy in the financial world, with our currency based upon the intrinsic value of solid coin.

"Therefore I say, may resumption be perpetual. To wish otherwise is to hope for war, danger and national peril, calamities to which our nation, like others, may be subject, but against which the earnest aspirations of every patriot will be uttered." ("Recollections," II, p. 704.)

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

(6) With the great benefits of private ingenuity freely available once more in international exchange, and with all our dollars freely interchangeable with gold at a fixed rate, at least those aspects of the difficulties in exchange which now exist between us and the rest of the world, because of the irredeemable features of our currency, would be eliminated. The great benefits of our return to redeemability, which should soon be obvious, should set an encouraging example for other countries, should hasten the removal of restrictions by them, and should in the end make their road back to redeemable currencies much easier.

(7) A restoration of redeemability could not and would not insure people against sharp ups and downs in productive activity and prices. All that it could do is to provide the best type of currency known—one that, by its nature, does not cause a country to take the course to disaster made possible by an irredeemable currency. Before that unfortunate course can be taken the redeemability of a currency must be destroyed.

Business and price fluctuations are the result of a multitude of forces. The part played by a redeemable currency might well be of minor or negligible importance in the fluctuations of production and prices. In no event could it be the controlling factor. In high degree it is a facilitating instrument, a self-liquidating, and therefore sound, medium of exchange—a passive factor. It is an irredeemable currency that becomes a potent causal force because the elements of depreciation and the potential dangers inherent in such a currency enter into people's calculations and plans. A gold standard and redeemable currency, on the other hand, do not carry these germs of disease; they must come from outside—from abuse in the use of credit.

There is perhaps no single act of government that could bring more important benefits to the people of the United States than a restoration of redeemability of our currency at the present statutory rate of $35 per fine ounce. Responsible people who wish to serve their country well probably could do nothing so important as to persuade their Congressmen and Senators to pass the Reed bill (or Hale bill) which provides for such redeemability. Shortly after the institution of redeemability, the multitude of distortions and evils caused by irredeemable currency and by the government's easy money policy should begin to disappear; our persistent march into the Death Valley of Socialism should be brought to a halt; and our nation should be back on the course that should lead to better days for the people of the United States.

La Morte Co. to Admit

David W. Smith and James S. Smith on June 1 will become limited partners in La Morte & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. On May 31, Cynthia W. Smith will withdraw from limited partnership in the firm.

John M. Stine Partner In Colvin, Mendenhall

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John M. Stine has been admitted to partnership in Colvin, Mendenhall & Co., 155 Sansome Street. Mr. Stine is manager of the firm's research department.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The New York State Banking Department reported on May 1 the issuance of an authorization certificate for the **Belgian-American Banking Corporation,** at 67 Wall Street, **New York,** with a capital of $3,000,000. Announcement of the formation of the Corporation made by the **New York Agency of Banque Belge pour l'Etranger (Overseas) Ltd.** was noted in our issue of April 6, page 1436.

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Willis C. Anderson has been appointed an Assistant Secretary in the Personal Trust Department of the **Chemical Bank & Trust Company of New York** it was announced on May 11 by N. Baxter Jackson.

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Harvey D. Gibson, President of **Manufacturers Trust Company of New York** announces that Ralph T. Horgan, President of Ralph Horgan, Inc. and Charles Schnurmacher, President of Manhattan Pontiac Corporation have been appointed to serve on the Advisory Board of the bank's Columbus Circle Office at 1819 Broadway. Both prominent in automotive circles, Mr. Schnurmacher being President and Mr. Horgan, Secretary-Treasurer of the Automobile Merchants Association of New York.

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Barnard Townsend, President of the **Title Guarantee & Trust Co. of New York** announces the election of Hugh M. Houston as Assistant Vice-President in the bank's Westchester office in White Plains. He had been Secretary of the company in the Westchester office. Harry E. Kuhlman, Vice-President, who has been a directing executive of the Westchester office for many years, has resumed full charge of the office following the resignation of John P. Billhardt as Vice-President, to become a Vice-President of the **Excelsior Savings Bank in New York.**

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Marine Midland Banks of New York State have outstanding in their Personal and Instalment Loan Departments over 100,000 individual loans it is stated in the booklet "Marine Midland at Mid-Century" published on May 1 by the **Marine Midland Corporation of New York.** A chart giving a breakdown of the loan portfolio indicates that approximately 44% of all loans outstanding are made to commerce and industry, less than 1.61% to farmers which statistic reflects the results of the material increase in farm income in recent years. Capital funds since 1940 it is stated have increased from approximately $53,-000,000 to $82,000,000, largely from retained earnings. The booklet also traces the history of constituent banks owned by Marine Midland Corporation from 1839 when two banks of the system were organized to the present time. The booklet is addressed primarily to Marine Midland's 23,000 stockholders.

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Arthur S. Kleeman, President of **Colonial Trust Company of New York** announces the appointment of William H. Grennan as Assistant Secretary and Assistant Treasurer, and of Gaetano Uzzo as Assistant Manager of the bank's International Division. Mr. Grennan was formerly with Chase National Bank. Mr. Uzzo's previous associations were with Manufacturers Trust Company and with export-import houses.

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The **Colonial Trust Company of New York** is unveiling today (May 18) an exhibit of worldwide trade in its bank windows at the corner of the Avenue of the Americas and 48th Street. These windows, depicting a wide range of international trade relationships, have been arranged by the National Council of American Importers, Inc., in connection with this year's New York World Trade week, scheduled to open next Monday in accordance with plans of the New York World Trade Week Committee. The purpose of the display is educational. It is designed to bring home to the public vital information as to United States trade, which is expected to increase in the years ahead and to become more significant to the national economy. The bank is furnishing the window space without charge; and exhibitors, which include some leading American companies have agreed to furnish anonymously large numbers of items to make the world trade situation clear.

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The Consulate General of Switzerland is sponsoring an exhibition of Swiss products currently in the windows of **Colonial Trust Company's** principal office on Avenue of the Americas at 48th Street, **New York.** The exhibit, arranged as a special tribute to the bank's correspondents in Switzerland, will remain until the matter part of May. Arthur S. Kleeman, President, announces that in conjunction with the exhibit the banking house has prepared another in its series of international monographs, "World Recovery Through Imports." This set, entitled "Trade with Switzerland", calls attention to the economic necessity for maintaining United States purchases from Switzerland at a high level.

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The **New York Savings Bank** at 8th Avenue and 14th Street, **New York** is currently exhibiting prize winning paintings featuring scenes of New York by artists of St. John's Gallery of the Village Art Center. The exhibit will continue until May 19th.

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T. Arthur Nosworthy, President of the **Bronx Savings Bank of New York,** has announced the election of Roscoe C. Ingalls, as a Trustee of the bank. Mr. Ingalls is senior partner of Ingalls & Snyder, investment firm, a director of J. G. White Engineering Company and a director of The First National Bank of New Rochelle.

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At a meeting of the directors of the **State Street Trust Company of Boston** held May 15, Edward L. Bigelow, Vice-President, Director and Chairman of the Trust Committee, was elected President to succeed Allan Forbes who had held that office since 1911. Mr. Forbes was elected Chairman of the Board, and Charles Francis Adams was elected to a newly created office of Honorary Chairman of the Board. Mr. Bigelow graduated from St. Mark's in 1917 and from Harvard in 1921. Following his graduation he went with the investment firm of Tucker, Anthony & Co. of Boston where he remained until 1934 when he joined the State Street Trust Company. Since then, he has served on various committees of the bank. He served briefly in World War I and for three years in World War II, both as a civilian in the OSS and as a Lt. Colonel in the Army. He was honored by Great Britain with the Order of the British Empire for his service to the Allied cause.

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According to the Philadelphia "Evening Bulletin" of May 5 Clyde J. Waterman succeeds Emil Metzger as President of the **Bristol Trust Co., Bristol, Pa.,** while Louis Dries was named Executive Vice-President.

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The Fidelity and Deposit Company of Maryland at Baltimore has announced the following promotions in its Philadelphia office: Lawrence E. Wesner, from Associate Manager to Manager, succeeding Thomas J. Ternan, Jr., recently promoted to Manager in Brooklyn; Nathan P. Stauffer, from an Assistant Manager to Associate Manager; Richard P. Shepherd, from Special Agent to an Assistant Manager. The office continues under the active direction of Resident Vice-President James M. Henderson.

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The election of two new members to the board of directors of **The Bank of Virginia at Richmond, Va.** was announced on May 6 by Thomas C. Boushall, President. The new directors are Major General William F. Tompkins, U.S.A., Ret., now Comptroller of the Medical College of Virginia, and John Wythe Bates, Jr., of the real estate firm of Harrison & Bates, Richmond. A graduate of the United States Military Academy, Gen. Tompkins had 35 years of active military service. He was a junior aide to the late President Woodrow Wilson and with the Pershing Expedition in Mexico. During the first World War he was searchlight officer with the First American Army. Mr. Bates graduated from Virginia Polytechnic Institute in 1935. He joined the firm of Harrison & Bates immediately following graduation and has been a partner since 1937. During World War II, he spent 42 months on active duty with the Army Air Forces. Prominent in real estate association activities, Mr. Bates is a member of the Realtors' Washington Committee (legislative branch) of the National Association of Real Estate Boards and a "Regional Vice-President of the Virginia Real Estate Association.

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Walter S. McLucas, Chairman of the **National Bank of Detroit, at Detroit, Mich.,** has announced the promotion of Milton S. Bosley from Assistant Vice-President to Vice-President, it was indicated in the Detroit "Free Press" of May 10. Mr. Bosley who will take charge of the bank's investment division, says the "Free Press," has served as assistant in the division for 15 years and will succeed Vice-President Ray H. Murray, who will retire June 30. Mr. Bosley it is added, joined the bank on its organization May 10, 1950.

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President L. M. Giannini of **Bank of America National Trust & Savings Bank of San Francisco,** in announcing that subscription rights are being sent to the bank's 160,000 shareholders, reports that in the past 12 months total deposits of the bank have increased more than $195,000,000 and total resources more than $268,000,000. The subscription rights entitle shareholders to subscribe at $20 per share for new shares of common stock on the basis of one new share for each six shares held. Shareholders are also being given the right to subscribe for additional shares of the new stock under conditions set forth in a letter of the President to the shareholders dated May 12. All subscription rights expire June 1. As indicated in these columns May 11, page 1964, a total of 3,-523,896 shares of the new stock will be issued, which will increase the capital to $150,000,000, and the total capital funds to more than $380,000,000, apart from the reserve for possible loan losses which amounts to an additional $45,000,000.

In a ceremony which used radio to bring the staffs of all California branches of the **Bank of America** into one audience while still at their posts of duty, a bronze bust of the late A. P. Giannini, founder of the bank, was unveiled on May 13 in San Francisco. The occasion was the 80th anniversary of the birth of Mr. Giannini who died last year. Carl F. Wente, director of the bank and Vice-Chairman of its General Executive Committee, who spoke at the unveiling, announced that the occasion also marked the inauguration of the Giannini birthday anniversary as Founder's Day for the organization, to be observed annually.

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Ben R. Meyer, formerly President, has been named Chairman of the Board of **Union Bank & Trust Co. of Los Angeles;** Herman F. Hahn has been advanced from Executive Vice-President to President and J. C. Lipman from Vice-President to Senior Vice-President by action of the directors at their May meeting. Mr. Meyer was Vice-President and director June 22, 1914 at the inception of the Kaspare Cohn Commercial and Savings Bank, and was named President in 1916. The name of the bank was changed to Union Bank & Trust Co. of Los Angeles in June, 1918. In addition to his bank duties Mr. Meyer is Vice-President of the Los Angeles Clearing House Association, a director of the Pacific Lighting Corp., Southern California Gas Co., the Pacific Indemnity Co., etc. Mr. Hahn began his banking career in 1920 with the Home Savings Bank of Los Angeles, later engaging in the securities business. He became associated with Union Bank & Trust Co. in 1930 as Vice-President, was named director the same year and, in 1947, was elected Executive Vice-President. He is past President of the Independent Bankers Association of Southern California; director, Los Angeles Chamber of Commerce; past Chairman, group 5, California Bankers Association; member of the American Bankers Association, the Association of Reserve City Bankers, and other bank associations. Mr. Lipman started with the Bank of San Francisco as a messenger in 1905. Later, when that bank was absorbed by the Bank of Italy, he served for many years in the latter institution's head office and branches, becoming associated with Union Bank & Trust Co. of Los Angeles in 1920 as Vice-President and director. He is Vice-President of the California Bankers Association; a member of the Association of Reserve City Bankers and the Robert Morris Associates. Next month Mr. Meyer will celebrate his 36th anniversary with the bank; Mr. Hahn recently completed 20 years with the institution and Mr. Lipman 30 years.

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Frank C. Hak, a Vice-President of the **United States National Bank of Portland, Oregon,** retired on April 30 under the bank's pension plan. A native of Milwaukee, Wis., Mr. Hak began his banking career with the **Marine National Bank** in that city. Locating in Portland in 1910, he joined the Lumbermen's National Bank in 1912. At the time of the consolidation of the Lumbermen's National with the United States National in 1917, Mr. Hak was an Assistant Auditor. He was named an Assistant Vice-President in 1927 and, in 1939, was made a Vice-President. He is a member of the American Institute of Banking and the Portland Chamber of Commerce.

Continued from page 13

Market for Government Bonds

term category. One might well ask why the Treasury and Federal Reserve System should apparently bring about deliberately higher rates in view of the Treasury's need to borrow new money as well as to refund extremely heavy maturities. It seems to me the welfare of the country as a whole is and must rightfully be the prime consideration of those charged with the responsibility of policy making, and consideration for the cost of money to the Treasury must necessarily be subordinated thereto. After all, in a broader sense, it probably would be correct to say that the welfare of the Treasury is synonymous with that of the economy.

Desirability of Firmer Rates

What are the conditions prevailing today that would indicate the desirability of firmer rates? True, we do not have the steady expansion in commercial loans which characterized the period from January, 1947, to December, 1948, when commercial, industrial and agricultural loans, as reported in the leading cities, went from $10¼ billion to over $15½ billion. However, we have experienced a steady increase in consumer credit and real estate loans, these latter, according to the Federal Reserve figures of April 26 covering the condition of weekly reporting member banks in the leading cities, reaching an all-time peak of $4,502 million, an increase of $424 million in the past year. And just recently I noticed an item in the newspaper to the effect that bank loans by member firms of the New York Stock Exchange had reached a 45-month peak at the close of March. Presumably, it is these factors which have influenced the Reserve Board in their decision, with the concurrence of the Treasury, to bring about a firming of rates.

Of vital interest to all of us holding substantial amounts of governments in our portfolios is the method to be adapted, and the rates to be established by the Treasury in accomplishing deficit financing and refunding operations. I have heard it estimated in well-informed sources that the cash deficit of the Treasury for the remainder of this calendar year will probably run around $5 billion. Deficit spending in itself is inflationary, and more so if the funds are obtained from the banking system. And so I believe we are all agreed that insofar as possible this money should be derived from non-bank sources. The question is, can it be done? I should like to quote from the March Federal Reserve Bulletin as follows:

"During January and the first half of February holdings of government securities of member banks in the leading cities and Federal Reserve banks combined declined about $1½ billion, indicating substantial purchases by non-bank investors.

This would indicate a definite possibility that such an amount might be raised from non-bank sources, and while I hope that such may be the case, I am inclined to be skeptical. For if seemingly accomplished, it may possibly be done by non-bank buyers selling bank-eligible issues to the banking system to supply the needed funds, thereby nullifying the non-inflationary aspect of raising the funds from non-bank sources.

We are already witnessing an increase in the amount of weekly bill offerings, and I should not be surprised if we were to see an offering for cash in the next several months, possibly a note of somewhere from two- to five-year maturity — bank-eligible; as well as an offering some time before the end of the year of another 2½% bond—ineligible for commercial banks, and this bond, if offered, I believe should remain ineligible for the life of the bond. Some consideration has been given to an offering similar to the series A investment 2½s which were offered in 1947, but my personal preference would be for a marketable bond. I believe a marketable issue would have more appeal to institutional investors to whom the Treasury would have to look for its principal buyers, and, likewise, I have an aversion to a further substantial addition to the already heavy amount of demand obligations outstanding. I believe also that consideration might properly be given to the issuance of a 2½% bond that would literally be a "tap" issue. For instance, to offer such a bond to non-bank investors and let it be known that the books would be reopened for subscription at certain intervals, possibly each quarter. Such an issue might prove attractive to pension fund moneys which should become available in steadily increasing amounts and, furthermore, it might act as a deterrent to non-bank buyers selling bank-eligible issues to permit them to subscribe to a new offering which was available only for a limited period.

Problems of Treasury Refunding

Not only does the need for borrowing new money create a problem for the Treasury, but the matter of refunding as well. Within the next five years the Treasury will have issues, exclusive of bills and certificates, becoming due or optional in the amount of $41,785 million. In September there will become optional some $6 billion in bonds bearing coupons of 2% and 2½%, of which over $4 billion were owned by commercial banks as of Dec. 31, 1949. I should like very much to see these bonds refunded with an intermediate-term bond, somewhere from seven to ten years, and assuming a maintenance of the present market level, a 1¾% coupon should be appropriate. If this were done, I believe in a large percentage of cases the banks would be replacing most, if not all, of the income which they are deriving from their present holdings, and it would act as a deterrent to reaching out maturity-wise to an undesirable degree to replace lost income.

A liberalized policy of refunding on the part of the Treasury, which does not seem improbable, together with the large amount of presently ineligible bonds that become eligible for banks in the next five years, would seem to refute the arguments advanced by some commentators that there would develop over the next few years a shortage of reasonably attractive yielding governments. Furthermore, we are now entering the period when the war and savings bonds begin to mature in impressive amounts. The amount due in 1952 is $3,975 million; in 1953, $6,781 million; and in 1954, $8,724 million. All told, between 1951 and 1955, inclusive, these maturities aggregate $28,600 million. Lacking the patriotic incentive which unquestionably inspired the purchase of a substantial amount of these bonds in the war years, it remains to be seen how many holders will renew their investment. Should the percentage of redemptions be unduly high, the ways and means of raising the funds would be a matter of importance to the economy as well as to the bond market. If done through the banking system, we would have further inflation of the money supply. And so I feel that it is our patriotic duty as bankers to cooperate to the fullest extent with the Treasury in helping to keep these funds invested in government securities of such type as the Treasury shall elect to offer in exchange.

We are, or soon may be, in my opinion, faced with the possibility of further inflation of the money supply by reason of the bonds now outstanding and which are presently ineligible for commercial banks. In 1952 alone some $13,700 million of these issues become eligible for commercial banks, and within the next five years this amount will be increased to a total of $29,980 million. If, when these issues become eligible, they are gradually absorbed by the banking system, to the extent to which they are absorbed, we will have a further increase in the money supply unless counter measures are adopted. It seems to me that such a shift in ownership, if developed, should provide the Treasury with an excellent opportunity to sell additional long-term bank-ineligible issues, and if the proceeds were used to retire short-term bank-owned debt, the inflationary aspect of the change in ownership would be nullified, and the Treasury would have accomplished the desirable result of funding some of its already top-heavy short-term obligations into long-term.

Situation Summarized

In summarizing, gentlemen, we now have a policy of greater flexibility in Federal Reserve open market operations, as contrasted with a previous one of a rigidly maintained pattern. We may therefore expect the Reserve System to buy or sell government securities in such volume and at such prices as may be necessary to expand or contract bank reserves, in a degree in keeping with their opinion of the needs of the economy.

In this connection, it might be of interest to quote the following from the recent recommendation of the Subcommittee on Monetary, Credit, and Fiscal Policies of the Joint Committee on the Economic Report, as follows:

"We recommend that an appropriate, flexible, and vigorous monetary policy, employed in coordination with fiscal and other policies, should be one of the principal methods used to achieve the purposes of the Employment Act. Timely flexibility toward easy credit at some times and credit restriction at other times is an essential characteristic of a monetary policy that will promote economic stability rather than instability. The vigorous use of a restrictive monetary policy as an anti-inflation measure has been inhibited since the war by considerations relating to holding down the yields and supporting the prices of U. S. Government securities.

"As a long-run matter, we favor interest rates as low as they can be without inducing inflation, for low interest rates stimulate capital investment. But we believe that the advantages of avoiding inflation are so great, and that a restrictive monetary policy can contribute so much to this end, that the freedom of the Federal Reserve to restrict credit and raise interest rates for general stabilization purposes should be restored, even if the cost should prove to be a significant increase in service charges on the Federal debt and a greater inconvenience to the Treasury in its sale of securities for new financing and refunding purposes."

This policy of flexibility, together with the prospect of an expanding supply of intermediate bank-eligible bonds in refunding, new financing and approaching eligibility dates, might well result in a lessening of demand for longer term obligations. And last, but not least, we have in deficit financing, if prolonged indefinitely, the implication of further inflation which must in the final analysis have some impact on the rate structure. All of this, in my judgment, confirms the need for portfolio management based upon sound, conservative banking practice, and not upon the expectation of a rigidly maintained price structure.

I repeat my earlier statement that we have an obligation, both as citizens and as bankers, to cooperate to the fullest degree with the Treasury in aiding them to accomplish their necessary financing, particularly the reinvestment of maturing savings bonds. But we have still another obligation, namely, to keep faith with those we urge to invest in government securities by opposing with all the force and vigor at our command any unsound fiscal policies which tend to depreciate the purchasing power of the money so invested.

Goldman, Sachs and Lehman Group Sells Atlas Common Stock

An underwriting group headed jointly by Goldman, Sachs & Co. and Lehman Brothers on May 15 publicly offered 100,000 shares of common stock of Atlas Corp. and option warrants to purchase 100,000 shares of the corporation's common stock. The stock was priced at $24.25 per share and the warrants were priced at $5 per warrant to purchase one share. The warrants represent the right to purchase, without limit as to time, common stock at $25 per share. The books were closed the following day.

The stock and warrants offered constituted part of the holdings of George H. Howard, who, after the sale, will continue to be the owner of a substantial number of shares and warrants.

Atlas Corp. is a closed-end, non-diversified management investment company registered under the Investment Company Act of 1940. Assets on March 31, 1950, totaled $60,764,539 and included $38,102,739 of cash and U. S. Treasury bills. Net value of assets applicable to the common stock on that date was $59,620,521, equal to $30.52 a share on 1,953,550 outstanding shares of common stock, the sole capital security of the corporation.

Aetna Sec. Corp. Offers Reading Tube 'B' Stk.

Aetna Securities Corp. today is publicly offering 50,000 shares of class B stock (par 10 cents) of Reading Tube Corp. at $1.87½ per share. No benefits will accrue to the company as the stock is being offered on behalf of certain stockholders.

The Reading Tube Corp., organized in 1941, manufactures copper tubing in sizes ranging from ¼ inch to 3 inches in diameter. The tubing is sold to manufacturers of appliances and to wholesalers who supply the construction, plumbing, radiant and general heating, refrigeration, air conditioning, oil burner and other industrial and allied trades.

The company has approximately 800 customers and during the six-month period ended March 31, 1950 approximately 95% of the sales were made to wholesalers and balance to manufacturers.

For the three months ended April 1, 1950, net sales were $1,602,948 and net profit was $96,508.

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the government a direct pecuniary interest in accounting practices. Large-scale business enterprise necessarily created important responsibilities to society as a whole and accountancy was required to convey and interpret business data to people only indirectly connected with the enterprise.

These new and great responsibilities were rather suddenly thrust upon accountancy and it is no wonder that it failed in many respects to meet them adequately. Many of you still remember, I think, the brilliant book by William Z. Ripley of Harvard, "Main Street and Wall Street," which described accounting practices of the '20s. Professor Ripley proved pretty well that lack of adequate disclosure, misleading data, and the endless variety of accounting practices even among companies in the same industry resulted in those years, generally speaking, in accounting reports to stockholders which were unintelligible and frequently dangerously deceptive. The accounting profession, by and large, then conceived its principal responsibility to be to management. Of course, the economics of the profession, whereby management hires and fires the independent public accountant, was in no small part responsible for the accountant's limited concept of his responsibilities.

Moreover, what source could the conscientious accountant draw upon for accounting principles which business should follow? By and large, the only source of guidance for the accountant, apart from convictions grown out of his own experience, was the accounting textbooks. Many of these, in turn, were largely descriptive and thus appeared to sanction the existing practices. There were other texts, however, which were analytical rather than merely descriptive and from these, increasingly, high standards of accounting began to take shape. Our colleges deserve much of the credit for accounting theory as we know it today.

During periods of economic strain and stress, there is great pressure from business upon the accountant to interpret business facts in a manner which management believes will help it meet those strains and stresses. In the period of the '20s, management and accountants united in accounting practices which magnified the speculative activities of the time-write-ups of assets, overstatement of earnings, inadequate disclosure, etc. In the period of the '30s, during the strains of the depression (despite certain efforts by the New York Stock Exchange Committee on Stock Listing to stem the tide), there were equally confusing and distorting accounting practices. A number of companies, for example, wrote down their assets to one dollar to avoid "burdening" their income account with depreciation charges.

SEC Powers Over Accounting Practices

It became necessary, therefore, in 1933 and 1934 to invent new techniques to meet these problems. The Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940 gave the Commission powers as to accounting practices of companies subject to these Acts. The SEC's activities haven't led to the millennium in accounting practices, but any book like Ripley's "Main Street and Wall Street," written today, would be in a much lower key. The stand of the SEC on many accounting questions gave the public accountant a basis for saying "No" to an insistent client and thus gave the profession a dignity and status which it never had before. Significantly, at about the same time that the SEC in 1938 released its Accounting Release No. 4, which, stated that the SEC would refuse to accept in reports to it accounting practices which had no "substantial authoritative support," the American Institute of Accountants set up committees to formulate and publish its very valuable Accounting Bulletins, now 42 in number. It's very fortunate, I think, that these new developments affecting accounting practices occurred prior to World War II and the postwar period. It is only by relatively vigorous and timely action by the SEC and by the organized societies of accountants that we have been saved, during these periods of stress, from a wide variety of accounting practices which could have led to a repetition of the write-ups of the '20s, to various unjustifiable charges or credits to income or surplus, and to considerable confusion about depreciation, inventory practices, and special reserves. The result might well have discredited accountancy for many years to come. If investors lose faith in accounting reports to stockholders, they will certainly balk at putting new money in on a "pig-in-a-poke" basis.

The Commission, in its accounting work, has had most important cooperation from the teaching profession, other government agencies, professional accounting groups, professional analysts, and many others. The American Accounting Association and the American Institute of Accountants in particular have made important contributions to the improvement in financial accounting and reporting gained in the last 15 years.

In main outline the Commission's objectives have been accomplished through rules and regulations promulgated, in each instance, in cooperation with the accounting profession. In many instances, however, because filings necessitated immediate action, the Commission had to reach a solution in a particular case before the accounting profession could give proper consideration to the matters involved. Without attempting to furnish a complete list, it is appropriate, I think, to mention a few of the major accounting problems which have engaged the attention of the Commission.

Accounting for donated stock, stock issued for promotion services and other transactions with promoters.

Accounting for par value stock issued in non-cash transactions.

Accounting for, and the necessary disclosures with respect to, quasi-reorganizations (culminating in our Accounting Series Releases Nos. 15, 16 and 25).

The charging to current income of amounts in excess of depreciation based on cost of plant facilities to provide for their replacement at higher prices.

Write-ups of plant and other accounts.

Accounting for compensation resulting from the granting of stock options (as to which the American Institute of Accountants issued its Accounting Research Bulletin No. 37).

The "all inclusive" type of income statement versus the "current operating performance" type.

Maintenance of the full integrity

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of the income and earned-surplus accounts through restrictions of the use to be made of paid-in or capital surplus (of which the Commission's Accounting Series Releases Nos. 1, 45 and 50 are related steps).

Accounting for general and contingency reserves and the adequate disclosure of the purposes thereof.

New Accounting Problems

A more recent illustration of the manner in which the Commission seeks to have corporate financial reporting keep pace with changing conditions, and thus further encourage the belief that the risk element of investment does not include ignorance of the company's financial condition, is shown by the standard of disclosure developed with respect to pension plans. Our present policy on pension disclosure strikes, I feel, a reasonable balance between possible extremes, seeking to avoid, on the one hand, the overly frugal disclosure which produces misleading financial statements, and on the other hand, the too extensive disclosure that overwhelms the ordinary person not equipped to digest technical detail.

It was not a difficult matter to conclude that if a company were irrevocably committed to the future payment of pensions, any unfunded liability for past service benefits, actuarily determined, should, under accepted accounting principles, be set up in the accounts. At the date of adoption of the plan such liability would, of course, relate not only to employees actually retired or qualified to do so but also to the past service of those employees who would not qualify for retirement until a future date.

Such completely irrevocable commitments apparently occur rarely, if at all. However, we feel that even though there is no contract, or the contract runs for only a short period, it would be unrealistic to ignore the probability that, once having installed a plan or entered into a short-term contract, the company will continue it. Accordingly, it is our view that there should be disclosed in a brief footnote to the balance sheet not only the important terms of the plan, including estimates of the amounts payable annually, but also the company's best estimate of the amount that would be necessary to fund, or complete the funding of, past service obligations at the balance sheet date on the assumption that the plan is to be continued. In the case of employees who have retired or are eligible to retire an equally realistic approach seems to require that, apart from any question as to legal liability, balance sheet provision should be made in an amount equal to the sum necessary to fund the obligation.

A second problem dealt with recently by the Commission concerns the disclosure appropriate where a company occupies properties under long-term leases. Although our disclosure principles apply with respect to conventional leases, I now refer primarily to the use of the rather popular sell-and-lease-back transaction as a means of financing business property expansion. A common example of such a transaction involves the construction of a building, followed immediately by the sale to some person with available capital, often an insurance company, and the concurrent return of the property to the seller under a long-term lease. Often these leases contain a renewal option, ordinarily at a reduced or somewhat nominal rental. The lessee, as a rule, assumes the usual obligations incident to ownership such as the payment of taxes, insurance, maintenance, etc. The most recent use to which this general form of financing has been put was disclosed through the announcement a short time ago by Pullman, Inc. that it would sell freight cars to a large insurance company which in turn would lease them to railroads.

To a considerable extent our disclosure requirements applicable to such transactions have been in existence for a number of years. Thus, Item 5 of our "Supplementary Profit and Loss Information" schedule prescribed by Rule 12-16 of Regulation S-X requires that there be furnished the aggregate annual amount, if significant, of the rentals upon all real property then held by the registrant and its subsidiaries under lease for terms expiring more than three years after the date of filing, and the number of such leases. Where rentals are conditional there is to be stated the minimum amount of rental.

In addition to the foregoing, the very important nature of the financing accomplished by this means calls for a brief reference in the balance sheet to the rental or other obligations, preferably as a footnote, indicating the principal details of significant transactions occurring within the year or years of the report.

This is a simplified discussion of what may be termed the ordinary type of sell-and-lease transaction. There are other types in which the lessee has the option to, or must purchase the property after certain periods. In some of these it is clear that the transaction is not at the outset intended as a lease but rather as a purchase. In others a careful study of all the facts may lead to the conclusion that in substance, if not in form, a purchase is effected. Where this is true, the purchase must, of course, be accounted for as such with appropriate disclosure of pertinent details.

In view of the fixed character of the commitment undertaken by this form of financing, the necessity of a disclosure of the facts much in the manner that I have indicated seems incontrovertible; and the American Institute of Accountants has taken the same position in its Accounting Research Bulletin No. 38 issued in October, 1949.

Disclosure Problems of Investment Companies

Problems in accounting go, of course, to the question of how data should be presented to the investor in order to give him the most accurate picture of the security before him. Disclosure problems of another sort have arisen to new importance in the last few years and may well require rather drastic measures to keep them within bounds. These are centered around so-called institutional advertising, particularly as it relates to open-end investment companies.

Investment companies provide a medium by which groups of small investors may consolidate their savings into one centralized channel and thereby achieve some of the advantages of diversification. From a purely theoretical point of view, the economic desirability of such diversification for the small investor, through shares representing an undivided pro rata interest in an extensive list of portfolio securities, is generally unquestioned. But theory must always be tested by practical considerations. Investment companies are organized and operated for profit by their promoters and managers, who are generally compensated by a fixed percentage of the net asset value of the company. This charge may become excessive. Further, distribution is usually handled through security dealers and salesmen who receive substantial commissions. These commissions may also become excessive.

Security holders of open-end companies may redeem their shares at any time upon tender and receive their current net asset value less any charge for redemption. Practically all such companies are continuously engaged in offering new securities for sale every day in the year in order to offset redemptions and to increase the aggregate assets. Thus, practically without exception the securities of all these companies are continuously subject to the prospectus requirements of the Act. (Closed-end companies, i.e., those in which no right to redemption of shares is available, have with one or two minor exceptions stopped selling new securities and do not have the same problem.)

Furthermore, while there may be some individual bases for distinguishing many open-end companies (such as size, speculative or conservative character, specialized or "balanced" portfolios, sales loads, operating expenses, and the like), in a broad sense they all are offering relatively similar services. Almost without exception, they purchase a diversified selection of securities listed on national securities exchanges. There is, accordingly, intense and avid competition between companies and between the distributors of these securities. As a result the commissions offered dealers to sell open-end shares is considerably greater than those in other types of securities. For example, the sales commission earned on effecting a round lot transaction in securities listed on a stock exchange will generally be less than ¾ of 1% of the price of the security. In open-end investment companies, the commissions are closer to 9%, although some companies have lesser charges and a very few have no sales load, as such charges are called. These pressures, combined with the inherent attractiveness of the investment company concept, have resulted in enormous growth; the assets of open-end companies now aggregate almost $2 billion and sales in the first quarter of this year approximated $100 million. Significantly enough, this trend has also led to the establishment of additional investment companies. In less than two years, 22 new management open-end investment companies have registered with the Commission in addition to six closed-end companies and four unit companies. There are now a total of 145 registered open-end companies out of a grand total of 368 investment companies.

Against this background, institutional advertising has been employed with telling success. Instead of using a prospectus with its detailed facts on a specific security, salesmen commonly use generalized advertising matter based upon the entire industry. I don't mean to imply, of course, that all institutional advertising, as such, is suspect. It is quite another matter, however, when such advertising becomes the primary material used in making sales of securities, emphasizing all the virtues and assiduously avoiding unfavorable factors of the open-end investment companies. The picture thus created in the investor's mind may be but little affected by the more pointed disclosures in the prospectus when it is finally given to him in technical satisfaction of the statutory requirements.

When the Commission first encountered this general problem it attempted to solve it by being reasonably lenient in institutional advertising so long as there was no intent to sell specific securities subject to the prospectus requirements. It used certain formulae in trying to determine such intent. In general, it assumed as necessary conditions that the advertiser had not made up his mind as to what securities he actually would offer to potential customers but would first evaluate such client's circumstances, objectives, and preferences and then attempt to fit his needs by specific recommendations. In the event the choice should by chance involve a security subject to the prospectus requirement, it was contemplated that one would be immediately furnished. On the other hand, if the advertising were purposely designed to facilitate the sale of securities of a particular company subject to a pending registration statement, then irrespective of its generality it might be properly construed to be an illegal prospectus.

There is increasing evidence that the lush profits available from the sale of investment company stocks plus the effectiveness of institutional advertising in promoting sales have carried the situation well beyond the depth of our original attitude. There is now a very strong feeling among some members of our staff that a continuation of this trend will lead to violations of Section 5 of the Securities Act, and perhaps of the anti-fraud sections as well.

Institutional Advertising and Deceptive Information

It is well known, for example, that under the Securities Act and the Investment Company Act, the Commission does not approve or disapprove of any particular company nor does it in any way supervise or regulate the day-to-day management operations of investment companies. There are, of course, certain provisions which permit the Commission to prevent over-reaching on the part of corporate insiders and the like, but it has no control, in the absence of gross abuse of trust, over the investment policies, selection of securities for purchase or sale, declaration of dividends, selection of investment advisers, distributers and accountants, or other prerogatives of management.

Nevertheless, a good deal of literature disseminated appears purposely slanted to create the impression that investment companies are extensively regulated and supervised by the Federal Government. In much the same manner, extensive and inapposite comparisons are made to laws relating to insurance companies, banks, and cooperatives.

Another especially reprehensible example is the comparison of investment company securities to U. S. Savings Bonds. It is like comparing oranges to cows. Nothing is more dissimilar. One is a stable debt security, having behind it the full faith and credit of the U. S. Government—the safest security in the world that money can buy; the other is a participation for the most part in common stocks subject to constant price fluctuations. Other literature attempts to liken the redemption aspects of the security to savings bank deposits, an extremely misleading analogy.

There is, of course, a good deal of other information disseminated in the guise of institutional advertising that is not demonstrably incorrect or inherently misleading in respect to some companies. Yet the same literature applied to other investment companies would be an outrageous distortion of facts. Its inclusion in the prospectus of some companies might be grounds for a stop order. To the extent that securities of this latter type of company are sold through the appeal of generalized institutional advertising, the investor may be grossly misled and seriously injured.

Problems Involved in Growth of Investment Companies

Aside from the problems of disclosure inherent in the use of institutional advertising, the impetus which it has helped to impart to the growth of investment companies has implications which could affect appreciably our entire economy. With more and more companies in active competition to perform essentially the same service, there may come a point of time when certain artificialities will appear. By channeling vast amounts of savings into open-end companies which in turn confine their purchases largely to higher grade listed securities, a price structure for such securities may be produced inflated out of all proportion to their earning capacity. Conversely, repercussions may be felt upon the relative cost and availability of equity financing for other business enterprises, particularly smaller or localized companies.

Furthermore, the larger the funds grow in size and the more heavily invested in listed securities they become, the less flexible their investment policy can be. It is quite obvious, for instance, that an investment company cannot overnight liquidate large holdings of a particular company's securities without serious risk of producing a severe effect upon the market price and possibly creating adverse effects on other portfolio securities as well. The ability to adjust promptly to changes in particular companies, industries, or in the market climate itself tends to be lost with growth.

It is also possible that compensation of promoters and managers may become disproportionate to total income actually received. Generally, the compensation of investment advisers of the open-end companies is based on a fixed percentage of net assets, such as ¼ of 1% per annum, and on this basis would now amount to approximately $5,000,000 per annum. As yields decline, compensation geared to asset value becomes, by its very nature, a continuously heavier charge upon income. At some point this can become a serious burden, and the force of current selling methods pushes the industry inexorably toward that point.

In this connection, Congress apparently foresaw the possibility that some of these situations might develop, for Section 14 (b) of the Investment Company Act provides:

"The Commission is authorized, at such times as it deems that any substantial further increase in size of investment companies creates any problem involving the protection of investors or the public interest, to make a study and investigation of the effects of size on the investment policy of investment companies and on security markets, on concentration of control of wealth and industry, and on companies in which investment companies are interested, and from time to time to report the results of its studies and investigations and its recommendations to the Congress."

While I do not wish to have my remarks construed as indicating that this point has been reached, the Commission is increasingly aware of the fact that certain aspects of the increasing size of these companies are presenting more and more difficult problems in relationship to other general purposes of the Act.

We are not alone in this concern. Quite recently, a subcommittee of the NASD has been set up to formulate a program of self-regulation by the industry. The

NASD has been very effective in maintaining high standards of conduct in the securities business generally and we are hopeful that its efforts in the particular field of mutual funds will prove equally fruitful.

The Frear Bill

You will recall that I mentioned earlier a gap in the coverage of existing legislation which exposes stockholders of many sizable companies to the hazards resulting from lack of disclosure and other largely archaic practices. I should now like to comment upon the pending legislative amendment to the Securities Exchange Act designed to correct this situation. This legislation is designated in the U. S. Senate as the Frear Bill (S. 2408) and its counterpart in the House of Representatives is te Sadowski Bill (H. R. 7005). Hearings in the Senate have already been concluded.

Briefly, the bills require all corporations with over $3 million of assets and over 300 security holders to make the type of basic disclosure now required by the Securities Exchange Act, the Public Utility Holding Company Act, and the Investment Company Act. These acts require periodic financial statements to be filed with the Commission which are open to public inspection, full disclosure in connection with the solicitation of proxies, and full disclosure whenever insiders trade in their own company's securities.

The need for this legislation arises from circumstances deeply rooted in our corporate form of business enterprise. I need not tell you that the corporation has long since become the dominant instrument of such enterprise, nor need I discuss at any length the problems arising from the separation of management and ownership. Some of you may recall that Adam Smith emphatically repudiated the stock corporation for this very reason; in "The Wealth of Nations" he said:

"The directors of such companies . . . being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company." (Everyman's Library edition, Vol. II, p. 229.)

To a surprising extent, Adam Smith's observations have held good. True, the fiduciary responsibilities of management have been more clearly defined and probably the interests of management and ownership have more nearly coincided than he anticipated. Nevertheless, we have found that, in the absence of disclosure requirements, management ordinarily holds its cards very close to its vest. The stockholder in such companies seldom has sufficient information to exercise any sort of intelligent, effective control over management's actions.

We estimate that some 1,800 corporations will be affected by the proposed legislation. A representative sample of these companies was studied by the Commission, and the facts uncovered were transmitted to the Congress during 1946 and again, after revising it to date, earlier this year. It was found that on the whole the financial statements of these companies were seriously inadequate, often to the point of being misleading. Many companies did not furnish their stockholders with even the three basic statements—balance sheet, profit and loss statement, and statement of surplus—which are essential to any analysis of the worth of a corporate security.

Thus in one instance a company claiming earnings of $10 million per year released no balance sheet, either to stockholders or to any of the financial services. Treatment of reserves, too, was often arbitrary and inadequate. A number of companies set up reserves without mentioning their purpose. One company with assets of $6.5 million set up a reserve for contingencies of $2.2 million without mentioning any particular contingency for which provision was being made. Similar violations of sound accounting practices were evident with respect to capital stock, sales, income, and fixed assets; one company, for example, listed 95% of its assets under the single caption "Property, Plant, and Equipment, including intangibles." Almost invariably lacking was the explanatory material which should clothe the naked figures with meaning.

Abuses were even more evident in connection with the practices of many unregistered companies in soliciting proxies. Seldom did a proxy solicitation for the election of directors mention the names of the persons for whom management proposed to vote. In no instance was there any disclosure of management remuneration. Frequently, stockholders were simply requested to sign a proxy ratifying all acts of management since the last meeting without any specification of the nature of the acts. And almost invariably stockholders had either to vote for a management proposal or be disfranchised. There was no provision for a "No" vote on the ballot.

The Investment Dealer's Digest recently carried a story under the heading "News You'll Never Read," which was intended as a comic parody upon corporate proxy practice. It read:

"Philadelphia—The Mongol Manufacturing Co. of this city is receiving congratulations from corporation officials all over the U. S. on a new proxy form introduced in advance of its annual meeting to be held next Friday.

"Instead of a separate form, Mongol printed the proxies on the backs of dividend checks sent to shareholders last week, making it necessary for the holder to sign a favorable proxy and insure its return to the company, in order to cash or deposit his check."

The author of that story probably does not know that this imaginative device for obtaining proxies was actually used a few years ago by a Baltimore concern —and there was nothing anyone could do about it.

I have heard no argument against this proposed legislation that withstands analysis. Its obvious merit has attracted the almost unanimous support of the financial community, and the President of the United States sent a special communication to both houses of Congress endorsing the legislation. On this issue the Commission sees eye-to-eye with the Investment Bankers Association, the National Association of Securities Dealers, the National Securities Traders Association, the New York Society of Security Analysts, the National Association of Investment Companies, the New York Stock Exchange, the New York Curb Exchange, and the "Wall Street Journal."

Most of the arguments advanced against the legislation have been emotional rather than rational. The spectre of government bureaucracy is raised and opponents of the legislation attempt to combine this with the sympathetic aura which surrounds small business, urging that it will, in some incompletely articulated fashion, be hampered by the pending legislation.

The Commission, as its regulations will show, is extremely sensitive to small business problems and endeavors to simplify its requirements in so far as they may affect such business. Thus, under the Securities Act, where financing involves less than $300,000, no registration statement need be filed; only a letter of notification is required. In suggesting the figures of $3,000,000 of assets and 300 security holders as the minimum level for regulation under the Frear Bill, the Commission has again leaned over backwards to avoid burdening smaller companies. Actually, some 500 companies, about 20% of all those now registered with the Commission, have less than $3 million in assets. These companies have filed financial statements and met the various other requirements for many years without apparent difficulty. Thus, I think it is quite evident that the coverage proposed by the new bills is very moderate.

Spectre of Government Bureaucracy

The spectre of government bureaucracy is more difficult to lay, for protestations by persons in government are usually dismissed as self-serving declarations. I assure you, however, that the Commission approached this problem gingerly and with a bias opposed to more laws. The studies in 1946 and 1950 were undertaken to determine whether the very evident logical disparity in the law resuletd in real abuses. I have already pointed out the conditions which were revealed. Under the circumstances a "do-nothing" policy would have betrayed the Commission's trust to the investor and to the economy.

I believe that all the other arguments I have heard against the proposed legislation are either based upon a misunderstanding of its language or constitute an attempt to reargue the merits of the Securities Exchange Act of 1934. For instance, in a resolution recently passed by an organization called "Conference of American Small Business Organizations," opposition to the Commission's proposal is expressed on the grounds (1) "The SEC would invade the intra-state field of control," (2) the SEC would have the power of "life and death over small enterprises through dictating of information required in proxy forms," (3) Competitors would be able to take advantage of information filed with the Commission.

The proposal does not invade the intrastate field; Federal jurisdiction must be grounded upon either interstate commerce or use of the mails. But even where such grounds for jurisdiction exist the bill expressly states that companies substantially all of whose securities are held within a single state may be exempted from the provisions of the bill by rule of the Commission. Since the Commission is also granted general exemptive powers, this special exemption must be read as a mandate that the Commission shall consider that problem and adopt appropriate rules. I can state unequivocally that it is the Commission's purpose to grant exemptions of this character.

I find it difficult to comment upon the Conference's second objection, that requiring adequate information in proxy solicitations amounts to the power of "life and death" over small enterprises. The average proxy statement required by the Commission is about four pages in length. It is neither technical nor difficult to prepare. Commission rules simply require that when a proxy is solicited the stockholder be told the essential information about the proposals to come before the meeting for which the proxy is sought. How this information can be a matter of "life or death" I am unable to understand except in so far as true statements may mean the "death" of incompetent and irresponsible management. However, I doubt that the Conference of Small Business Organizations is attempting to defend the right of such management to continue in office.

Finally, it is charged in the resolution that competitors would use the information filed with the Commission "against each other in a constant war among small businesses." Such a charge disregards the provisions of the Securities Exchange Act governing the release of secret or confidential information. Section 24 of that act contains an absolute prohibition against revealing trade secrets or processes and whenever an application for confidential treatment of any item or report is made the Commission may make that information public only when such a disclosure is in the public interest.

Many requests for confidential treatment have been granted during the 16 years the Commission has administered the Securities Exchange Act, and I have no doubt that many more will be granted in the future. From refusals to grant confidential treatment there may, of course, be an appeal to the courts. Generally speaking, we have found that much so-called confidential material is in fact rather well known to competing companies. We know of no case where operation of the Act has given any material advantage to competitors.

We have been heartened by the reaction of investors to our proposal as we have been disappointed by the opposition of some of the corporations affected. The very cleavage between management and ownership which the proposal is designed to reduce is emphasized by these two reactions, for we have heard from no investor in opposition to the principle of the bills.

Of course, the great majority of corporations have preferred to remain on the sidelines, neither opposing nor supporting the legislation. I should like to suggest, however, that it would be to their interest, in the long run, to support the proposal. It is the kind of legislation under which every one will gain. The 1,800 corporations affected will directly benefit from improved stockholder and customer relations, for there is no better advertising than the financial story of a sound business. Moreover, when additional public financing is necessary, it will be found that the availability of information about the business, made relatively uniform by Commission rules, will improve and facilitate the financing. This is particularly true of smaller and lesser known businesses who now have difficulty in generating sufficient investor confidence in their securities.

By and large, a sound and growing company of substantial size has little difficulty in securing debt capital. Institutional investors such as the insurance companies and banks have tremendous funds for such investment. The primary capital-raising problem is to secure an adequate portion of new capital needs from the sale of new common stock. Of course, companies cannot continue to borrow, for debts, unfortunately, come due.

We are all aware that there are great numbers of people with funds who will not consider a direct, non-controlling investment in the common stock of American business. I do not speak now of those dissuaded by the present tax structure which, parenthetically, I should like to see reexamined with particular attention given such questions as double taxation of dividends and the status of tax-exempt securities. The operating results and management record of many companies do not, of course, merit entrusting hard-earned dollars to them. But, as we all know, there are many other companies whose long record of success and good management justify the conclusion that a prejudice against common stock investments as such and at any price level is irrational. We do not, however, seem to be progressing in making people with funds to invest more equity-conscious. A recent SEC study indicates that purchases by private investors of equity securities actually declined in 1949, as compared with three previous years, although purchases of bonds by private investors rose.

In a more restricted area of investment, however, the appetite for equity securities is almost insatiable. I am told that there is great demand for equity investments which carry with them control of the enterprise in question. This is a situation which Adam Smith would undoubtedly note with interest. Certainly, full disclosure is fundamental to any progress in bridging the gap between the relative attractiveness of management-controlled and stockholder-controlled enterprises. No company can, with any consistency, complain about the lack of equity capital and still refuse to give its common stockholders adequate financial information.

Tellier & Co. Sells Telev. & Radar Stock

Tellier & Co. announced on May 17 that its offering of 747,500 shares of Television & Radar Corp. common stock at 40 cents per share has been oversubscribed and the books closed.

Proceeds from the sale of the shares will be used to repay indebtedness of the corporation, to purchase additional equipment and for working capital.

Television & Radar Corp., through its wholly-owned subsidiary Plastoid Corp., manufactures various products essential to the television and radar industry, such as coaxial cable, insulated wire, etc. It is also developing converters which will be used in changing over present television sets to receive color when color broadcasting is undertaken. The corporation expressed belief that in about a year, if color broadcasting is ready for use, there will be a demand for some five to ten million converters.

Mohawk Bus. Machines Offering Completed

According to an announcement made on May 11, all of the 58,612 shares of common stock (par 10 cents) of Mohawk Business Machines Corp. which were recently publicly offered by Jacquin, Bliss & Stanley at $1 per share have been sold and the offering completed. The net proceeds have been added to working capital.

Three With Merrill Lynch

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Wynn E. Dahlgren, Julien M. Harwood, and Walter A. Landauer have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

With Townsend, Dabney

(Special to The Financial Chronicle)

BOSTON, Mass.—Alan C. Leland has joined the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Allan Hart Opens

WILMINGTON, Del. — Allan Hart is engaging in a securities business from offices at 913 Market Street. He was formerly with John K. Walters & Co., Inc.

Continued from page 5

The State of Trade and Industry

of output due to lack of steel, manufacturers are mounting new pressure on every possible source of steel supply, and (4) the partial rail strike magnified the difficulties of producers and consumers alike.

This week the pressure for steel is still increasing. Although demand is strongest in the Midwest, most major steel items are now tight in all areas. Consumers in the Midwest are running into a continued shortage of bars, plates and shapes. When they can't get orders filled by local mills they are reaching into the East to get them and paying the freight, too, this trade authority asserts.

Both steel consumers and producers are convinced that the outlook is for a very tight market in steel for many weeks. To producers this means an extended production battle to recoup production delayed by strikes and satisfy their customers' needs at the earliest possible date. To consumers it means another round of procurement difficulties which will again challenge their ingenuity, "The Iron Age" points out.

This week some cutsomers who normally would deal through district offices of producers are streaming into home offices to plead their needs. Sales executives face the unhappy task of trying to explain that the steel is just not available, in spite of continuing record-breaking production.

Conversion is becoming even more popular with consumers as a means of getting steel (at a higher cost). Conversion is also inflating the scrap market.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 101.3% of capacity for the week beginning May 15, 1950. This is 1.2 points above last week's rate of 100.1%.

The current week will be the fifth consecutive week of steel production at 100% of capacity or better, and, according to the Institute, "never before has so much steel been made in a week."

This week's operating rate is equivalent to 1,931,000 tons of steel ingots and castings for the entire industry compared to 1,908,-200 tons one week ago. A month ago the rate was 100.0% and production amounted to 1,906,300 tons; a year ago it stood at 95.6% and 1,762,400 tons.

Electric Output Declines Moderately

The amount of electrical energy distributed by the electric light and power industry for the week ended May 13 was estimated at 5,864,326,000 kwh., according to the Edison Electric Institute.

It was 7,358,000 kwh. lower than the figure reported for the previous week, 607,350,000 kwh., or 11.6%, above the total output for the week ended May 14, 1949, and 755,653,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Show Modest Contraction

Loading of revenue freight for the week ended May 6, 1950, totaled 744,040 cars, according to the Association of American Railroads. This was a decrease of 24,287 cars, or 3.2% below the preceding week.

Excluding ore, loading of which has been at a lower level than last year due to delay in the opening of navigation on the Great Lakes, loadings exceeded the corresponding week of 1949 by 2,916 cars.

The week's total represented a decrease of 24,287 cars or 3.2% below the corresponding week in 1949 and a decrease of 136,247 cars, or 15.5% below the comparable period in 1948.

Auto Output Sets New High Record

According to "Ward's Automotive Report" for the past week, motor vehicle production in the United States and Canada advanced to an estimated high record of 177,898 units compared with the previous week's total of 146,337 (revised) units.

The former record was 160,173 units in the week ended July 23, 1949.

The total output for the current week was made up of 142,419 cars and 28,467 trucks built in the United States and a total of 5,015 cars and 1,997 trucks built in Canada.

The week's total compares with 118,199 units produced in the like 1949 week.

Business Failures Extend Upward Trend

Commercial and industrial failures rose to 217 in the week ended May 11 from 199 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level since early March, casualties exceeded the 171 and 100 which occurred in the comparable weeks of 1949 and 1948, but continued 32% below the prewar total of 321 in the similar week of 1939.

Failures involving liabilities of $5,000 or more increased to 168 from 151 last week and compared with 133 of this size a year ago. Little change occurred among small casualties.

Retail trade accounted principally for the week's increase, with casualties climbing to 113 from 94. Contrary to the general rise, both wholesale and construction casualties declined. More concerns failed than a year ago in manufacturing, retailing and construction, but wholesaling and service were off slightly from their 1949 level.

Most of the weekly rise was centered in the Middle Atlantic and the Pacific States.

Food Price Index Attains New 15-Month Peak

Breaking through the previous high point for the year touched in mid-February, the Dun & Bradstreet wholesale food price index for May 9 rose to a new 15-month peak of $5.89, from the previous figure of $5.84. The latest index equals that recorded on both Aug. 9 and 16 last year and is the highest since Jan. 25, 1949, when it stood at $5.91. It compares with $5.68 on the corresponding date a year ago, or an increase of 3.7%.

Commodity Price Index Lifted to New High

The Dun & Bradstreet daily wholesale commodity price index reached a further new high for the year last week, reflecting continued strength in many basic commodities. The index closed at 259.85 on May 9, compared with 257.15 a week ago, and 248.04 last year.

Although movements were irregular, grain prices continued to trend higher during the past week.

Sales volume in futures on the Chicago Board of Trade increased sharply, totaling 331,359,000 bushels for the week, or a daily average of about 55,200,000 bushels. The latter compared with a daily average of 47,600,000 bushels the week before, and 25,300,000 bushels in the same week a year ago.

After reaching new high levels for the season, wheat prices declined in late trading on reports of heavy rains in some areas of the southwestern winter wheat belt. Wet and cool weather continued to delay planting of spring wheat in northwestern states. There was a moderate export demand for corn. Country offerings of the yellow cereal expanded materially as prices advanced close to the loan level. Strength in oats was largely influenced by continued delay in seeding operations.

The domestic flour market was firmer. Bookings of hard wheat bakery flours showed moderate improvement, although buying for nearby needs continued the rule. More interest was likewise shown in the export flour market.

Cocoa prices continued on the uptrend, reflecting a very favorable statistical position for that commodity. Lard prices advanced to new seasonal highs under a broad speculative buying movement. Supporting factors included strength in vegetable oils and expectations of large government allocations for export. Pork products generally were in good demand at higher prices.

Prices for live hogs advanced sharply under curtailed receipts; current values are at the highest since last October. Steers showed some decline from recent high levels as the result of more liberal marketings.

Cotton prices developed an easier trend most of the past week, but turned higher in closing sessions to finish about unchanged for the period.

Mill demand was moderate with buying for export account reaching the largest volume for many weeks.

Retail and Wholesale Trade Close to 1949 Level

Generally warm weather coupled with purchasing in anticipation of Mother's Day helped to raise consumer spending in the period ended Wednesday of last week. Total dollar volume was very slightly below the level of the similar period a year ago, according to Dun & Bradstreet, Inc., in its current summary of retail trade.

Mother's Day promotions were prominent in numerous specialty and department stores throughout the nation.

The volume of women's apparel and accessories rose moderately last week; their increased popularity brought the general average of apparel sales to a level slightly above that of past weeks.

Cotton dresses, sportswear and hosiery were sought by large numbers of shoppers; there was also an increased demand for handbags and small furnishings. The interest in summer styles of men's and children's wear rose slightly.

Retail food purchasing was nearly unchanged during the week. Dairy and poultry products were bought in considerable quantities. Except for pork, the interest in fresh meat dipped slightly in many sections.

There was a renewed interest in furniture items the past week; consumer buying of these and other house-furnishings increased in dollar volume The buying of television sets and some large appliances was sustained at the high level of recent weeks.

Total retail dollar volume for the period ended on Wednesday 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, Midwest, and Pacific Coast +1 to —3; East and South 0 to —4; Northwest —1 to —5 and Southwest +2 to —2.

With the buyer demand rising for apparel as well as for some other wholesale items, total order volume increased slightly in the period ended on Wednesday of last week. Dollar volume was almost even with that of the comparable week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 6, 1950, declined *10% from the like period of last year. A decrease of 1% was recorded in the previous week from that of a year ago. For the four weeks ended May 6, 1950, sales declined 7% from the corresponding period a year ago, and for the year to date show a drop of 3%.

Sales for department stores in New York last week were lifted by about 7% over the 1949 period as a result of a good Mother's Day volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 6, 1950, declined *14% from the like period last year. In the preceding week a decrease of 3% (revised) was registered from the similar week of 1949. For the four weeks ended May 6, 1950, a decrease of 10% was reported from the like week of last year. For the year to date volume decreased by 6%.

*Changes from a year ago reflect in part the fact that Mother's Day occurred on May 14 this year while in 1949 it was on May 8.

Joins Wm. Staats Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Homer W. Wessendorf, Jr. is wih William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange.

Pacific Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry L. Butzbach is with Pacific Co. of California, 623 South Hope Street, members of the Los Angeles Stock Exchange.

Business Man's Bookshelf

New York Laws Affecting Business Corporations annotated and revised to April 22, 1950, containing the amendments of the Legislative Session which adjourned March 22, 1950—31st Edition—United States Corporation Company, 160 Broadway, New York 7, N. Y.—Paper—$2.50.

Final Phase?—Bulletin discussing whether present market is last chance to sell before a stock market reversal, with 33 special hedge recommendations — special trial offer of current bulletin and next four weekly issues for $1—Bondex, Inc., 654 Madison Avenue, New York 21, N. Y.

Halsey, Stuart Group Offers Denver & Rio Grande Western Equip.

Halsey, Stuart & Co., Inc. and Associates on May 10 offered $2,-790,000 Denver & Rio Grande Western RR. series P 2⅜% equipment trust certificates maturing semi-annually Dec. 1, 1950 to June 1, 1965, inclusive, at prices to yield from 1.35% to 2.625%. Issued under the Philadelphia Plan, the certificates are being offered subject to approval of the Interstate Commerce Commission. The group was awarded the issue on its bid of 99.7019.

Proceeds from the sale of the certificates will be used to provide for the following new standard gauge railroad equipment estimated to cost not less than $3,720,-000: five Diesel-electric freight locomotives, and four Diesel-electric switching locomotives.

Associated in the offering are: R. W. Pressprich & Co., The Illinois Co., Otis & Co. (Inc.), Freeman & Co., McMaster Hutchinson & Co., and Peters, Writer & Christensen, Inc.

Transfers to Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — C. Shelton Buchanan is now associated with the Atlanta office of Thomson & McKinnon, Healey Building. Mr. Buchanan has been Resident Manager of the firm's office in Ft. Lauderdale, Fla.

Vance, Sanders Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John A. Carter III and William W. Paxton have become affiliated with Vance, Sanders & Co., 111 Devonshire Street.

Joins H. Hentz Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph S. Bernbach has joined the staff of H. Hentz & Co., 120 South La Salle Street. In the past he was with Wayne Hummer & Co.

With Stephenson, Leydecker & Co.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Ethel M. Calderhead is with Stephenson, Leydecker & Co., 1404 Franklin Street.

With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Earl W. Baumeyer is now associated with the staff of Barrett Herrick & Co., Inc., of New York City.

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The Security I Like Best

and 7%, respectively. It is reasonable to expect that, under Standard's guidance, the Falls Spring profit margins will be improved. This would enhance total net income further.

1950 Record

Perhaps the most outstanding of Standard Steel Spring's achievements is the record it made in the first quarter of 1950. Sales and earnings of course reflect the latest addition. But that was more than offset by the loss of business from Chrysler, its No. 2 customer. In spite of the strike, first-quarter net income was just under $2 million, a gain of 35% over the first quarter of 1949. On a per-share basis, earnings equalled $1.10 on the 1,756,434 shares now outstanding. This compares with 97c on the old capitalization in the first three months of 1949; reckoned on present shares, first-quarter 1949 net would be only only 83c.

In 1949, Standard made two successive increases in its quarterly dividend, and paid two extras. During the first half, the stock was on a 25c quarterly basis; in September the rate was raised to 30c and an extra of 25c was paid; in December, the rate was again increased to 40c and a 30c extra was paid. Thus, currently, the stock is on a $1.60 regular annual basis. However, if earnings continue at the current rate, it is possible that total 1950 disbursements could equal $2.00 or more per share.

At the 1949 year-end, Standard was in a good financial position. Current assets were more than five times current liabilities; cash alone was 1.8 times current liabilities. Working capital equalled almost $17 million.

The continuance of current high earnings for the company will, of course, depend upon activity in the automobile industry. It is our belief that automobile production will be large all during 1950 and perhaps into 1951. Thus earnings this year for Standard Steel Spring should be $4.00 per share or better on the 1,756,434 shares now outstanding — as compared with an equivalent of $3.15 per share in 1949.

The current price of the stock is about 24—slightly under the 1946 high of 25. Based on an estimate of $4.00 per share to be earned this year, the stock sells at only six times earnings. The regular $1.60 dividend yields 6.7%. Reflecting the reasonable price-earnings ratio and the high dividend yield, we would expect the stock soon to exceed its 1946 high and continue on to a level which would more logically discount its present position and prospects.

I. KOMANOFF

Herzfeld & Stern, New York City, Members, New York Stock Exchange

(Cunningham Drug Stores, Inc.)

The security I like best must have the following characteristics: (1) It must be well entrenched in its field; (2) It must have strong "defensive" qualities as well as good growth factors. (3) It must have an excellent financial condition with a strong and liquid balance sheet; (4) It must have an unusually able management — aggressive, alert and able to cope with any and all contingencies; (5) It must be a security whose price is relatively uninflated, with a most reasonable ratio of selling price to earnings —and at the same time producing a satisfactory yield.

I. Komanoff

In my opinion, Cunningham Drug possesses all of the above characteristics to an unusual degree. Let us briefly examine the above five requisites and see how Cunningham fits into each one of them.

Cunningham Drug Stores and its affiliated companies operate 164 drug stores and had combined sales of approximately $33,800,000 for the year ended Sept. 30, 1949. The majority of the stores operated are in the State of Michigan, with emphasis on the Detroit area. Its affiliate, the Marshall Drug Co., operates 46 stores in the Cleveland, Ohio, area. The stores in the Cunningham chain are outstanding examples of retailing efficiency and operation—the majority of them being modern, large and air conditioned.

From 1934 to 1941—at a time when American business was struggling to maintain an even keel, Cunningham's sales more than doubled. From 1941 to the present, Cunningham's sales have doubled again. The very nature of the products it sells combine to give Cunningham Drug depression-resistant qualities together with good growth characteristics.

Cunningham's financial position is virtually impregnable. Its working capital condition is such that its cash items alone exceed total liabilities, both current and otherwise. There is just one class of stock outstanding—381,000 shares of common, with no funded debt and no preferred stock. Expansion has consistently been financed from earnings, which until now have largely been retained in the business. Although book value by itself is hardly a conclusive yardstick in investment comparison, it nevertheless is interesting to note that Cunningham is one of the few (if not the only one) retail companies listed on the New York Stock Exchange whose stock is selling at less than book vaule. The vast majority of variety stores, grocery chains, drug stores, etc., listed on the New York Stock Exchange are selling at considerably above their book value.

Cunningham's management is acknowledged to be the finest in the industry. Under the leadership of its President, Nate S. Shapero, Cunningham's record of growth, cost control and operating efficiency has been the pride and envy of the rest of the drug retailing industry.

Despite all of the above factors, Cunningham Drug today at its price of 23 is selling for little more than half of its 1946 high of 41. In the year ended Sept. 3, 1949, Cunningham reported earnings of $3.71. If undistributed net income of subsidiaries had been included, total earnings would have been $4.17 per share. In a security market which is capitalizing "defensive" and growth issues at anywhere from 10 to 18 times earnings per share, Cunningham stock is selling for less than 6 times earnings. Based on last year's admittedly low dividend payments of $1.25 per share, Cunningham stock today yields around 5½%. Obviously, with the trend of corporate dividends being enlarged in relation to earnings, it is merely a question of time before Cunningham's dividends are increased to a more realistic percentage of earnings, and that time is probably nearer at hand than the market is allowing for.

During the present bull market, particular stress has been laid on the so-called "defensive" stocks with the result that many of them have reached their highest prices since 1946, and in some cases even higher. Yet many of these so-called "defensive" stocks in the variety store field, such as Kress, Kresge, Woolworth, Murphy, etc. —had considerably lower earnings in 1949 than in 1948. In Cunningham Drug, however, we see the anomaly of a "defensive" stock which had earnings in 1949 as good as in 1948 and yet whose price is little more than half of its 1946 high.

To sum up, the author regards Cunningham Drug stock as qualifying as a "blue chip" in every category except in its present uninfested price. To the discriminating investor who will venture beyond the so-called "name" stocks —and who is looking for a security combining first-class management, excellent balance sheet, depression-resistant qualities, and extremely low price-earnings ratio —Cunningham Drug now selling at 23 on the New York Stock Exchange would seem to offer an amazing investment opportunity.

T. REID RANKIN

R. M. Horner & Co., New York City

(American Cyanamid Company)

In selecting "The Security I Like Best," I believe I can safely say that American Cyanamid common appeals to me primarily from the investment point of view. To qualify, an investment should offer the purchaser both attractiveness and expectation of future continued growth or expansion. Therefore, the all-important quality for which I look is progressive management, for I firmly believe that good management is that quality which carries forward our best corporations to new heights in good times and preserves the corporation's fundamental position in times of economic stress.

The management of American Cyanamid has proven its ability over a period of many years— and its progressiveness in developing new products. It has spent large sums in research and has emerged a leader in the field of Biochemistry and Pharmaceutics. That is the type of management so necessary to corporate growth.

Originally incorporated in 1907 to manufacture calcium cyanamid, the company has, in the succeeding years, expanded its products to include not only chemicals but agricultural fertilizers, synthetic Resins, Insecticides and Biologicals and Pharmaceutics through its Lederle Laboratories. Its other interests run all the way from Dyestuffs to Vitamins.

Perhaps its most publicized products are Aureomycin and the Sulpha drugs. Lederle Laboratories will be producing $1,000,000 of Aureomycin monthly in its new plant. A new vaccine for the prevention of Rabies, or hydrophobia, recently announced, is expected to go far in eventually wiping out this widespread disease. The field of Biochemicals is virtually unlimited and Lederle will continue to be a leader in developing new products.

So much for the company, its products and its future, so we turn to the financial picture to find the present investment status.

New products have raised sales to all-time highs. Net sales for the year 1949 reached $237,730,655, and $16,149,513 was brought down to net income, after taxes. This was equivalent to $5.28 per share on the common stock. However, for the first quarter of 1950 net sales jumped to $72,724,620 against $57,781,559 in the same period of 1949 and net income was $8,784,-017 against $3,647,287, equivalent to $2.78 per share in the first quarter—more than double the amount earned per share in the same period of 1949. Put another way, a 27% increase in sales resulted in more than double the amount of net income.

The company is in excellent financial condition as shown by the current position at the year-end. Current assets exceeded $112 million against current liabilities of $39 million while total assets exceeded $224 million.

At the time this is written the company had announced plans to issue $37,500,000 in new convertible preferred stock principally for expansion of plant facilities. Common holders are to be given the right to subscribe to the new stock.

American Cyanamid offers the principal ingredients to a sound investment because:

(1) It has good progressive management.

(2) Diversified products.

(3) A long record of continuous dividend payments.

(4) A high percentage of net current assets to total assets.

(5) Increasing net income and growth potentialities.

With a present dividend of $2.50 at the regular rate plus the extra already declared in 1950 and an additional extra expected before the year-end, the common stock at a price of $70 per share has a definite place, I believe, in the investment portfolio of long-term investors and is attractive to those who purchase securities for near-term profits. It is quite within reason to expect earnings for 1950 to approximate $10 per share.

EDMOND P. ROCHAT

President, Grady, Berwald & Co., New York City

(Lawrence Portland Cement Co. and Oxford Paper Co.)

It is quite a large order to suggest any one security that might be considered most attractive for the future as conditions can change very rapidly. Nevertheless, I shall attempt to describe very briefly two securities which we favor at this time.

Edmond P. Rochat

Both companies are representative of industries having a very satisfactory outlook. Demand for their products is enormous and the capacity of both industries has not been unduly expanded in the last decade. Labor conditions are favorable, inventory risks not large and management excellent. In both cases management has a very substantial investment in the common stock, a fact which should never be overlooked as it inclines management to be more conscious of the interests of stockholders.

The first stock is the Lawrence Portland Cement Co. common. The company was organized in 1898, owns a plant in Northampton, Pa., and one in Thomaston, Me., with an aggregate capacity of about 3,000,000 barrels. Capitalization consists of 225,000 common stock, no preferred, no funded debt. The book value of the stock is $47 a share while reproduction value would probably be over $80 a share. Production is at a record high. Earnings should approximate $4 in 1950 and dividend will probably exceed the $1.25 paid in 1949. At the present price of $18.50, the yield is over 6%. Considering all factors surrounding the cement industry and the company itself, I am not hesitating in recommending the stock to the most discriminating investors.

The second stock which I believe offers a definite chance of capital appreciation is the Oxford Paper Co. common. Although the stock may not be considered as a **conservative** investment, due to its dividend record and its leverage position, I definitely believe that it represents one of the most outstanding speculations in the paper industry. The vast moderninzation program undertaken after the war is for the most part completed and should start to return handsome dividends. Due to its very conservative dividend policy, the management has reinvested in the property approximately 90% of the earnings of its common stock in the past three years alone. Based on first quarter earnings, the stock could easily show over $5 for 1950 after heavy depreciation charges, against $3.63 in 1949. Although the present yield is not high, I recommend the stock for price appreciation as it is definitely very attractive at the present price of $12 a share. In fact, I don't know of any other common stock of a company in an industry with favorable outlook selling at a price equivalent to 25% of its book, probably 15% of its replacement value, having excellent management and selling at only three times earnings.

In conclusion, I have always found that the security that should be bought for the future has always been a special situation that has escaped the attention of the investment public. As both stocks briefly described above belong in that category, I believe that they have above average possibilities looking ahead.

With Morgan & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William L. O'Bryon has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. O'Bryon was formerly with Dempsey-Tegeler & Co., and G. Brashears & Co.

First California Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John F. O'Brien has joined the staff of First California Company, 300 Montgomery Street.

Joins Bache Co. Staff

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Manton E. Harwood has been added to the staff of Bache & Co., 235 Lincoln Road.

With Gordon Graves

(Special to The Financial Chronicle)

MIAMI, Fla.—LeRoy D. Crane is now affiliated with Gordon Graves & Co., Shoreland Arcade Building.

With Waddell & Reed

(Special to The Financial Chronicle)

QUINCY, Ill.—Fred W. Sueltman and Henry D. Sullivan have become connected with Waddell & Reed, Inc., of Kansas City, Mo.

Harris, Hall Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — William O. Feeley is with Harris, Hall & Company, 111 West Monroe Street.

Public Utility Securities

By OWEN ELY

Brooklyn Union Gas

Brooklyn Union Gas has advanced in the past year from 18¾ to the current level around 43½. The current dividend rate is $2, making the yield 4.6%. Earnings for the three months ended March 31, 1950 were $1.62 compared with $1.55 last year. This is of course a good quarter seasonally, but indications are that in 1950 the company may improve the $4.32 reported for the calendar year 1949.

Earnings have fluctuated widely in the postwar period, declining from $2.79 in 1945 to a deficit of 29¢ in 1947. In 1948 share earnings recovered to $1.21 and have since improved sharply. The heavy increase in postwar fuel costs, wages, etc., were eventually overcome by substantial rate increases granted by the Public Service Commission, the amounts of increased revenues therefrom being estimated as follows:

Calendar year 1947	$766,000
Calendar year 1948	6,026,000
12 months ended Mar. 31, 1950	8,919,000

The company also benefited last year by the decline in oil prices and the tendency of other material prices except coal to stabilize. Dividends were resumed in 1949 after a lapse of over one and a half years, with total payments of $1.30 in that year.

Commencing in late 1950, the company will begin the sale of mixed manufactured and natural gas under its contract for the purchase of 60 million c.f. of natural gas daily (which may be increased to 70 million). It seems probable that rates may have to be adjusted downward, after the company obtains the benefits of natural gas with resulting lower operating costs. The present "interim" rates have been increased and extended from time to time. On Feb. 28 the company again filed a rate schedule continuing the present rates (due to expire March 31) and the commission permitted this schedule to remain effective for an indefinite period.

During the five years ended 1949 the company spent nearly $26 million for its expansion program, together with normal property additions. Major projects were largely completed at the end of 1949, though the company plans to spend $7.7 million in 1950, including work on the mains and facilities in connection with the introduction of natural gas.

Current sale of bonds and convertible preferred stock are principally for refunding purposes, though some $2 million or more may remain to apply on the construction program. The company recently offered to stockholders the privilege of subscribing (on a 1-for-4 basis at $48) to 186,341 shares of new 4% ($2) cumulative convertible preferred stock with par value of $40 (rights expire May 22). The stock will be convertible into common on a share-for-share basis through June 30, 1960, subject to a redemption, or adjustment under certain conditions. The proceeds, together with the pending sale of $8 million first mortgage bonds, will net some $16-$17 million and will retire the $14.6 million bank loans.

The new preferred stock is selling around 49½ to yield 4.05%. Overall coverage of pro forma fixed charges and preferred dividend requirements was about 2.5 for the 12 months ended March 31. The conversion privilege is not, of course, currently of value in view of the 6-point spread in prices—but the long-term option on the common stock may account for a point or so of the present price for the preferred.

How much will Brooklyn Union Gas be allowed to earn on its common stock after the various adjustments in rates and operations resulting from the introduction of natural gas? Assuming that 6% on the rate base is allowed by the Public Service Commission this might work out as follows: the plant account (original cost) approximated $115 million at the end of 1949, and after deducting the depreciation reserve of nearly $32 million net plant would amount to $83 million. Adding to this the $7 million to be expended this year, less an estimated increase in the reserve of $2 million, would raise net plant account to $88 million, to which could be added say $4 million for working capital, making the estimated rate base $92 million. A 6% return on the latter figure would amount to $5,520,000. Deducting estimated pro forma fixed charges and preferred dividend requirements of about $2 million would leave a balance of $3,520,000 or about $4.72 on the 725,000 shares of common stock. If the preferred stock were converted into common, earnings would be reduced to $4.17. However, should the Commission consider 5½% as a fair return, share earnings would be reduced to about $4.10 with the present set-up, and $3.69 after conversion.

What would the dividend pay-out be under these conditions? The company's past policy has been somewhat erratic, and the present pay-out is of course on the conservative side, possibly because of the rate situation. If the earnings figures indicated above work out, a "future normal" rate of $2.50 to $3 might seem indicated, depending on the factors mentioned. Assuming a possible yield basis of 6%, the corresponding prices for the common would be in the approximate range of 42-50; with a 5½% yield, about 45-55.

Joins Herbert Wolff Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, Ind.—Homer H. Ordung has joined the staff of Herbert S. Wolff Securities Co., J. M. S. Building. He was formerly with Slayton & Co., Inc. and Maxson Securities Co.

With Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David L. Hunt is with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Technical Fund Dist.

SAN FRANCISCO, Cal.—Technical Fund Distributors has been formed with offices at 155 Sansome Street. Partners are Donald L. Colvin, Ernest D. Mendenhall, Jr., and Richard O. Tufts.

Ranson-Davidson Moves Branch to McAllen, Tex.

McALLEN, Tex.—The Edinburg, Tex., branch of The Ranson-Davidson Co., Inc., has been moved to 300 South Main Street, McAllen. W. Vernon Riley is resident manager.

Continued from page 4

Earnings Outlook for The Building Shares

bilities for some of the other companies in the building group. Also, I think the company will probably go back to a $3 dividend basis this year and it ought to begin to pay out more in dividends in the next fiscal year. I ought to say too, that this company is a growth stock as you can see by the fact that its sales have increased about seven-fold over prewar levels, whereas other wallboard companies have had an increase of only about six-fold in their business and indexes of general business activity have gone up four- or five-fold. Moreover, its dollar figures reflect only the small increases in prices, whereas the dollar figures for other wallboard producers and for business as a whole, reflected substantially greater increases in prices. Thus, the growth is really greater than is shown by the dollar figures. I think this stock is fairly attractive, at its present price of around 67.

NATIONAL GYPSUM

One of the very favorable, well-situated parts of the building industry is gypsum wallboard and lath as well as other gypsum products. There has been a lot of growth in the use of gypsum board both for lath and the wallboard. These plants have all had to be expanded from prewar levels and it is my understanding that they have been running at capacity ever since last fall. Margins of profit are fairly good in the gypsum business because it is difficult to find new places for plant locations. You will note that while the companies in the gypsum business have expanded in new locations since the end of the war, nevertheless, most of the expansion has been at their previous locations. Earnings for National Gypsum were reported at 92c in the fist quarter against 67c in the same period a year ago. I have raised my estimate of earnings on this company to around $3.50 a share, based largely upon the recent trends for the industry and upon the favorable showing for this company. There ought to be an increase in dividends for this company to $1.50 a share this year and actually it seems to me that there is a possibility that dividends will be even larger than this. At any rate, the stock on this basis is selling at a high yield and a relatively low price/earnings ratio. It has had a move recently but I would expect it to have another try fairly soon again.

U. S. GYPSUM

Obviously, what I have said about the gysum companies as a whole will apply to this company, as well as it would to National Gypsum. It has wider proft margins than National, I think primarily because it has better locations and has more locations. There are probably other reasons as well. The company showed $4.08 in the first quarter against $3.24 last year and it seems to me that this rate ought to be continued pretty well through the year wih a total of around $16 for the year as a whole. I doubt if the company wants to get the dividends up much above $9 a share, but I think they ought to pay that much this year, possibly about the same way they paid the $9 in 1949. (Incidentally about ⅔ of U. S. Gypsum sales are in gypsum products and 60% or more of National's. Other products include lime and paint, metal lath, hardboard, insulation board and mineral wool.)

CERTAIN-TEED

I ought to talk about Certainteed while I am talking about the gypsum companies. One reason is that, while this company had only about 20% of its sales in gypsum products in prewar years, it raised this percentage to around 35% last year and expects to have 50% of its business in gypsum products in 1950 with the other 50% in roofing materials. I emphasize the relative importance of gypsum products as against roofing materials because the margin of profits on roofing materials is a very competitive thing and is being reduced, whereas profits on gypsum products are increasing.

It looks to me as if Certain-teed is going to show an improvement in earnings over the last year and will probably earn somewhere between $3 and $3.50 per share. They have already earned 65c against 50c so I probably will have to raise this estimate after the second quarter earnings are out. The company's capital structure has been simplified so that it now has only the common stock and it looks as if dividends will again be increased to $1.50, perhaps even more. Here is a stock that has had a bad name historically because of its previous financial setup but it has now cleared all of this up and has become more importantly engaged in the gypsum field. It ought, therefore, to continue to show improvement even though margins in the roofing business continue to hold down profits on that end.

RUBEROID

The Ruberoid Company is one of the better companies in the roofing business. They seem to be able to make money consistently and have been paying out a fairly good share in dividends. Earnings for the first quarter were $1.68 against $1.06 last year, which means that the company ought to do fairly well for the year as a whole even though results are lower in the latter half of the year. I have a tentative estimate of $8.50 a share which has been increased from my previous figure and I believe that they will pay as much in dividends as they did last year when they paid $3.25 plus 1/10 share of stock.

This is a well-run company in a very competitive field. Personally, I would rather not have a roofing company at the present time because margins of profit are considerably above prewar and the competitive price situation is beginning to come back in.

PARAFFINE COMPANIES

This company is not too well known here in the East but is very well known out on the Coast. It is a small operation which uses felt as a raw material and makes it into roofing or into floor coverings in accordance with the trends of demand for these two products. This flexibility in the use of raw materials for the different end products has been of great importance to the company. It has two difficulties and fits the category under point 4, that I have listed at the beginning of this talk. The stock has been depressed because the company cut the dividend and the reason it cut the dividend was because it needed to conserve its funds to build another plant out on the Coast. It needs another location on the Coast because of the labor situation out there. This company too, had a long strike last year. This is a well-managed concern, however, and it has a large interest in Fiber Board Products, one of the better container companies out on the Coast. I would expect this company to earn $2.25 in the current calendar year, although it will have a difficult time showing as much as $1 in the current fiscal year because of strike losses late last summer. It looks as if the dividend for the current year will only be 60c a share against $1.20 last year, but because this stock is down and usually sells at a relatively higher price/earnings ratio than some of the others, I would expect it to do better than the market over the next several months.

AMERICAN RADIATOR

One of the interesting stocks I think is American Radiator. Along this time a year ago the company was experiencing declining sales. Some of their lines were down almost ⅔ from what they had been in the preceding year. This was particularly true in such heating product lines as radiators and boilers. The reason for this decline in sales a year ago was that their distributors were liquidating inventories and were just not placing any orders. When the building picture began to pick up in the fall they couldn't get plants in operation fast enough. They have been selling all they can put out since that time in most of these lines and, fortunately, in some of the plumbing lines they had not curtailed production but had built up their own inventories so that they could later make shipments out of this inventory on the large volume of incoming orders. With residential building showing increases of 50% to 60% over the preceding year on the basis of contracts awarded, and since these contracts awarded tend to lead American Radiator's business by as much as nine months, it is now quite clear that Radiator will have a very good year for 1950. For some time I have thought that earnings would be as much as $1 a share for the first half. Actually, the company reported 46c a share in the first quarter and I think that the $1 estimate for the first half is now low. Normally this company sells more in the last half than in the first half of the year. For this reason I now think that the estimate of earnings ought to be at least $2.25 and perhaps it will be higher than that amount.

This company has a diversity of business in plumbing and heating lines, in the sales of products manufactured by others, in air conditioning lines and in the production of the Detroit Lubricator Company. This latter company produces products for the automobile industry. The most important part of their business, of course, is the plumbing line and it is interesting to note that practically all of the plumbing fixtures are used in new construction. Thus, Radiator will benefit particularly from the residential housing boom. It has been pointed out to me that their business follows with about a 6 to 9 months' lag the trends of floor space for residential and non-residential building. With earnings of $2.25 or probably more, dividends certainly ought to be as high as $1.50. This stock seems to move in a two-point range at a time and it seems to me that it is probably ready for another move. At any rate, I would expect it to do relatively well this year, and it probably will continue to do well as long as the residential building situation stays as strong as it is now. I usually classify the companies into different groups such as the roofing companies about which I have already talked and the gypsum and wallboard companies which I have also covered. Radiator is in the heating and plumbing supply group but is largely concentrated in the plumbing lines.

MINNEAPOLIS - HONEYWELL

Another company in this group is Minneapolis-Honeywell but it is largely concentrated in the heating line and, of course, particularly in heating controls. This is a growth company largely because of one particular factor. This factor is the application of electronics to their home-heating controls and to their industrial controls as well. During the war the company manufactured a large share of the automatic pilots, which is an electronically controlled device. They learned a lot about the subject through their research work and they have applied this knowledge to their particular line of products. They say that already half of their industrial controls manufactured by the Brown Instrument Company use the electronic principle. They can get a wider range of control, a more precise control, and simplification of the types of controls to be manufactured. In the home heating fields there are about 8,000 different types of controls. With the full use of electronic controls, they probably can reduce these to six major basic types. In this field, electronics has allowed them to develop one control for a wider range of uses.

Right now their business is much better than a year ago for two very simple reasons. One is that the winter has been fairly open and there have been more installations and remodelling jobs. Another factor is the opening up of new territories for the use of natural gas which requires new controls for remodelling heating plants. For this reason they have good business for a season of the year which is usually poor for them. The increase in home heating controls has more than offset declines in the Brown instrument business where sales have reflected the falling off in expenditures for new plant and equipment. Nevertheless, they may have just about turned the corner on the Brown Instrument business and should continue to have good business in home heating controls. Meanwhile, another important segment of the business, namely aeronautical work, that they do for the government, largely in automatic pilots, is contributing a substantial amount to profits. This business does not have any wider profit margins than their other business but is getting to be a fairly good volume.

The split of this stock recently helped its move in the market. The company will probably earn around $4 a share on the new stock and apparently will pay at the $1.60 rate with possibly an extra toward the year-end if earnings are as good as expected. The stock has always sold on a fairly high price/earnings ratio so that it probably will go along with the market even though on a price/earnings basis it is somewhat higher than other building stocks. Probably the growth factor here is important in its price/earnings ratio.

JOHNS-MANVILLE

I learned a lot about Johns-Manville when I used to work up there in the early 30's. I have learned a lot more since then. This company is partly an industrial raw materials producer and partly a building materials producer. I would say that it is probably closer to 60-40 on the building material side and may be more than this if their asbestos cement pressure pipe is included in building materials where I would put it, although they classify it in the industrial products line. There are three or four important things about this company which really mean a change in its characteristics from what it used to be. For a long time it was proper to consider the outlook for this company about in line with the trend of business as a whole because, with a large share of its output in industrial products, its sales and earnings tended to fluctuate with conditions generally. There has, however, been a change and I think it is significant. One of the most important things is the relative importance of earnings from the mining operation. In recent years mining profits have contributed up to 42% of the total. In bringing them over they pay more American taxes on them, but this is the net after all taxes on the Canadian mining profits. The mining operation is important because it appears to be relatively more stable than its domestic sales, particularly in industrial products. A second important factor is the substantial growth in sales of asbestoe cement pressure pipe which it markets under the trade name "Transite." The capacity for the production of Transite pipe is double prewar levels. This is important when it is considered that in the largest postwar year of production of cast iron pressure pipe, with which it competes, the total sales were no greater than they were in 1941 or 1937. In other words, it is quite obvious that Transite pipe has made inroads into the pressure pipe fields. The sales of Transite pipe probably account for no more than ⅛ of total sales, but like the Canadian mining profits they account for a considerably greater proportion of total profits.

Moreover, sales of transit pipe tend to boost the profits on mining. The way that works is this: Before the war the company had to buy longer fiber (which it did not produce) for use in the production of asbestos cement pipe. In the postwar period they had begun to find ways to use more and more of the short staple fiber produced at the Asbestos mine in Canada, but the proportions of foreign fibers was still by far the greater amount. When they had a strike last year they were practically forced to discover a new asbestos source. They had been prospecting in other areas in Canada and they found this new asbestos mine. As they developed it they found that it was a longer staple fiber which could be used in their "Transite Pipe" manufacture. Hence the new mine, while it is only a fraction of the size of the mine at Asbestos, Canada, will be relatively more important profitwise because it supplies some of this longer staple fiber. This means that they will have their own market for the output of the new mine in "Transite Pipe" production which is a growing item.

Another factor that is important in their mining profits (and I continue to emphasize this segment of the business because it has most of the growth and is very stable) is the growth in the use of asphalt tile. This may sound very strange but the fact of the matter is that asphalt tile is really asbestos tile because 50% of this composition by weight is asbestos. More importantly it is the very low grades of asbestos which are used in asbestos tile, grades which were thrown away before the war. Now the company can market these lower grades and pick up the additional profits.

In addition to these factors, is the growth and the use of "Transit Flexboard" and some of the other products on which the company has done considerable research. I have given you most of the factors on this company, including its moderate growth trend and its changes in characteristics. I have liked it reasonably well and I think it will have a better than market performance based upon the expected earnings of $5 or more and a possible increase in the dividend over last year's $2.50. Historically, the price of this stock is relatively high but I believe that is accounted for by the changes in its characteristics.

CEMENT STOCKS

I have been fairly optimistic on the cement stocks. I expressed this opinion in my talk before the Federation of Security Analysts. The fact of the matter is that they haven't done too well although I find that based upon the first quarter earnings I will have to raise my estimates on both General Portland and Lone Star. As I had indicated before, one of the drawbacks is the threat of imports along the Eastern Seaboard. This threat will certainly affect companies with plants in the East such as Alpha and Penn-Dixie. As a matter of fact, both of these companies showed sharply lower first quarter earnings than in the same quarter of last year and these 1950 estimates may have to be reduced. This probably is having an effect upon the industry as a whole but I doubt if it should because the others are fairly well protected with their properties in a more favored location. While high freight rates prevent shipments from mills very far inland to the Coast for competition with cement from abroad, these same rates also prevent the foreign competition from going very far inland. Thus, I think one is justified in expecting higher earnings in 1950 for General, Lehigh and Lone Star. I think General will earn about $6, Lehigh $7-7.50 (although I don't have a first quarter earnings report on Lehigh) and Lone Star should earn $11 or perhaps more. General showed a considerable improvement in earnings over last year and Lone Star showed $1.97 against $1.67 in 1949. These companies might pay more in dividends but it seems a little doubtful as yet since they keep spending large amounts for new plants. Earnings for the cement companies were very good last year and they ought to be very good again this year and in fact, it may be sometime yet before their earnings start to taper off.

NATIONAL LEAD COMPANY

One of the interesting situations in the building group is National Lead. It gets its interest largely because it was one of the first producers of what has become a very fast growing pigment, I mean of course, titanium dioxide. Actually this is the largest single division of sales for the company and it accounts for an even larger proportion of earnings. Titanium dioxide or TI02, as a chemical symbol, is a very stable compound. It is extremely opaque and it has good wearing qualities. Thus, it is one of the best of the pigments and has almost shoved white lead out of the market. It is a good opaqueing agent for paper, particularly those grades which need to be printed on both sides, and are not coated and it finds large use in the rubber industry for white-walled tires. Actually, this product plus the baroid muds for oil well drilling and the bearing metals for railway equipment have increased in volume enough to offset declines for other products of the company. These three products account for more than 50% of sales and a considerably greater proportion of profits.

Even though titanium dioxide has shown such phenomenal growth, if this were the only product involved I would not consider National Lead as a growth company. The romance in this situation, however, is in titanium metal. It has not yet been produced at low cost. Moreover, it may not be so produced before another two years or so. The difficulties in producing titanium metal come from the fact that it is an unstable metal whereas titanium dioxide or the oxide of this metal is very stable. Hence at higher temperatures the metal turns back to titanium dioxide at a very rapid rate and unless extreme care is exercised in its manufacture, which makes the process expensive, the titanium will turn back to oxide before it can be cooled. The chemists are working on this problem and presumably they will come up with the answer in terms of an economical process within a few years, but it is a tough problem and it may not be solved soon. If it ever is solved then this metal has a great future because it has the strength of nickel and the lightness of aluminum.

I probably have talked about National Lead a little too long because personally, I think that it has a little bit too much romance in its market price at the present time. Nevertheless, I still think that it is a stock that we ought to keep very well in mind for its longer term potentialities. In other words, I think this stock has the first characteristic that I mentioned above, although not many of the others.

CRANE COMPANY

I do not know how many of you may be interested in the Crane Company. Here is a company that sells at the equivalent of its net working capital in the U. S. In addition it has about $5 of net working capital outside. Its troubles are very simple, but also very serious. There is too much capacity for the production of valves. The price structure is weak and nobody in the industry seems to be able to make much money. Earnings for the company were sharply lower last year and it seems likely that they will not show much improvement this year. I doubt if they will pay much more than $1.60 regular dividend this year as against the $2.25 paid last year.

I may have given too much detail on some of these companies but I hope that you have found some of these stocks which are of interest to you.

Continued from page 5

Observations . . .

ment management, and the like—which are continually broached in the public sales literature as the *raison d'etre* of the funds. Such behavior by the public indicates that the business has a long way to go in its educational efforts.

Money-Back Threat Popularizes the Racing Chart

The attractiveness of the money-back guarantee was recognized by the U. S. Treasury Department in devising its War Bond Drives. Despite the intense patriotic motive involved in wartime, the cash-in feature was deemed a necessary sales inducement (albeit with a penalty element).

The trouble with this ready-redemption feature in mutual fund selling is that it stimulates the speculative elements in that field, being the main instrument making the open-end less investment-slanted than the closed-end trusts. It does this in a number of ways. In addition to pandering to fund-switching and to market-timing operations by holders, it causes them to pay undue attention to the month-to-month record of competitive "achievement" in terms of asset-value score-keeping—like switching bets during a horse race.

This has a directly harmful practical effect on management policies, in penalizing judgment which might otherwise deem it advisable to maintain considerable proportions of cash holdings uninvested during certain stages of a bull market. Although such a cash-holding policy might be sound in conforming to the basic investment principle of diversification, it would tend to make the management lose out to more fully invested portfolios in "the race" during bull markets.

During major bear periods, consciousness of the threat of enlarged redemption likewise interferes with managements' investment judgment in stimulating them to maintain larger cash reserves for such emergency, than they ordinarily would. Of course, the un-redeemable closed-end funds are affected by similar interferences with objective judgment, but not to nearly so great a degree.

Remedies

Two courses of remedy come to mind at this point. First, the entire privilege of unhindered cash-ins might be examined and questioned. In the case of U. S. Savings Bonds, there is a sliding-scale penalty feature, correlated with the length of retention. Since the mutual fund business probably cannot remove the redemption feature at this stage of its activities, some sliding-scale penalty techniques might be applied to all open-end funds, as they now are to Fund Savings Plans. Perhaps in the case of existing funds, this effect could be achieved in reverse through a method of bonus for continued holding.

Second, the education of the funds' investing public must be radically improved, to make it actually practice the principles of serious investment which the sales literature broaches. The public is being exhorted with elaborate literature to place its savings in the trusts to gain expert investment management through pooled resources, and the security of income on the level of life insurance planning; but once they have made their investment, the subscribers quickly get into the frame of mind of the ordinary speculator merely trying to "beat the market."

If this new army of market participants can be educated to embrace constructive attitudes, the entire investment community will receive a very great fillip, and the fund business will at the same time be serving its own vital self-interest.

With E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Vincent J. Kaczyk and William H. Seaver have become connected with Edward E. Mathews Co., 53 State Street.

Corn Exchange Appoints

Corn Exchange Bank Trust Company has appointed Thomas G. Anderson and Robert A. Geib as assistant secretaries.

John Gardner Opens

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.— John Gardner is engaging in a securities business from offices in the Exchange National Bank Building.

M. J. Sabbath Opens

(Special to THE FINANCIAL CHRONICLE)

WASHINGTON, D. C. — M. J. Sabbath is engaging in a securities business from offices at 1627 K Street, N. W.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week's column was given over to horticultural pursuits, more specifically to the planting and raising of lawns. The fact that I'm a dismal failure, having so far failed to grow anything but weeds, hasn't made me less of an authority. In fact if I could lay end-to-end the subjects I'm an authority on, they would look rather silly.

* * *

All of which brings me back to the stock market, on which I am definitely not an authority. But having lost (and made) some money in buying and selling them for the past, oh—a lot of years, I can write like I know all the answers.

* * *

Last week I observed in passing that the street was full of pat opinions. One group saw nothing but chaos ahead; another saw the prevailing market as an opportunity to get in before they started up. Modesty not being one of my virtues, I jumped in with an opinion that dullness rather than positive moves would be the order of the week.

* * *

During the last seven days the rail strike has come and gone. The New York Telephone company found a hole in its pocket, asked for and got a raise and the market took it all in its lethargic stride, seldom stirring in any excited fashion.

* * *

But while all this was going on it was interesting to note that here and there a few more stocks managed to creep out of their long trading ranges and establish themselves on a new plane. What was interesting about it was that in doing this they challenged the belief that distribution was going on. In fact they gave rise to thoughts that a new accumulation was in the making.

* * *

Whatever changes there were on the downside seem to be limited to fractions, while changes on the upside were a point or better.

* * *

The group which I think shows this most clearly is the one that includes the building stocks like Masonite, Crane, Flintkote, Certain-teed and Timken Detroit Axle. The latter comes in due to its oil burner.

* * *

If the signs are to be believed the conclusions are that the above named stocks are buys at or around present prices. I therefore suggest buying Certain-teed at 18 or better, stop at 15; Flintkote 33 or better, stop at 29; Timken Detroit Axle 17 or better, stop at 14.

* * *

Masonite is already up and by the time you read this will probably be higher. Crane is fair and so is Mullins. For the time being I suggest sticking to the above.

[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.]

Morgan Stanley Group Offers Ohio Ed. Bonds

Morgan Stanley & Co. and associates are offering to the public today (May 18) a new issue of $58,000,000 Ohio Edison Co. first mortgage bonds 2⅞% series of 1950 due 1980 at 102¼% plus accrued interest to yield 2.764% to maturity. The issue was awarded at competitive bidding on May 16.

Proceeds of the sale will be used for the redemption and retirement of the outstanding $58,600,000 principal amount of long-term debt of Ohio Public Service Company assumed by Ohio Edison in connection with the recent merger of the two companies.

The new bonds are redeemable at 105½% if redeemed prior to May 1, 1951, and thereafter at prices decreasing to the principal amount if redeemed on or after May 1, 1977. Special redemption prices range from 102¼% to the principal amount. The bonds have an improvement and sinking fund.

Two With Daniel Rice

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—George E. Hudson and Rumsey N. Trezise have become associated with Daniel F. Rice & Co., Broward Hotel. Mr. Hudson was formerly with Lawrence R. Leeby & Co., and Leedy Wheeler & Co.

Continued from first page

The Business Outlook

professor—those four funny men who have a mutual contempt for each other, and who are all four right so long as they stick to each other's faults—must share about equally the sins of omission, the qualms of doubt and the repressions of fear which have deprived us, and are depriving us, of the full realization of our economic possibilities. So many of us are so busy looking for hidden or imaginary weaknesses that we overlook the obvious strengths.

What a sorry, negligible and poverty stricken lot I would be addressing here today if the pessimists had been right in their gloomy predictions over a century and a half! What a sorry lot you will be in 1960 if our contemporary crop of billious fearmongers could make their nightmares come true!

In the early 1800s a member of the British Parliament argued that men could not stand being hurled through space at the terrific speed of 12 miles an hour on a railroad train. Some people in the United States, about the same time, felt so sure that the human frame could not stand the strain of hurtling over the earth at a speed of 20 miles an hour that they formed a society for the prevention of railroads. Yet, I recently asked an engineer from one of our great airplane manufacturers what speeds they expected to attain. The answer was "22,000 miles an hour or around the world in an hour and a quarter. Even the more conservative of us think 12,000 miles an hour is not too far away once we've really broken through the supersonic ceiling." Even you and I can remember when 40 miles an hour was fast.

In 1833, the head of the U. S. Patent Office decided to resign. He was issuing what was to him an astoundingly large number of patents—about 600 annually—but he thought that everything of importance had been invented. Since his resignation, well over two-and-a-half million patents have been issued. One of his successors issued 53,473 in a year, and a very large number of them were on tires, batteries and accessories for automobiles which were still over the horizon of history. Every basic invention gives birth to a great family of inventions.

By 1904, some leading financiers were warning that the automobile industry was over-expanded and facing bankruptcy! We made 23,000 vehicles that year. We now turn out that many in a day. In 1908, an investment house refused to finance a merger of two well-known automobile companies, because the industry had already saturated its market. We turned out 65,000 units that year—an easy three-and-a-half-day chore today. Last September, before the coal and steel strikes interfered, we turned out over nine-and-a-half times as many units in that month as for that entire "saturated market" of 1908.

Only a few believed in 1942 that we could turn out 50,000 war planes per year. That number was thought to have good propaganda value to scare the Germans and Japanese, but it brought cynical knowing smiles across the nation's breakfast tables—and in many board rooms as well. We more than doubled that, reaching an annual rate of 109,404 at our peak.

No Outgrown Economy

Far from having reached maturity, or the hopeless senility attributed to it in the '30s, our economy has just outgrown the awkward self-conscious age of puberty. Much of its growth period is still ahead. The present readjustment is merely a "growing pain" common to youth. Understanding and guidance, rather than hysteria, are necessary to its continued development and growth.

In 1944 we heard loud wails about unemployment reaching 10 to 12 million during our postwar reconversion period. Government, industry, labor and universities each contributed to the wails, and the sensationalism of such a threat drowned out the calmer voices of those whose faith was based on facts rather than fears. The maximum unemployment during reconversion was 2.7 million.

Faith based upon facts, rather than blind pessimism or equally blind optimism, has in store for us wonderful future rewards if management, labor and government use even a modicum of their joint intelligence and combined efforts. The anvil of faith wears out many hammers.

Business measured by any standard is unusually good, and there is every reason for it to continue so over the long term. Instead of the hopeless outlook of years of austerity or actual poverty ahead for most of the earth's population, we are faced with the enviable problem of learning to live 25% better by 1960.

The present period of readjustment, or any other fancy name you wish to give it, is not only a natural but a desirable happening which we should welcome and ride out rationally with thanksgiving that it was not delayed longer. On March 26, 1947, I said in speaking to a group of bankers, "The trend to further inflation is the only barrier I can see to the enjoyment of a long period of sound prosperity to the great advantage of all. If our business leadership is not capable of solving this clear-cut and definite problem, and solving it decisively, aggressively, and quickly, the penalties will be crushing, the public will lose faith, and the private enterprise system definitely will be in the dog house both at home and abroad. People will fail to recognize the fact that the cause of the failure will be the shortsightedness of people, rather than the failure of the system." Any resumption of inflation would be most unfortunate in that it would delay readjustment.

Favorable Outlook

Our present business climate and outlook are remarkably favorable with only a few small clouds in the economic sky. Some of these can grow larger and blacker—but only through complacency and unbelievable muddleheadedness on the part of business, government and the general public.

This is not a 1921 or a 1929 in which we find ourselves today. The over-extended consumer credits, heavy farm mortgages, clogged retail shelves, high interest rates, meager savings, low incomes, heavy unemployment, insecure labor, sudden and deep price drops, buyers' strikes, bank failures, mad speculation and panic of these periods are entirely lacking. This is the most talked of, most forewarned, longest expected, and most guardedly approached readjustment in our history. These facts in themselves constitute a major blessing.

The temporary reluctance of both business and consumers to spend money, which so many feared last year, has disappeared. Even that was largely due to retail inventories reduced through fear to the point where free choice of merchandise was denied the consumer.

How often we hear the statement these days that production is catching up with demand on many items! But, is it? How many of you have all you want of goods or services? How few of you aren't ready to buy more—if convinced that good values are available? Demand is practically insatiable, given purchasing power *and the desire to use it.* Even the deepest-dyed pessimist can't deny that purchasing power is vast today.

Unemployment during the past several months has been grossly overplayed and misinterpreted by the press and in business thinking. An unemployment of 3 to 3½ million with our labor force of its present size is about the minimum necessary to cover reasonable shifts and normal turnover and to permit any selectivity in skills and aptitudes. A temporary readjustment peak of 5 million would not even be cause for grave concern, and there is little likelihood of that peak being reached. Because of an increase in our labor force, we have been in the peculiar position of having both more employed and more unemployed in a given period as compared to the same period a year ago. Only the unemployment has been played up usually in the press.

Still Great Backlogs in Unfilled Orders

Is it reasonable that we go on indefinitely, and with no breathing spells, beating the highest production records in history—records envied by the whole world? There are still great backlogs of orders, particularly in the durable goods field. Textiles and shoes were centers of pessimism last spring. Look at them now. Of course, backlogs can be expected to shrink. The big ones are hangovers of the seller's market.

Federal finances are bloated. Not only must further bloating be resisted, but this inflated baby needs burping badly. On the other hand, military and foreign relief expenditures are very considerable props to our present high level economy, which props we hope can be replaced by freer international trade once the cold war with Russia ends.

While thinking of government, a warning for business leaders to do some hard thinking is also in order. Do we really believe in competitive free enterprise, or are we "talking a good game"? Do we want government in business or not? Our actions sometimes speak so loudly they drown out our words on this question, and when the two come together on the record the result is often embarrassing to business, amusing to government, and puzzling to the public. The alacrity with which business and agriculture have gone to cry on the shoulder of government and invited government to intrude itself is disturbing to say the least, and many of the requests made are hardly commensurate with the best long-range interests of the competitive free enterprise system.

During the '50's the decision will be made irretrievably as to whether business or government can offer more to the public in the way of real economic security. Let's not kid ourselves. The public pays for it either way. You do not, except as a consumer. If you do it, the public pays in higher prices,—unless you can offset your added costs with increased worker productivity and other efficiencies. If the government does it, the public pays for it in taxes,—but undoubtedly at higher costs in money and most certainly at a much higher cost to initiative and our present ideas of freedom. It is written in the stars and trends that the challenge of man's economic security must be met. Figure out for yourselves which way will cost the least, then decide whether you would like the public relations value of doing at least a major part of the job,—or would prefer that government take the full credit in the public's mind, leaving you in the proverbial dog-house to lick your self-inflicted wounds. Any rearrangement of our prejudices is a poor substitute for thinking on this one, for we are now a nation of employees. Backing into our future, looking into our past, will not meet this challenge.

Non-wage labor costs to industry are increasing and will probably increase further. The hourly or weekly wage rate is no longer a complete measure of total labor costs because the growing costs for pensions, paid vacations, profit sharing and medical benefits,—which do not usually show up in wage rates — cause considerable understatement of the total labor cost of doing business. The so-called "fourth round" of the labor unions has pushed for these non-wage benefits. Any considerable wage increases or further strikes at this time will merely delay our readjustment, raise prices, and increase buyer reluctance.

As to the favorable factors in our business climate, they are so numerous that even reciting a complete list of them is impossible within the bounds of this address. To "count your blessings one by one" is really a sizable job. Having been in more than fifty countries, I have never found but two, possibly, in which the people, even in what they consider prosperous times, would not have envied us even in the depression of the early '30's. It is most unfortunate that more of our people do not realize this fact and act accordingly.

Since 1940 you have had a Canada and a Norway added to your market, — almost 19,000,000 increased population. Our population has increased to 151,000,000. Between now and 1960 you will have added to it the combined populations of Norway, Bolivia, Panama, Paraguay, Costa Rica, and Luxemburg. When a boy is born today his life expectancy is about 66 years. If he's born in 1960, it will be 68.2 years. A boy born in 1850 could expect to live to the ripe old age of 38.3 years. Your customers are living more than 25 years longer than those of your grandfather. That extra 25 years of buying time is a huge addition to the richness of your market.

War Baby Bonus

The war baby bonus,—approximately 6,000,000 more babies than would normally have been born between 1941 and 1948—will add much to the richness of your market in the '60's as they marry and establish new homes.

An obvious but generally overlooked fact is that the market for many products and services grows at a much faster rate than the population itself. Families are your buying units for most goods, and the number of families increases at a much faster rate than population. Between 1930 and 1940 the number of families increased 16.6% while population increased only 7.2%. The family rate of increase was more than twice that of population. In England it is almost three times the population rate. About 40% of our present families are the result of 17½ million marriages since 1940. You have to try hard to avoid thriving in a market growing as rapidly as that.

Your market will be an increasingly well educated and discriminating one. Illiteracy is now only 2.7% of people 14 years of age and over. In 1948 over a third of our population age 21 years and over had a high school education. By 1960 approximately half the adult population will have gone through high school and more than six out of each hundred will have a college education. Far more will have some high school or college training.

There is a "law of marketing" in your favor. Many millions, including 14,000,000 ex-service men and almost as many women were uprooted from old environments and standards of living during the war. They attained new standards, tastes, preferences and desires. People will fight far harder to retain the standards they have reached than they would have fought, on their own, to reach them. Family living patterns, once established, do not change much **of their own accord**, in spite of increased or reduced incomes. Even with increased incomes the family scale of living tends to rise s l o w l y unless environment is changed or buying is stimulated. **That stimulation is your job and mine.** On the other hand, large declines in family living expenditures do not usually follow income cuts, so long as savings and credit are available. Remember always that markets are people with purchasing power **plus the desire to buy.** Maintaining and expanding that desire to buy is the function of advertising and selling, — again, your job and mine.

Consumers Ability to Buy

The ability of consumers to buy now is unquestioned even by the most pessimistic. Personal incomes for 1949 amounted to $212 billion—only 2% under 1948. Total disposable income (after taxes) amounted to $191.2 billion last year as compared with $190.8 billion for 1948. Disposable income is at a rate of 2½ times that of 1940 and should rise slightly during the coming months.

After paying taxes and subtracting from personal incomes the basic living costs (food, clothing and shelter) to give us a living standard equal to that of 1940, we have left what we call **discretionary purchasing** power. That is the money which the consumer can either spend or save at his discretion. Discretionary purchasing power last year was almost four times that for 1940.

Liquid a s s e t s of individuals (stored up purchasing power) are 3½ times those of 1940 ($178 billion now compared to $52.4 billion in 1940) and even at today's higher p r i c e s represent a purchasing power double that of 1940 savings. Savings are the highest and best distributed in our history. Savings of individuals amounted to $11.8 billion for 1949—only $0.2 billion under 1948. Large savings mean delayed buying, but they also mean a firm, active, broad and relatively stable future market.

Indebtedness, b o t h consumer and farm, is very low as compared to either savings or disposable income. Even with consumer credit reaching $18 billion it would only be a little over 9% of disposable personal income and 8% of individual savings. These percentages compare most favorably with 12% and 13%, respectively, in 1940. Liquid assets available assure ability to meet such indebtedness even if current incomes should decrease. Instalment buying is not a danger as in 1929.

Farm mortgages are little more than half those outstanding in 1929. Total farm income in 1948 was three times that of 1940 in spite of some decreases in prices of farm products. Changes in the overall financial position of farmers show an even more remarkable gain. Farmers' cash assets in 1948 were over $22 billion as against $5 billion in 1940, and they has around $2.50 in cash or its equivalent for each dollar of debt compared to $0.50 in cash for each dollar of debt in 1940. There seems little likelihood of the withdrawal of government price supports, and farm purchasing power will remain high. Exports of farm products, however, can be expected to drop, unless European crops for 1950 are poor. Farm income for 1950 will be slightly under 1949 but 2½ times that of 1940.

Income is more widely and equitably spread than ever before, and there have been great upward shifts of f a m i l i e s by income groups. By 1960 real incomes will be considerably higher and more evenly distributed than now. It will be more difficult to make a fortune but less difficult to attain a reasonably high standard of living.

An additional $2.8 billion of purchasing power has been released this year in the form of premium adjustments or refunds on Second World War veterans' insurance.

Interest rates are low and promise to remain so indefinitely, with a plentiful supply of funds to eligible borrowers. There was no credit stringency even at the top of the boom.

Corporation profits have remained very high, and even with some declines in profits the shareholder should fare better this year through getting more than the 40% of profits he has been getting of late. Some of these shareholders had begun to wonder if management was becoming as "confiscatory" as government.

Unemployment insurance, other Social Security benefits, savings, low indebtedness, stockpiling programs, farm price supports, and the ECA program are all "cushions" which we lacked in 1920 or 1929, and they can do much to avoid depression. Both Federal and State governments will increase public works programs, many of which are long overdue, if unemployment increases appreciably.

Expenditures for new plant and equipment by industry have remained surprisingly high and will be only slightly under the peak year 1948 of $19.2 billion, in spite of the fact that many companies have completed or are nearing completion of modernization and expansion plans. Many manufacturers would even increase their capital goods expenditures if they could sell their company's stock at 10 times earnings. Any decrease in industrial construction in 1950 will be at least offset by increased construction of public utility plants, highways, hospitals, schools, water systems, river and harbor projects and pipe lines.

Many plants have completed expansion or modernization programs and are equipped to operate with increased efficiency. Increases in productivity of equipment, management and labor still have great opportunities to offer and both management and labor are going to find it advantageous to profit from these possibilities.

Total construction is expected to exceed $19 billion this year. Although private construction may decrease slightly, public construction increases are expected at least to offset that decrease. At least a million n e w nonfarm homes will be started this year, in spite of the morbid fears of last summer. The building needs of farm homesteads are not included in these figures and are still great.

Manufacturers' and distributors' inventories were low at the beginning of the year. Inventories must be appraised in the light of increased population and inflated dollars. Taking these two factors into consideration, total retail inventories are in many cases actually too low to permit proper consumer choice and immediate delivery.

Although exports will break no records this year, they will remain extremely high as compared to any prewar standards. I am far more concerned about increasing our imports so that we can be paid for these exports, and can receive interest and dividends on present and future investments abroad. Most Americans unfortunately have not yet changed their attitudes to conform to our change from a debtor nation to the world's largest creditor nation. Creditor nations must either increase their imports—or give away a goodly proportion of their exports of goods and capital. We have done exactly that to the tune of well over $50 billion of American taxpayers' money between 1914 and 1950. This is an extravagant and inexcusable subsidy to American export industries and a terrible price to pay to that wanton political and economic harlot parading under the misleading name of "Favorable Balance of Trade." Our standard of living is increased by imports as well as exports and giving our exports away decreases that standard.

Stock Market Deflated

The stock market is thoroughly deflated in sharp contrast to the rampant inflation of 1929. Many stocks can be bought for less than the liquid assets represented. Far more can be bought well under their book value. Reducing margin requirements from 75% to 50% hardly made a ripple on purchases or prices. This is a definite rock-bottom strength completely lacking prior to past depressions.

Business failures last year were less than half the average annual failures of the so-called prosperous '20's,—and of course there are far more business concerns now than then. In the '20's the failure rate was about one out of a hundred concerns. Last year's rate did not exceed one out of 300.

The actual **physical volume** of retail sales in 1949 slightly exceeded that of 1948, although due to some price declines the dollar volume was about 3% lower. However, that 1949 dollar retail volume was more than three times the 1939 volume. What a recession year 1949 was!

Last year's pessimists missed badly on the first quarter of this year, and they have advanced their "day of doom" to the last half of the year with some of them admitting now that the entire year may be good. Our output of goods and services during the first quarter this year established a new record. Corporate profits exceeded those for the same period a year ago. Consumer buying established new records. Employment came back up with a bound, — and will increase further. Home b u i l d i n g "starts" made an all time high. Public construction literally bounced. Investment in plant and equipment remained high. Those are but a few examples to bring us right up to date,—and to throw in the face of the defeatist.

Basic economic conditions are strong, favorable, and sound with plenty of income, liquid assets, credit reserves, and unsatisfied wants. There are still many new products, techniques and methods to come. A gradual process of readjustment holds no basis for fear, but for confidence and hope instead. But, **don't fall into the complacent error of assuming that you can capture the market of the '50's with 1939 or 1945 model advertising and selling. The job is bigger. The needed impact is greater.**

Management should question itself sternly and objectively on the soundness of its experience, methods, viewpoints, and philosophies as a source of future policies and plans. In that soul-searching we might ask ourselves the question, "How much of our past success has been really due to good management and how much has been due to sheer growth in numbers, — population and families?" In o t h e r words, has management really made the most of its opportunities, or has it merely gone with the wind?

The cocky, hell-bent-for-leather '20's; the bitter, humbling, and humiliating '30's; and the roaring, c a r e l e s s, production-crazy but marketing-blind '40's, afford management but few constructive solutions to the problems of the '50's and the '60's. Perhaps they have even left in the minds of management some unfortunate fear psychoses which are a poor substitute for caution based on facts. These three decades do show a woeful lack of coordination of our productive capacities with other phases of our economy, —marketing, public relations, the economics of consumption, government and labor for instance. Each of these will have greatly added weight in the decisions of the next two decades, and in creating the economic climate in which all of us must live. The opportunities are unlimited. The question is, "What will we do with them"?

Only those repulsive twins,—Fear and Doubt — conceived in Ignorance, sired by Complacency, dammed by Strife and wet nursed by Improvidence can deny these opportunities to us.

First Boston Group Offers So. Calif. Ed. Pfd. at $25.50 a Sh.

A nationwide investment banking group, jointly headed by The First Boston Corp. and Harris, Hall & Co. (Inc.) on May 17 offered publicly 1,000,000 shares of 4.08% cumulative preferred stock, $25 par, of Southern California Edison Co. The group, composed of 135 underwriters, is offering the stock at $25.50 per share.

Proceeds of the sale will be used to retire $13,000,000 of bank loans, which had financed part of the company's construction program, and for continuing expenditures in connection with that program. During 1946-1949, the company spent $219,637,000 on expansion and expects to spend $[illegible],000,000 more in the period 1950 and 1951. Four generating units of 70,000 kw. each have been installed in the Redondo Beach Steam Station. A new hydroelectric plant now under construction on the San Joaquin River is scheduled for completion in 1951 with a rating of about 84,000 kw.

The new preferred is redeemable at any time at $26.25 per share if redeemed on or before May 31, 1955, and thereafter at prices d e c l i n i n g to $25.50 per share if redeemed after May 31, 1965.

Lee Higginson Group Offering Household Finance Pfd. Stock

A group of underwriters headed by Lee Higginson Corp., Kidder Peabody & Co. and William Blair & Co. on May 16 offered publicly a new issue of 100,000 shares of Household Finance Corp. $100 par value 4% preferred stock at $102 per share plus accrued dividends from May 15, 1950. The preferred stock is subject to annual retirement through a sinking fund beginning in 1951 sufficient to retire the whole issue in approximately 50 years.

This financing will broaden the company's invested capital base, the proceeds to be used to increase working capital.

Household Finance Corporation with its subsidiaries is one of the largest organizations engaged in the consumer finance (small loan) business. At December 31, 1949, its outstanding customer notes receivable amounted to $207,125,905 and represented 1,064,332 loans. Business is conducted through 499 branch offices situated in 339 cities of 29 states and eight Canadian provinces. The company's general offices are in Chicago.

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)	May 21	101.3	100.1	100.0	95.6
Equivalent to—					
Steel ingots and castings (net tons)	May 21	1,931,000	1,908,200	1,906,300	1,762,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 6	5,058,450	5,013,950	4,997,600	4,953,300
Crude runs to stills — daily average (bbls.)	May 6	¶5,399,000	5,314,000	5,170,000	5,172,000
Gasoline output (bbls.)	May 6	18,270,000	18,038,000	17,792,000	17,530,000
Kerosene output (bbls.)	May 6	2,056,000	2,029,000	2,156,000	1,831,000
Gas, oil, and distillate fuel oil output (bbls.)	May 6	7,162,000	6,531,000	6,648,000	5,955,000
Residual fuel oil output (bbls.)	May 6	7,178,000	7,272,000	7,783,000	7,895,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 6	127,431,000	128,655,000	135,116,000	123,728,000
Kerosene (bbls.) at	May 6	13,364,000	12,825,000	12,784,000	11,178,000
Gas, oil, and distillate fuel oil (bbls.) at	May 6	37,466,000	36,686,000	33,288,000	51,442,000
Residual fuel oil (bbls.) at	May 6	38,766,000	39,260,000	40,494,000	60,828,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 6	744,040	745,350	700,129	763,327
Revenue freight received from connections (number of cars)	May 6	655,734	658,657	655,179	620,305
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 11	$183,343,000	$250,591,000	$177,569,000	$130,991,000
Private construction	May 11	90,214,000	140,944,000	105,101,000	57,863,000
Public construction	May 11	93,129,000	109,647,000	72,468,000	73,128,000
State and municipal	May 11	64,654,000	79,032,000	57,698,000	63,148,000
Federal	May 11	28,475,000	30,615,000	14,770,000	9,980,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 6	10,770,000	*11,115,000	11,500,000	11,284,000
Pennsylvania anthracite (tons)	May 6	953,000	993,000	816,000	982,000
Beehive coke (tons)	May 6	126,200	*128,300	93,400	137,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 6	300	*285	320	334
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 13	5,864,326	5,371,684	5,363,247	5,256,976
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 11	217	199	201	171
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 9	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	May 9	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	May 9	$32.08	$31.08	$28.83	$22.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 10	19.200c	19.200c	18.200c	17.700c
Export refinery at	May 10	19.425c	19.425c	18.425c	17.925c
Straits tin (New York) at	May 10	77.250c	77.250c	76.000c	103.000c
Lead (New York) at	May 10	11.500c	11.000c	10.500c	14.000c
Lead (St. Louis) at	May 10	11.300c	10.800c	10.300c	13.850c
Zinc (East St. Louis) at	May 10	12.000c	11.250c	10.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 16	102.59	102.70	102.87	101.66
Average corporate	May 16	115.82	116.02	116.41	113.12
Aaa	May 16	120.84	120.84	121.25	119.00
Aa	May 16	119.41	119.41	119.82	117.40
A	May 16	115.43	115.63	115.82	112.37
Baa	May 16	103.34	108.70	109.06	105.00
Railroad Group	May 16	110.88	111.07	111.81	108.34
Public Utilities Group	May 16	116.80	117.00	117.40	114.08
Industrials Group	May 16	120.22	120.22	120.22	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 16	2.31	2.31	2.23	2.38
Average corporate	May 16	2.86	2.85	2.83	3.00
Aaa	May 16	2.61	2.61	2.59	2.70
Aa	May 16	2.63	2.63	2.66	2.73
A	May 16	2.88	2.87	2.86	3.04
Baa	May 16	3.26	3.24	3.22	3.45
Railroad Group	May 16	3.12	3.11	3.07	3.26
Public Utilities Group	May 16	2.81	2.80	2.78	2.95
Industrials Group	May 16	2.64	2.64	2.64	2.78
MOODY'S COMMODITY INDEX	May 16	381.7	379.3	360.3	345.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 6	269,661	200,061	244,695	183,227
Production (tons)	May 6	207,307	208,056	210,843	160,923
Percentage of activity	May 6	92	92	93	78
Unfilled orders (tons) at	May 6	404,445	343,709	406,641	289,431
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 12	120.6	120.6	121.0	132.6
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 29	32,672	38,747	32,737	19,903
Number of shares	April 29	1,006,291	1,232,325	1,006,804	553,504
Dollar value	April 29	$39,402,651	$45,303,898	$37,426,708	$22,449,226
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 29	37,338	44,377	34,841	18,147
Customers' short sales	April 29	248	279	383	254
Customers' other sales	April 29	37,090	44,098	34,458	17,893
Number of shares—Customers' total sales	April 29	1,076,774	1,307,897	1,016,329	509,597
Customers' short sales	April 29	9,352	10,104	13,682	9,963
Customers' other sales	April 29	1,067,422	1,297,793	1,002,647	499,634
Dollar value					
Round-lot sales by dealers—	April 29	$38,804,350	$44,267,867	$35,008,940	$17,847,674
Number of shares—Total sales	April 29	373,930	447,650	345,560	161,490
Short sales	April 29	------	------	------	------
Other sales	April 29	373,930	447,650	345,560	161,490
Round-lot purchases by dealers—					
Number of shares	April 29	285,250	329,450	300,160	212,790
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 9	154.9	*154.5	152.1	155.4
Farm products	May 9	162.9	*162.7	157.9	170.3
Grains	May 9	173.5	172.5	170.1	162.1
Livestock	May 9	216.7	209.8	198.6	199.6
Foods	May 9	158.4	*158.8	155.0	162.8
Meats	May 9	230.9	229.2	211.8	220.4
All commodities other than farm and foods	May 9	147.0	*146.7	145.7	147.1
Textile products	May 9	135.3	*134.4	135.6	141.3
Fuel and lighting materials	May 9	132.2	*132.1	130.1	130.2
Metals and metal products	May 9	170.1	*169.6	169.7	168.9
Building materials	May 9	194.7	*194.5	193.1	195.2
Chemicals and allied products	May 9	116.9	116.7	117.5	118.3

*Revised figures. ¶Includes 496,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of April (in thousands)	$102,570,000	$115,738,000	$90,703,000
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of April 29:			
Imports	$157,392,000	$165,209,000	$118,640,000
Exports	47,055,000	44,690,000	46,013,000
Domestic shipments	9,260,000	9,976,000	9,994,000
Domestic warehouse credits	8,466,000	12,667,000	9,989,000
Dollar exchange	25,000	25,000	1,766,000
Based on goods stored and shipped between foreign countries	14,596,000	12,066,000	17,224,000
Total	$236,794,000	$244,633,000	$203,626,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of April (in millions):			
Total new construction	$1,697	*$1,540	$1,370
Private construction	1,254	*1,155	989
Residential building (nonfarm)	720	*650	445
Nonresidential building (nonfarm)	244	243	251
Industrial	70	69	89
Commercial	74	74	76
Warehouses, office and loft buildings	22	22	23
Stores, restaurants and garages	52	52	53
Other nonresidential buildings	100	100	86
Religious	27	27	24
Educational	19	19	19
Hospital and Institutional	26	25	12
Social and recreational	16	16	19
Remaining types	12	13	12
Farm construction	30	19	30
Public utilities	260	243	263
Railroad	28	25	31
Telephone and Telegraph	48	46	52
Other public utilities	184	172	180
Public construction	443	*385	381
Residential building	25	24	14
Nonresidential building (other than military or naval facilities)	160	151	134
Educational	80	78	63
Hospital and institutional	46	44	34
All other nonresidential	34	29	32
Military and naval facilities	10	9	8
Highways	110	*80	100
Sewer and water	50	47	46
Miscellaneous public service enterprises	10	9	9
Conservation and development	60	50	56
All other public	18	15	14
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of April 30 (000's omitted)	$257,000	$258,000	$249,000
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for Month of April:			
Copper (per pound)—			
Electrolytic domestic refinery	18.640c	18.200c	21.450c
Electrolytic export refinery	18.825c	18.425c	21.692c
Lead (per pound)—			
Common, New York	10.630c	10.963c	15.154c
Common, St. Louis	10.428c	10.763c	14.958c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	71.750c	73.098c	71.500c
Silver, London (pence per ounce)	63.000d	63.957d	43.500d
Sterling Exchange (Check)	$2.79750	$2.79750	$4.02655
Zinc (per pound)—East St. Louis	10.664c	9.940c	14.058c
Tin (per pound)—			
New York Straits	76.430c	75.694c	$1.03000
New York, 99% min. (§§)	75.430c	74.694c	$1.02000
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$71.000	$71.000	$84.654
¶Antimony (per pound), (E. & M. J.)	27.780c	27.882c	41.730c
Antimony (per pound), bulk, Laredo	24.500c	24.602c	38.500c
Antimony (per pound), in cases, Laredo	25.000c	25.102c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$66.000	$66.000	$72.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.07500
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$1.80000	$1.80000	Not avail.
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	17.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
MONEY IN CIRCULATION—TREASURY DEPT.			
As of March 31 (000's omitted)	$27,042,277	$27,068,014	$27,438,926
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of April	£6,669,000	£8,073,000	£4,648,000
NEW YORK STOCK EXCHANGE—As of April 29 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,084,257	$1,018,337	$625,904
Credit extended to customers	50,581	46,589	68,343
Cash on hand and in banks in U. S.	310,958	290,999	297,823
Total of customers' free credit balances	678,232	666,252	542,239
Market value of listed shares	82,415,209	79,482,749	66,237,520
Market value of listed bonds	125,497,127	125,846,076	132,097,816
Member borrowings on U. S. Govt. issues	125,975	112,995	178,367
Member borrowings on other collateral	680.214	609.536	301,513
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$255,739,702	$255,747,183	$251,553,319
General fund balance	4,701,858	6,120,649	3,995,156
Net debt	$251,037,844	$249,626,534	$247,558,163
Computed annual rate	2.200%	2.199%	2.235%
U. S. GOVT. STATUTORY DEBT LIMITATION—As of April 30 (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	255,717,941	255,723,520	251,530,468
Guaranteed obligations not owned by the Treasury	21,760	23,663	22,851
Total gross public debt and guaranteed obligations	$255,739,702	$255,747,183	$251,553,319
Deduct—Other outstanding public debt obligations not subject to debt limitation	731,755	734,461	776,684
Grand total outstanding	$255,007,946	$255,012,732	$250,776,635
Balance face amount of obligations issuable under above authority	19,992,053	19,987,277	24,223,364
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of May 1, 1950:			
Winter wheat—Production	689,595,000	------	901,668,000
Rye—Production	20,904,000	------	18,697,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained.

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Germany Today—The Economic, Financial and Investment Outlook

been Germany's continued aim, but the attainment of the goal is far more difficult than merely setting it. Bear in mind that the Germany of today represents a drastically truncated economy. The establishment of the German Democratic Republic, the so-called East German Republic, created a partition of pre-war Germany into two separate States: the Eastern Republic, with a population of about 18,000,000 and about 40% of the pre-war territory as against the Western Republic, with about 60% of the land and about 38,500,000 of population, to which, as indicated above, there should now be added approximately 9,000,000 of new population.

Without meaning to interpolate a political angle into this economic and financial discussion, one cannot mention the German Democratic Republic without emphasizing that the only thing democratic about it is the middle part of its name. In every respect it represents a communist-dominated state whose every move is dictated from the Kremlin. Therefore, it shares completely the fate of all the other unfortunate countries and people who must suffer beneath that diabolic yoke. I allude to this also because the difficulty of East-West trade is one of the very definite impediments to Germany's recovery.

Money and Credit Shortage

There are other serious difficulties which beset Germany in her conscientious and commendable effort to recover from the disastrous war she so fiendishly waged and, in fact, from the blight on her entire economy which was wrought by the Hitler regime. Without boring you with further statistics, let me merely cite the fact that there is a very serious shortage of money in circulation, credit available for business and commercial purposes, capital for the financing of long-term requirements and the many other media which you so well know are requisite for recovery and expansion.

Lest you interpret this as being a report completely on the negative side, let me hasten to assure you that, short though Germany may be of all these resources, it is encouraging to note that there has been a steady growth and development of practically all these vitally necessary instruments of money and credit and many more which time does not permit my enumerating. There are many people, both within Germany and without, who feel that credit in its varying forms is being unduly restricted in Germany. They are of the opinion that the German financial and economic authorities should be more liberal in their monetary policies, lest Germany enter a deflationary phase which it would be difficult to arrest and during which, obviously, she could not expand her production and trade.

Allergic to Inflation

There is much to be said for this school of thought. Equally understandable, however, is the fear of countless Germans, and many others familiar with her history, at the very thought of anything that even faintly suggests inflation. A people that twice within their own experience suffered as did the Germans from the ravages of the inflation which followed World War I or from the Monetary Reform which followed World War II are naturally allergic to any measures that even remotely connotate inflation or that might otherwise undermine the integrity of their monetary system.

The Central Bank and other fiscal authorities in Germany are often under considerable pressure to be more flexible in their administration of the German central banking and monetary systems. Time does not permit my analyzing the considerations which are urged in favor of their following a somewhat inflationary course. However, one can readily appreciate the inherent hesitancy of those entrusted with the determination of Germany's financial destiny to take any steps which might strain the delicate reed on which the German financial system leans.

Productive Facilities Obsolete

This shortage of capital, to which I have alluded, leads us to the third important aspect of Germany's present day economic and financial situation. Her productive plant, reduced as it was by reparation and dismantling, would have substantially greater productive capacity were it not for much of its obsolescence. This low estate of the major portion of Germany's productive facilities, due to lack of capital for rehabilitating them, makes Germany, by and large, a high-cost producer. Consequently, she is at a competitive disadvantage with producers of other countries. This accounts in great measure for her difficulty and slowness in building up her exports. Couple this with a lack of capital for vitally necessary construction in the realm of public works, housing and industrial expansion, and you are confronted by a fourth and equally unsatisfactory situation, namely, unemployment.

Unemployment

At its height, during February of this year, unemployment was slightly over 2,000,000 in Germany plus slightly over 300,000 in West Berlin. Today these figures are slightly under 1,800,000 and just above 290,000, respectively. Based on either Germany and West Berlin's total population or working force, these figures represent a distressingly high incidence of unemployment. The presence of 9,000,000 Displaced Persons, Expellees and Refugees, whose purchasing power is very low and whose resources, in general, are almost nil, is an aggravating factor in this situation.

Food Shortage

Another highly important problem which Germany must solve is her food situation. Germany never was self-sufficient in producing her own food. Even before the war, she had to import about 20% of her requirements. This was while she still had some of her most important sources of supply within her own borders. The foreign exchange thus needed for purchase of this 20% of necessary foodstuffs was provided by her exports, both visible and invisible. Today the picture is substantially worse. Shorn of much of her former agrarian territory, Germany must at present import about 50% of her food. This large demand for imports becomes all the more serious in the light of Germany's vastly reduced visible exports, while her invisible exports are practically non-existent. The only reasonable hope I see for ameliorating this situation is to increase her indigenous supply of food and permit her industrial production to expand within the minimum of safeguards necessary to guard against her again becoming a military menace.

Restrictions Against War Potential

I am alluding, of course, to that part of the Occupation which has to do with the so-called Prohibited and Limited Industries. As the term implies, Germany is completely prohibited from carrying on certain industries which are deemed to represent a war potential. Such, for instance, are the aircraft or munitions industries. Others are limited, the limitations being predicated on military considerations of what might constitute or create a war potential. The steel, chemical and shipbuilding industries are outstanding examples of this category. Having witnessed the ravages wrought by Germany, no reasonable or reasoning person could inveigh against proper prohibitions and safeguards against Germany becoming rearmed, actually or potentially. The stipulations against Germany rising again as a miltary menace are warranted and clear. I see no reason for any change in that policy until Germany, by every reasonable test and assurance, has abundantly demonstrated to the World that she will not again become a menace to peace and cause the havoc and suffering that she has in the so very recent past.

In the light of this prohibition against rearming, however, Germany asks whether her protectors against foreign aggression will be the Occupying Powers which prohibit her from creating her own means of protection. The presence of the Occupation Forces answers that question. Firmly though I believe that these prohibitions and limitations are just and necessary and timely, equally strongly do I feel that it is ethically unjust and economically unwise, under the guise of military security, to predicate them on commercial and industrial considerations. Neither commercial rivalry, nor lack of skills or raw materials, nor other competitive disadvantages should be the bases which motivate occupiers in formulating prohibitions and limitations of industries for the occupied. While this is a delicate subject and while, of course, I make no allegations or even suggestions in this realm, it is difficult to demonstrate to the Germans that complete prohibition against any production in certain industries or some of the limitations in other industries, such as steel or shipbuilding, are genuinely formulated from a military rather than a commercial standpoint. Germans continue to clamor for a readjustment of the Prohibited and Limited Industries Agreement, which effectively shackles a significant part of their industries, and I think there is considerable cogency to some of the arguments they advance for such revision.

In broad outline, the foregoing are some of the major difficulties that beset the German people and their government today. They are taking measures to meet the situation, although some believe that their activities in coping with these problems lack vigor, imagination, courage or even resoluteness. It is difficult to pass categoric judgment of this nature on the German Government officials, both Federal and Laender. One must bear in mind that they are relative novices, the Federal Government having been functioning for only about eight months. Even this short period is not comparable to a similar span of time for any other government because of the myriad of obvious difficulties, precedents and processes which this new regime has to overcome.

Requisites for Economic Recovery

Obviously it is impossible to cite all the important considerations on which Germany's recovery must be predicated. However, there is one last situation to which, I think, no one should fail to allude who endeavors, as do I today, to portray a realistic picture of the German scene from an economic and financial viewpoint. It is so-called "co-determination," which is in the forefront of German economic, industrial, labor and political thought at this very moment. Co-determination of itself represents a broad subject, but in crystallized form it may be described as the legal right of employee to share with employer in shaping the destiny of their common enterprise. That would seem to be simple enough; but nothing is simple in Germany. To understand some of the complexities of this matter, one must be oriented somewhat on the entire labor movement in Germany. It consists of 16 national, autonomous, industrial unions, federated into the one German Trade Union Federation, comparable to the A. F. of L. or the C. I. O. While workers are represented by these individual industrial unions, in general it is the Federation which determines policy on a national as against the industry level.

The Laws for "Co-Determination"

There have been under discussion, and in fact in some of the States there are already enacted, laws providing for this co-determination. These laws provide that the Board of Directors, in contradistinction to the Board of Managers, shall be composed of representatives of workers and owners. The mere presence of workers' representatives on a Board of Directors would not seem to me to be disturbing. In fact, I could visualize many instances where that would represent constructive progress in employer-employee relations. However, what seems to be giving ground for considerable misgiving is the demand of the Trade Union group that employees be entitled to a 50% membership of the Board of Directors. Further, and this represents a basic point of cleavage, there is the question whether the representatives of the employees on any given Board of Directors shall be employees of the enterprise itself, chosen by all its employees, or representatives of such employees, designated by the Trade Union Federation, who might or might not be employees of the enterprise. It can be readily seen how important and far-reaching are the considerations which underlie the present active campaign being waged by employers and employees, alike, concerning Federal or other legislation on this broad subject of co-determination and how difficult but equally vital it is that such legislation be formulated on sound principles.

Caution Warranted

Thus far, I fear you may have discerned a note of caution in the report I am rendering. I do not think any realist can objectively or faithfully speak otherwise of present day Germany. Equally, though, I think there is adequate basis for the expectation that through hard work, mutual co-operation, careful planning, prudent use of her resources and intelligent fiscal policy, Germany can rebuild her way back toward economic stability. Basic to this, however, are political considerations, both domestic and foreign, to which lack of time permits me only to allude. Furthermore, for the achievement of this economic improvement, I want to reiterate the importance of reuniting the former Germany along democratic lines. This, of course, means the fusion of the East German Democratic Republic with the West Federal German Republic. Only

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NSTA Notes

DALLAS BOND CLUB

The Dallas Bond Club will hold its annual fall outing on October 12th. Plans for the day will be announced shortly.

AD LIBBING

Henry G. Isaacs, Virginia Securities Company of Norfolk, Va., will be one of the most active members of our NSTA Advertising Committee. Hank is well known to the security fraternity and has developed a wide acquaintance in many States of our Union in the distribution of securities. To mention a few cities he formerly called his home—St. Louis, Chicago, New York, New Orleans, Miami and now in Norfolk he has acquired that dignified role of the Virginia gentleman.

Henry G. Isaacs

This year our national convention will be held at Virginia Beach, which is only a few miles from Norfolk and in spite of the fact that Norfolk has relatively few investment firms, Hank feels most enthusiastic that much local advertising will be found in our Convention Number of "The Commercial & Financial Chronicle."

Good luck, Garcia!

HAROLD B. SMITH, Chairman
Pershing & Co.
120 Broadway
New York City

K.I.M.—Corporate ads pay dividends.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles will hold its annual spring party June 23rd-25th at the Hotel Del Coronado. Jack Alexander, Walston, Hoffman & Goodwin, President of the Association, has announced that the party is one of the largest planned in the history of the Association. On the agenda are pitch and put, golf, swimming and sailing, deep sea fishing and tennis.

Arrangements have been conducted by Roy Warnes, Hill Richards & Co., Scott Stout, Blair, Rollins & Co., and William Pike, Morgan & Co.

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through this do I see promise of real recovery for Germany.

Investment Acts

Now as to the investment aspects of present day Germany. Since the beginning of our Occupation, it has been the American policy, and that of the other two occupying governments, to prohibit new foreign investments in Germany. The reason is obvious: prevention of carpet-bagging. In the early days of the Occupation, valuable assets could have been purchased for a mere pittance in foreign exchange or tangible goods. Now the situation has vastly changed and order has supplanted chaos. Despite this, as I endeavored to portray above, Germany is in crying need of capital. Domestically it is very difficult for her to build up capital. Outmoded plant and equipment, with their resultant high production costs, do not yield much profit. Consequently, relatively little created capital is derived from such operations. The need for foreign capital in Germany, therefore, becomes all the more pressing. With this in mind, the Occupying Powers are doing their utmost to bring an end to this so-called moratorium against foreign investments. To the cursory observer, this would seem like a rather easy assignment. More careful consideration of the matter, however, leads to the unfolding of many involved problems.

Investment Difficulties

The entire subject really has three facets. First, there is the problem from the standpoint of permittable uses of how to handle the unblocking of the present Deutsche Mark credit balances blocked in German banks for the account of foreigners. These of themselves do not constitute any very large sum. The best estimate is that they are in the neighborhood of DM 165,000,000. Coupled with that, however, is the second facet of how to handle new funds that would flow into Germany for investment purposes. Should there be any preference in remittance of income or principal of such funds? Should they be permitted to come in only at the official rate current for the foreign exchange which they represent; i. e., should anyone who, for instance, wants to invest dollars in Germany have to remit those dollars at the official rate of DM 4.20 to the dollar or should he be allowed to purchase marks from whomever he can at the most attractive rate possible. As you can see, this is really related to the first part of the problem, for the degree of transferability permitted for the unblocked DM balances to a great extent furnishes the answer to this latter question.

Young and Dawes Loans

Ancillary to the first and second parts of this situation, or possibly even fundamental to them, is the third facet of how to deal with the prewar, foreign exchange indebtedness of German obligors. This is further complicated by the complex problem of determining the successor to the obligations of many prewar German debtors which no longer exist as such. At the forefront of these is the former German Reich, whose obligations, such as the Young and Dawes Loans, are well known to this audience. Determination of the debtor is in many cases such a complicated legal and juristic problem that it may well have to be left for solution at the Peace Conference or some international conference of similar stature. A further vexatious aspect of this problem is the determination of the actual magnitude of these debts, as well as establishment of the validity of certain portions of such debt. Estimates range from the equivalent of $1 to $2 billion, with clear indication that the validation of these debts will substantially reduce their ultimate total.

The treatment of debt where the debtor is readily identifiable and where creditor and debtor can come to a mutually satisfactory agreement is likewise less simple than one would suppose on first thought. Obviously, with Germany suffering from the vast deficit of foreign exchange, to which I alluded earlier in this discussion, and with the U. S. surveying such sizable funds through ECA aid, to make good a large portion of this deficit, it is hardly reasonable to expect that German debtors will be permitted to use any foreign exchange in the settlement of their debts. Certainly this will be the rule in the initial stages of debt settlement until this foreign exchange imbalance is appreciably corrected. If debts expressed in foreign exchange cannot be settled in that medium, then the next best form of payment for those who are prepared to accept such settlement is in Deutsche Marks. The uses which can be prudently permitted of these DMs, similar to the uses of the unblocked DM balances to which I referred, is a complex problem whose solution has delayed the lifting of this investment moratorium.

I have focussed attention on these difficulties in order to record publicly some of the reasons for the delay in raising this moratorium. I reiterate, this would appear to be a simple operation when first viewed, but it becomes more involved and diverse as it is more carefully studied. Despite this, however, I am hopeful that in the very near future we will at long last have found a fair, equitable and practical solution of this situation in all its manifold aspects, to the end that the moratorium can be relaxed, so that those from abroad who want to invest in Germany will at least be afforded the opportunity to implement that desire.

More Than Money Involved

There is but one further thought that I should like to enunciate in this discussion. I know from my own experience with what objectivity one analyzes a situation before one invests in it. I would be the last to suggest any deviation from that very sound principle. In the case of Germany, however, I profoundly believe that there is more than just the consideration of monetary remuneration that goes with investments there. This further aspect should not be overlooked in determining the wisdom of such investment. Germany is truly one of, if not the most significant, ramparts of the western world in the cleavage between the system of free enterprise, as we in the U. S. understand it, and the Communist system that exists behind the Iron Curtain.

As I endeavored to indicate throughout this discussion, Germany sorely needs capital. There are risks in investments almost anywhere. Admittedly there are, as I hope I have made abundantly clear, greater risks, including the political factor, in investment in Germany today than in some other parts of the world. Yield on investment normally reflects the degree of risk entailed in such investment. Germany, I fear, for the present at least, cannot afford to pay, either in external remittance or even internally, a rate of investment return which is really attractive in comparison with rates obtainable in other parts of the world, when viewing the return in the light of the comparative risks to which such investments are respectively exposed. Parallel to the rate of return on investment, however, is the question of distribution of investment capital and the constructive development which it will achieve in the areas in which it is invested. This latter should be appraised not merely from a positive but likewise from a negative standpoint. In other words, when large purveyors of capital consider whether or not to invest in Germany, with a full awareness of its present situation as I have endeavored to etch it in all frankness, I think they should be motivated by two considerations: first, what will be the result to them individually and to the world in general if the investment is made in Germany, as against somewhere else. Second, what will be the result economically and financially, and, therefore, possibly politically, inside Germany and without, if the investment is not made there. These are problems which I appreciate are easier to present than to solve, but I suggest that their proper solution will play a significant role in the history, not merely of Germany but of the world, as it is being written this very day and hour.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

American Cladmetals Co. (6/1)
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 Cyanamid Co., New York (5/19)
April 26 filed an unspecified number of shares of series B cumulative preferred stock (par $100), which is convertible before July 1, 1960. They are to be offered to common stockholders of record May 16, 1950 at the rate of one preferred share for each seven common held; rights to expire June 2. **Underwriter**—White, Weld, & Co. **Price**—To be filed by amendment, along with dividend rate. **Proceeds**—For working capital and general funds.

• American Silver Mining Co.
May 1 (letter of notification) 100,000 shares of capital stock at 25 cents per share. No underwriter. Proceeds for property development. **Office** — 123 W. 4th Ave., Spokane, Wash.

American Textile Co., Inc., Pawtucket, R. I.
April 26 (letter of notification) 10,000 shares of common capital stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To provide additional funds. **Office**—P. O. Box 637, Pawtucket, R. I.

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.

Arkansas Western Gas Co.
May 2 (letter of notification) 28,948 shares of common stock (par $6) to be offered at $10 per share to holders of warrants at the rate of one share for each nine now held. No underwriter. Proceeds for construction. **Office**—28 E. Center Street, Fayetteville, Ark.

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.

• B-Thrifty, Inc., Miami, Fla.
May 8 (letter of notification) 11,000 shares of class A common stock, ($25 par value) at par, and 200 shares of $100 par value common stock (no price given). No underwriter. Proceeds to buy and build additional stores. **Office**—5737 Bird Road, Miami, Fla.

Baldwin Co., Cincinnati, Ohio
April 19 (letter of notification) 1,001 shares of common capital stock (par $8), to be sold at the market price (estimated to be $17 per share), for the account of a selling stockholder. **Underwriter**—W. D. Gradison & Co., Cincinnati. Placed privately.

• Bremer (Sidney N.) Industries, Inc.
May 12 (letter of notification) 100 shares of common stock and 500 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To build a ceramics decorating and processing plant. **Office**—1601 Roswell St., Marietta, Ga.

Brooklyn Union Gas Co.
April 13 filed $8,000,000 of first mortgage bonds due Jan. 1, 1980. **Underwriter**—Issue awarded to Halsey Stuart & Co. Inc. May 17 on its bid of 102.3991. Reoffering planned at 103 to yield 2.85% to maturity. **Proceeds**—To repay bank loans and for construction program.

Brooklyn Union Gas Co.
April 13 filed 186,341 shares of cumulative convertible preferred stock (par $40), offered initially to common stockholders of record May 5, 1950 at the rate of one preferred share for each four common shares then held; rights to expire May 22. **Underwriters**—Blyth & Co., Inc. and F. S. Moseley & Co. **Price**—$48 per share. **Proceeds**—To repay bank loans and for construction program. Statement effective May 5.

• Budget Finance Plan, Los Angeles, Calif.
May 8 (letter of notification) $300,000 principal amount of series A 5% debentures of $1,000 principal amount each, with warrants attached to buy 25 shares of class B stock at from $4.25 to $4.75 per share between June 15, 1951, and Aug. 15, 1952. **Underwriter**—Morton Seidel & Co., Los Angeles. **Proceeds** — For working capital and expansion.

• Bulova Watch Co., Inc.
May 10 (letter of notification) 9,090 shares of common stock (par $5). **Price**—$33 per share. **Underwriter**—None. **Proceeds**—For working capital. **Offering**—To be made to certain employees, offer to expire June 9. **Office**—630 Fifth Ave., New York, N. Y.

California Electric Power Co. (5/23)
May 1 filed 180,000 shares of common stock (par $1). **Underwriters**—Walston, Hoffman & Goodwin, San Francisco; William R. Staats Co. and Pacific Co. of California, Los Angeles. **Price**—To be filed by amendment. **Proceeds**—For construction. **Offering**—Expected May 23.

California Electric Power Co. (6/7)
May 8 filed $2,000,000 first mortgage bonds due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—To finance in part property expenditures for 1950 and 1951. **Bids**—To be opened on June 7.

• Cana-Mont Oil Co., Kalispell, Mont.
May 10 (letter of notification) 200,000 shares of common stock to be offered at par ($1 per share). No underwriter. Proceeds for drilling and operating expenses.

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.

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. Statement effective May 1.

(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.

Cincinnati & Suburban Bell Telephone Co.
May 2 filed 234,856 shares of common stock to be offered stockholders of record May 26 at rate of one share for each three held; rights to expire July 3. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For expansion and to reduce bank loans incurred for construction.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

Clarostat Manufacturing Co., Inc.
May 4 (letter of notification) 44,000 shares of common stock (par $1) to be offered to warrant holders at approximately $6 per share. No underwriter. Proceeds for working capital. **Office**—70 Pine St., New York, N. Y.

Colorado Fuel & Iron Corp. (5/29-6/2)
May 8 filed $3,000,000 of first mortgage and collateral trust 15-year sinking fund bonds, due 1964. **Underwriter**—Allen & Co. **Price**—To be filed by amendment. **Proceeds**—General funds, for property additions.

● **Consolidated Engineering Corp.**
May 12 (letter of notification) 200 shares of common stock (par $1), to be sold at $5 per share to Francis L. Vore, Monrovia, Calif. No underwriter. Proceeds for working capital.

● **Dallas Power & Light Co. (6/13)**
May 10 filed $24,500,000 of first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds**—To retire $16,000,000 of first mortgage bonds, pay note indebtedness and for construction.

Dayton Power & Light Co.
April 20 filed 283,333 shares of common stock (par $7) being offered to holders of outstanding common May 10 at the rate of one new share for each seven held; rights to expire May 31. **Underwriter**—Morgan Stanley & Co. and W. E. Hutton & Co., New York. **Price**—$30 per share. **Proceeds**—To repay bank loans and for construction. Statement effective May 10.

(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. **Offering**—Only to residents of Illinois.

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.

● **Dumont Electric Corp.**
May 16 (letter of notification) 62,500 shares of common stock (par 10 cents). **Price**—$3.50 per share. **Underwriter**—Aetna Securities Corp. **Proceeds**—For installation of additional machinery, further extension of facilities and for other corporate purposes. Expected in a few days.

● **Dunco Realty & Equipment Corp.**
May 15 (letter of notification) 25,000 shares. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To pay incorporation expenses and bank loans and for purchase of real estate and equipment. **Address**—P. O. Box 670, Norwich, N. Y.

● **Eastman Kodak Co., Rochester, N. Y.**
May 15 filed $3,000,000 of trust shares to be issued under The Quinby Plan for Accumulation of Common Stock of Eastman Kodak Co. **Sponsor**—Quinby & Co., Rochester. **Business**—Investment plan.

● **Florida Home Insurance Co., Miami, Fla.**
May 4 (letter of notification) 12,000 shares of common stock (par $10). **Price**—$25 per share. **Underwriter**—None. **Proceeds** — To raise capital and paid-in surplus. **Office**—First Federal Bldg., 100 S.E. 1st Ave., Miami, Fla.

General Radiant Heater Co., Inc., N. Y. C. (6/1)
May 3 filed 170,000 shares of common stock (par 25¢). **Price**—$3 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—For plant and warehouse, advertising research, working capital, etc. Expected about June 1.

● **Gloeckler (H.) Associates, Inc. (6/1)**
May 11 (letter of notification) 30,000 shares of common stock (par $1), of which 20,000 shares are to be offered publicly at $5 per share and 10,000 shares to employees at $2.50 per share. **Underwriter**—None. **Proceeds**—For expansion program and for working capital. **Office**—155 East 44th St., New York 17, N. Y.

Gold Shore Mines, Ltd., Winnipeg, Canada
April 10 filed 500,000 shares of common stock (par $1). **Underwriter**—None. **Price**—$1.50 per share; to increase 25 cents per share for each 100,000 share block. **Offering**—To be made only in New York State for the present. **Proceeds**—For buildings, equipment and working capital.

NEW ISSUE CALENDAR

May 18, 1950
Missouri Pacific RR.----------Equip. Trust Ctfs.
Pittsburgh & Lake Erie RR. noon (EDT)----------Equip. Trust Ctfs.

May 19, 1950
American Cyanamid Co.----------Preferred

May 22, 1950
Interstate Power Co. 11:30 a.m. (EDT)----------Bonds & Common
Iowa Public Service Co. 11:30 a.m. (EDT)----------Preferred
Ludowici-Celadon Co. 11 a.m. (EDT)----Common
Philip Morris & Co. Ltd., Inc.------Pfd. & Common

May 23, 1950
California Electric Power Co.----------Common

May 24, 1950
National Starch Products, Inc.----------Common
Wabash RR. noon (EDT)-------Equip. Trust Ctfs.

May 25, 1950
Horne (Joseph) Co.----------Common
Reading Co. noon (EDT)--------Equip. Trust Ctfs.
Wisconsin Power & Light Co.----------Common

May 29, 1950
Colorado Fuel & Iron Corp.----------Bonds

June 1, 1950
American Cladmetals Co.----------Common
General Radiant Heater Co., Inc.---------Common
Gloeckler (H.) Associates Inc.---------Common
New York Central RR.----------Equip. Trust Ctfs.
United Mines of Honduras, Inc.----------Common

June 5, 1950
Gulf States Utilities Co. noon (EDT)-------Bonds
Rosefield Packing Co.----------Common

June 6, 1950
Rockland Light & Power Co.----------Preferred
Wisconsin Power & Light Co.----------Bonds

June 7, 1950
California Electric Power Co.----------Bonds
Southern California Gas Co. 11:30 a.m. (EDT)----------Bonds

June 13, 1950
Dallas Power & Light Co.----------Bonds
Toledo Edison Co. noon (EDT)----------Common

June 15, 1950
Southern Ry.----------Bonds

June 19, 1950
Indiana & Michigan Electric Co.----------Bonds

June 20, 1950
Columbia Gas System, Inc.----------Debentures

● **Golden Cycle Corp., Colorado Springs, Colo.**
May 8 (letter of notification) 17,168 shares of $10 par value common capital stock (par $10). **Price**—$17.25 per share. **Underwriter**—None. **Proceeds**—To increase capital and reduce bank commitments. **Office**—500 Carlton Bldg., Colorado Springs, Colo.

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. Statement effective May 1.

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. Statement effective May 10.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($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. Statement effective May 10.

Gulf States Utilties Co. (6/5)
May 3 filed $13,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers. **Proceeds**—To finance construction program. **Bids**—Expected to be received up to noon (EDT) on June 5.

● **Harris Service Mutual Life Insurance Co.**
May 8 (letter of notification) $30,000 of 10% certificates of indebtedness at $50 each. No underwriter. Proceeds for additional capital and reserves. **Office**—2272 Hemphill St., Fort Worth 4, Tex.

Hart Stores, Inc.
May 1 (letter of notification) $250,000 of 5% sinking fund debentures due 1962. **Underwriter**—The Ohio Company. **Proceeds**—To retire bank loans and for working capital.

Horne (Joseph) Co., Pittsburgh, Pa. (5/25)
May 4 filed 38,462 shares of common stock (no par), of which 32,500 will be offered to public and 5,962 to employees. **Underwriter**—The First Boston Corp. **Price**—To be filed by amendment. **Proceeds**—For general funds. **Business**—Department store.

● **Industrial Stamping & Mfg. Co., Detroit**
May 15 filed $500,000 of first mortgage 5% sinking fund bonds, due 1967, with warrants to purchase 60,000 shares of common stock. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Price**—100% of principal amount. **Proceeds**—To pay mortgage, buy machinery and for additional working capital. **Business**—Stampings and assemblies for automotive, refrigeration, household appliance and other industries.

● **International Packers, Ltd.**
May 11 filed 2,000,000 shares of common stock (par $15) and certificates of deposit for these shares which will be offered on a share-for-share exchange basis for outstanding stock in Compania Swift Internacional Sociedad Anónima Comercial, an Argentine corporation. No underwriter.

● **International Television Corp.**
May 10 (letter of notification) 360,000 shares of common stock (par 10 cents). **Underwriters**—D. F. Bernheimer & Co., Inc. and Hunter & Co., New York. **Price**—60 cents per share. **Proceeds**—For expansion of operations and for working capital. **Offering**—Made to public on May 18.

International Utilities Corp.
May 5 filed $4,000,000 of convertible debentures, due 1965. **Underwriter**—Butcher & Sherrerd, Philadelphia. **Price**—To be filed by amendment, along with interest rate. **Proceeds**—To pay bank loan and for working capital.

Interstate Power Co. (5/22)
April 19 filed $3,000,000 of first mortgage bonds, due 1980; 275,000 shares of common stock (par $3.50); and 100,000 shares of preferred stock (par $50). **Underwriter**—For bonds and common to be decided by competitive bidding; preferred to be sold publicly or privately through a negotiated sale. 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 underwriting 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**—Will be received up to 11:30 a.m. (EDT) May 22 on both common stock and bonds at The Chase National Bank of the City of New York, 7th floor, Conference Room, 11 Broad St., New York, N. Y.

● **Investors Management Fund, Inc.**
May 10 filed 50,000 shares of capital stock. Distributors, Hugh W. Long and Co., New York City.

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. **Bids**—Will be received up to 11:30 a.m. (EDT) on May 22 at office of company, Room 3700, 30 Broad St., New York 4, N. Y. **Price**—Company plans to sell the stock at $100 to $102.75 per share. Statement effective May 10.

● **Manor Vail Hotel, Inc., Lyndonville, Vt.**
May 10 (letter of notification) 3,000 shares of preferred stock (par $10) and 6,000 shares of common stock (no par). The preferred will be sold at $10 per share and the common offered as a bonus with the preferred. No underwriter. Proceeds for working capital and improvements.

Mathieson Hydrocarbon Chemical Corp., Baltimore, Md.
May 2 filed 522,667 shares of common stock (par $1), of which 466,667 shares will be offered to common stockholders of Tennessee Gas Transmission Co. at the rate of one share for each 10 held, and the remaining 56,000 shares will be offered to the Trustee of the Thrift Plan of the Tennessee Gas Transmission Co. **Price**—To stockholders will be furnished by amendment; to Thrift Plan Trustee, $10 per share. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. **Proceeds**—To build, equip and operate a plant. **Business**—Manufacture of ethylene glycol and other organic chemical products.

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,

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N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

National Starch Products, Inc., N. Y. City (5/24)
May 4 filed an unspecified number of shares of common stock (par $1), estimated at 125,000 shares, to be sold by stockholders. **Underwriter**—F. Eberstadt & Co., Inc. **Price**—To be filed by amendment. **Business**—Adhesives and starches.

New England Gas & Electric Association
April 17 filed 173,126 shares of common stock (par $8), being offered to stockholders at rate of new share for each eight shares held on May 5; rights expire May 26. **Dealer Managers**—A. C. Allyn & Co.; Townsend Dabney & Tyson; Wagenseller & Durst; G. H. Walker & Co.; Draper, Sears & Co.; C. L. Putnam & Co.; Smith, Ramsey & Co. **Price**—$13 per share. Participating dealers have been given a retail price of $14.50 per share for the sale of the stock. **Proceeds**—To pay bank loan and for further common stock investments in subsidiaries. Statement effective May 8.

● **New Western Industries, Ltd., Las Vegas, Nev.**
May 8 (letter of notification) 125,000 shares of $1 par value capital stock, at $1 each. No underwriters. Proceeds to buy and install milling machinery at Mal Pasa mine.

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 Illinois Coal Corp., Chicago**
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

● **Northern Indiana Public Service**
May 12 filed 422,000 shares of common stock (no par) to be offered to stockholders of record May 29 at the rate of one share for each six held. Rights expire about June 19. **Underwriters** — Central Republic Co., Inc.; Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane. **Price**—To be filed by amendment. **Proceeds**—For construction.

Northern Natural Gas Co.
April 13 filed 304,500 shares of common stock (par $10), being 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**—$31.50 per share. **Underwriter**—None. **Proceeds**—Proceeds for property additions and improvements and for payment of bank loans. Statement effective May 3.

Northern Natural Gas Co.
May 9 filed $40,000,000 of serial debentures due 1953-1970. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds**—For expansion and to repay promissory notes. **Offering**—Expected in June.

Northwestern Bell Telephone Co.
May 5 filed $60,000,000 of 34-year debentures, due 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—For redemption on July 14, 1950, at 104.375% of their principal amount, of $60,000,000 31-year 3¼% debentures, due 1979. **Bids**—Expected to be opened in first week of June.

Pacific Cabinet & Radio Co., Van Nuys, Calif.
April 24 filed 168,125 shares of common stock (par 50¢) of which 131,250 will be offered by the company and 16,875 by Max Stettner, President. **Underwriter**—Lester & Co., Los Angeles. **Price**—$3.50 per share. **Proceeds**—To pay indebtedness and for general funds. **Business**—Assembly and sale of TV receivers, radios and radio-phonograph combinations. Company plans change in name to Mercury Television Mfg. Co.

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. Statement effective May 4.

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.

Pennsylvania & Southern Gas Co.
May 8 (letter of notification) 500 shares of 6½% cumulative preferred stock, series B. **Price**—At par ($100 per share). **Underwriter**—Bioren & Co., Phila., Pa. **Proceeds** to reimburse company for advances to subsidiaries for capital improvements made and to be made, and for working capital.

Peoples Gas Light & Coke Co.
May 8 filed 116,962 shares of capital stock to be offered to stockholders of record June 5, 1950, at the rate of one new share for each seven held. **Underwriter**—None. **Price**—At par ($100 per share). **Proceeds**—To buy additional common stock in Texas Illinois Natural Gas Pipeline Co. and to pay $10,000,000 of bank loans.

Philip Morris & Co., Ltd., Inc. (5/22)
April 28 filed 130,610 shares of cumulative preferred stock (par $100) and 333,077 shares of common stock (par $5) to be offered to common stockholders May 19 at rate of one share of common for each six shares now held and one preferred for each 15 common shares presently held; rights are to expire June 5. **Underwriters**—Lehman Brothers and Glore, Forgan & Co. **Price**—To be filed by amendment. **Proceeds**—To reduce bank loans.

● **Plough, Inc., Memphis, Tenn.**
May 12 (letter of notification) 9,931 shares of common stock owned by The Plough Credit Union, to be sold to employees of corporation at $10 per share. No underwriter.

● **Plumbic Mines Co., Salt Lake City, Utah**
May 12 (letter of notification) 20,000 shares of common stock (par 20 cents) to be issued to Robert N. Cooper, Salt Lake City, in exchange for five unpatented mining claims in Piute County, Utah. No underwriter.

Potomac Electric Power Co., Wash., D. C.
April 21 filed 710,700 shares of common stock (par $10), being offered to holders of outstanding common stock of record May 9 at the rate of one new share for each five held; rights to expire May 25. **Underwriter**—Dillon, Read & Co. Inc., heads a syndicate of nine underwriters for unsubscribed shares. **Price**—$14.50 per share. **Proceeds**—To pay bank loans and for construction. Statement effective May 9.

Pottstown (Pa.) Small Loan Co., Inc.
May 8 (letter of notification) $100,000 of 5% debenture bonds due July 1, 1967. **Underwriter**—None. **Price**—At par. **Proceeds**—For working capital. **Office**—213 High Street, Pottstown, Pa.

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.

● **Producers Life Insurance Co., Mesa, Ariz.**
April 11 (letter of notification) 112,500 shares of common stock to be offered at $2 per share. No underwriter. Proceeds to secure necessary capital and surplus to form an old line legal reserve insurance company. **Office**—26 W. First Ave., Mesa, Ariz.

Provident Life Insurance Co., Bismarck, N. D.
April 19 (letter of notification) 12,500 shares of common stock (par $10) being offered directly to stockholders of record April 25 at $20 per share; rights to expire July 1. No underwriter. Proceeds to maintain the proper ratio of capital and surplus to liabilities in connection with entering the accident and health insurance field. **Office**—Broadway at Second, Bismarck, N. D.

● **Queen Esther Mining Co.**
May 10 (letter of notification) 375,158 shares of treasury common stock to be offered pro rata to stockholders at 2½ cents per share. No underwriter. **Proceeds**—To pay debts and taxes and for other corporate purposes. **Address**—Box 336, Park City, Utah.

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.
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.

Rockland Light & Power Co. (6/6)
May 5 filed 50,000 shares cumulative preferred stock, series A (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly): Lehman Brothers; Harriman Ripley & Co., Inc.; Stone & Webster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler. **Proceeds**—To pay off short-term bank loans of $2,100,000 and for construction. **Bids**—About June 6.

● **Rosefield Packing Co., Alameda, Calif. (6/5)**
May 12 filed 111,700 shares of common stock (par $3), to be sold by 17 stockholders. **Underwriters**—Stephenson, Leydecker & Co., Oakland, and Barrett Herrick & Co., Inc., New York. **Price**—$8 per share. **Business**—Manufacturers of Skippy peanut butter.

● **Ryerson & Haynes, Inc., Jackson, Mich.**
May 9 (letter of notification) 2,500 shares of common stock (par $1) to be sold by Harry A. McDonald, Detroit, at $12 per share. **Underwriter**—McDonald-Moore & Co., Detroit.

● **Santiago-Alaska Mines, Inc.**
April 11 (letter of notification) 1,000 "production certificates" of $100 face value, at $90 each. No underwriter. Proceeds for current accounts, supplies and for development. **Office**—Commercial Bldg., Ketchikan, Alaska.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Sinclair Oil Corp.
Jan. 27 filed 119,700 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. Statement effective May 1.

● **Southeastern Factors Corp., Charlotte, N. C.**
May 4 (letter of notification) 88,000 shares of common stock at $1 per share. No underwriter. Proceeds to increase business of purchasing accounts receivable. **Office**—112 S. Tryon St., Charlotte, N. C.

Southern California Gas Co. (6/7)
May 2 filed $25,000,000 of 2⅞% first mortgage bonds, due June 1, 1980. **Underwriter**—To be decided by competitive bidding, along with the price. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Harris Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; the First Boston Corp.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—For construction and to reduce indebtedness owing to Pacific Lighting Corp., parent. **Bids**—Expected at 11:30 a.m. (EDT) on June 7.

● **Southern Discount Co., Atlanta, Ga.**
May 12 (letter of notification) $250,000 of series E 5% subordinated debentures to be sold at par. No underwriter. Proceeds for working capital and to reduce bank loans. **Office**—220 Healey Bldg., Atlanta, Ga.

Southern Fire & Casualty Co., Knoxville, Tenn.
April 17 (letter of notification) 11,000 shares of capital stock (no par). **Price**—$10 per share. **Underwriters**—Strader, Taylor & Co., Lynchburg, Va., and Bullington, Schas & Co., Memphis, Tenn. **Proceeds**—To finance growth and expansion.

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.

● **Sterling Oil of Oklahoma, Inc., Tulsa, Okla.**
May 12 (letter of notification) 14,447 shares of common stock (par 10 cents). **Price**—30 cents per share. **Underwriter**—Greenfield, Lax & Co., Inc. **Proceeds**—To selling stockholders.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Sun Oil Co., Philadelphia, Pa.
May 1 filed 115,000 shares of common stock (no par) to be issued under the 1950 stock purchase plan to about 11,000 employees of the company and its subsidiaries. No underwriter. Proceeds for general funds.

Sweeney (B. K.) Co., Denver, Colo.
May 5 (letter of notification) 2,500 shares of common stock (par $5). **Price**—$24 per share. **Underwriter**—Peters, Writer & Christensen, Inc., Denver. **Proceeds**—To buy land and buildings.

● **Tennessee Gas Transmission Co.**
May 10 filed $600,000 of securities involving contributions to be made by employees of the company under the Thrift Plan. No underwriters, price or proceeds.

Texas Electric Service Co.
April 6 filed 65,000 shares of $4.56 preferred stock (no par) offered in exchange for a like number of outstanding $6 preferred shares on a share-for-share basis up to and including May 26; unexchanged $4.56 stock will be publicly offered at $110 per share. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For construction. Statement effective April 26.

Toledo Edison Co. (6/13)
April 18 filed 4,102,000 shares of common stock (par $5), of which 400,000 will be sold by the company and the remainder is being offered by The Cities Service Co. to its own common stockholders at $9 per share at the rate of one Toledo share for each Cities Service share held May 4 with rights to expire May 29. **Underwriter**—The company's offering will be made under competitive bidding; no underwriter is named for the Cities Service offering. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Smith Barney & Co. **Price**—For 400,000 shares to be filed by amendment. **Proceeds**—To be applied toward construction. **Bids**—Expected June 13 at noon (EDT). Statement effective May 9.

● **Transport Management Corp., Atlanta, Ga.**
May 11 (letter of notification) 1,000 shares of common stock to be sold at par ($100 per share), providing each purchaser lends the firm $100 on a 3% unsecured note and either furnishes the funds or satisfactorily guarantees the loan of another $100 per share. Thus the purchaser must arrange for funds of $300 gross per share. No underwriter. Proceeds to furnish funds to qualify transport insurance exchange. **Address**—c/o Georgia Highway Express, Inc., DeKalb Ave. and Krog St., Atlanta, Ga.

Trav-ler Radio Corp., Chicago
April 28 filed 315,000 shares of common stock (par $1) of which 240,000 will be sold by three officials of the company and 75,000 shares by the company. **Underwriters**—Straus & Blosser, Chicago. **Price**—$6.25 per share. **Proceeds**—To pay indebtedness, lend funds for expansion to a subsidiary, and to equip a new addition. **Offering**—Being made publicly today.

● **United Cigar-Whelan Stores Corp.**
May 15 (letter of notification) 400 shares of common stock (par 30 cents). **Price**—At market (about $3.12½ per share). **Underwriter**—To be sold on the New York Stock Exchange through James H. Oliphant & Co. **Proceeds**—To redeem outstanding scrip certificates.

United Mines of Honduras, Inc. (6/1)
March 16 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To reopen an antimony mine which produced antimony for the U. S. Metals Reserves Corp. during the war and to explore and develop the Montecilo mining properties on which company has options; to pay loans and for working capital. **Office**—North American Building, Wilmington, Del. Expected June 1.

● **Vieh Co., Columbus, Ohio**
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

Washington Gas Light Co.
May 8 filed 30,600 shares of $4.25 cumulative preferred stock (no par) to be offered to common stockholders of record May 31, 1950, at the rate of one preferred share for each 20 comomn shares held. **Underwriter**—Johnston, Lemon & Co., Washington, D. C., and eight others. **Price**—To be filed by amendment. **Proceeds**—For corporate purposes, including construction.

Western Oil Fields, Inc., Denver, Colo.
May 5 (letter of notification) 600,000 shares of common stock and a $50,000 note carrying interest at 4% payable from percentage of oil sold. This note will carry with it as a bonus 500,000 shares of stock. **Price**—Of stock, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver. **Proceeds**—To drill for oil in Wyoming and for working capital.

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.

Wisconsin Electric Power Co.
May 5 filed $15,000,000 of first mortgage bonds, due 1980, and 585,405 shares of common stock (par $10), the latter to be sold to holders of the outstanding 2,927,021 common shares at the rate of one new share for five now held. **Price** of stock to be filed by amendment. **Underwriter**—For bonds to be determined by competitive bidding. 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**—$10,850,000 for partial payment for electric properties to be acquired from a subsidiary, Wisconsin Gas & Electric Co., and the balance for capital improvements. Expected early in June.

Wisconsin Gas & Electric Co. (name being changed to Wisconsin Natural Gas Co.)
May 5 filed $3,500,000 of first mortgage bonds, due 1975. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For redemption on or about July 10, 1950, of the 33,425 outstanding shares of 4½% preferred stock at $105 per share plus accrued dividends.

Wisconsin Power & Light Co. (5/25)
May 8 filed 320,231 shares of common stock (par $10) to be offered for subscription by stockholders at the rate of one new share for each five held on May 24. **Price**—To be filed by amendment. **Proceeds**—To finance construction program. **Underwriter**—Smith, Barney & Co. and Robert W. Baird & Co., Inc.

Wisconsin Power & Light Co. (6/6)
May 8 filed $8,000,000 of first mortgage bonds, series D, due 1980. **Underwriter**—To be determined by competitive bidding. 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. (jointly); Union Securities Corp. **Proceeds**—To repay bank loans and for construction. **Bids**—Expected to be opened June 6.

Prospective Offerings

● **Alabama Power Co.**
May 10 it was reported that the company may refund its $80,000,000 3½% first mortgage bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Equitable Securities Corp. and Union Securities Corp. (jointly); Shields & Co. and Salomon Bros. & Hutlzer (jointly); Blyth & Co., Inc.; First Boston Corp.; Lehman Brothers.

American Natural Gas Co.
April 26, William G. Woolfolk, Chairman, announced that company expects to make another offering of its common stock during the current year, probably this summer. It may involve 304,485 shares to common stockholders on a 1-for-10 basis. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Arkansas Power & Light Co.
Feb. 8 reported company expects to market $6,000,000 of mortgage bonds in August or September, the proceeds to be used for construction. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (jointly); White, Weld & Co.; First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers; Union Securities Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Arkansas Power & Light Co.
May 3 announced company plans to sell $15,500,000 of preferred stock (in addition to $6,000,000 bonds referred to above). The proceeds would be used to retire outstanding $7 and $6 preferred stocks at $110 per share and to finance expansion. Probable bidders—First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and White, Weld & Co. (jointly); Union Securities Corp.; First Boston Corp. Registration statement with SEC expected to be filed May 23, with bids to be received sometime in July.

Associated Telephone Co.
April 21 company reported planning early registration of 175,000 shares of preferred stock, the proceeds to finance construction costs. Traditional underwriters: Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co.

Bangor & Aroostook RR.
April 18 ICC approved debt rearrangement plan which provides that outstanding $16,665,000 consolidated refunding mortgage 4% bonds due July 1, 1951 be extended to 1976 and redesignated as first mortgage (convertible) 4½% bonds. The plan will become effective if accepted by 75% of the 4% bonds.

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.

Citizens Utilities Co.
April 25 company announced it plans to sell additional mortgage bonds. Traditional underwriter: Lee Higginson Corp. Proceeds are to fund bank loans ($1,200,000 at Feb. 28, 1950).

Columbia Gas System, Inc.
April 27 stockholders voted to reclassify the 500,000 shares of unissued common stock (no par) into 500,000 shares of unissued preferred stock (par $50). They also approved a proposal to amend the company's charter so as to permit the public sale of common stock without first making an offering of the shares to its own common stockholders. The company's program currently calls for the sale of $10,000,000 of additional common or preferred stock, the proceeds to be used to pay for construction costs. **Underwriters** — May be named by competitive bidding. Probable bidders: Blyth & Co., Inc.; Shields & Co. and R. W. Pressprich & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.

Columbia Gas System, Inc. (6/20)
May 4 the directors authorized the sale of $110,000,000 of 25-year debentures at competitive bidding, subject to the approval of the SEC. **Underwriters**—Under present plans competitive bidding for the issue is expected to be held about June 20, 1950. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Morgan Stanley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Stuart M. Crocker, President, said $92,500,000 of the proceeds would be used to retire $14,000,000 of 1⅞% serial debentures and $77,500,000 of 3⅛% debentures due in 1971. The balance of $17,500,000 will be available for the System's construction program. It is presently estimated that the System's total new money requirements for 1950 will be $26,500,000. Accordingly, after the sale of this issue of debentures, there will remain approximately $9,000,000 to be provided by some form of financing later in the year.

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.

● **Consolidated Edison Co. of New York, Inc.**
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years.

Dayton Power & Light Co.
April 20, it was revealed that company plans to sell 75,000 shares of preferred stock (par $100) to finance construction, if favorable market conditions prevail. **Underwriters**—Morgan Stanley & Co.; W. E. Hutton & Co. Expected in June.

Gatineau Power Co.
May 2, Bartholomew A. Brickley, trustee of International Hydro-Electric System, announced that he has selected Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and Harriman Ripley & Co., Inc., as the syndicate for negotiations in connection with the proposed disposition of shares of Gatineau Power Co. stock owned by International in accordance with part two of the trustees second plan. It is expected that at least $5,000,000 of Gatineau stock will be disposed of.

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.
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).

Indiana & Michigan Electric Co. (6/19)
April 28 it was announced that this company plans to sell at competitive bidding $20,000,000 of 30-year first mortgage bonds due 1980. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co. Inc. Bids are expected to be received on June 19. Proceeds would be for expansion program.

Iowa Electric Co.
March 10 reported that early registration with SEC is expected of an offering of about $18,000,000 preferred and common stocks through a negotiated deal. Probable underwriters: First Boston Corp. and G. H. Walker & Co.

● **Kansas City Power & Light Co.**
May 10 company filed an application with Missouri P. S. Commission for permission to issue $15,000,000 of 30-year first mortgage bonds due 1980 through competitive bidding. 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. Proceeds are to be used to retire $4,822,500 of bank loans and toward cost of construction program.

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.

Louisiana Power & Light Co.
May 3 it was announced company plans to issue and sell $9,000,000 of preferred stock, the proceeds to retire approximately $6,000,000 of $6 preferred stock outstanding at $110 per share and the balance to pay for expansion program. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; Equitable Securities Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securities Corp. Registration statement expected to be filed with SEC on May 23, with bids late in State in June.

Ludowici-Celadon Co., Chicago, Ill. (5/22)
Bids will be received up to 11 a.m. (EDT) on May 22 by the Attorney General at the Office of Alien Property, 120 Broadway, New York, N. Y., for the sale, as an entirety, of 1,812 shares of common stock (par $50), which represents about 7% of the 26,000 shares now issued and outstanding. Company manufactures roofing tile and tile slabs.

● **Macy (R. H.) & Co.**
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

Maine Public Service Co.
April 10 it was announced company plans to issue $1,000,000 mortgage bonds (in addition to 30,000 shares of 5½% preferred stock filed April 24 with SEC), the proceeds to be used for expansion.

Metropolitan Edison Co.
Feb. 9 company informed SEC it intends (in addition to current financing) to sell in September, 1950, $4,000,000 bonds and $2,000,000 preferred stock. Probable bidders on bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Lehman Brothers. On preferred stock: Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Drexel & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.

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., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

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Mississippi Power & Light Co.
May 3 it was announced that company plans to issue and sell $8,500,000 of preferred stock, the proceeds to be used to retire outstanding $6 preferred stock at $110 per share and the balance for construction costs. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Kidder, Peabody & Co. Equitable Securities Corp. and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp. Registration statement expected to be filed with SEC on May 23 with bids late in June. This financing is in addition to proposed issuance of $7,500,000 mortgage bonds (see below).

Mississippi Power & Light Co.
Feb. 6 reported company may be in the market with $7,500,000 mortgage bonds, the proceeds to be used to finance construction. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley and First Boston Corp. (jointly); Union Securities Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly). Registration statement expected to be filed with SEC on May 23 with bids late in June.

● **Missouri Pacific RR. (5/18)**
May 15 the company applied to the ICC for authority to issue $4,125,000 equipment trust certificates to be due serially in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. Inc. and Lehman Brothers (jointly). Expected May 18.

● **Mountain States Power Co.**
May 17 stockholders were to vote on increasing authorized preferred stock (par $50) from 75,000 to 150,000 shares. There is presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

Montana-Dakota Utilities Co.
May 1 the bondholders voted to increase the aggregate principal amount of bonds which may at any one time be outstanding to $40,000,000 from $20,000,000.

Natalie Kalmus Television Corp.
April 19 reported planning offering of 400,000 shares of common stock at $1 per share.

National Fireproofing Corp.
April 6 debentures and common stockholders approved a plan to refinance the $2,636,900 5% income debentures due May 1, 1952, together with interest thereon amounting to $635,790, and provide additional working capital, by issuance of evidence of indebtedness not to exceed $3,500,000. Probable underwriters: Kneeland & Co.; Glover & MacGregor.

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Otis & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Equitable Securities Corp.; (2) for preferred:—W. C. Langley & Co.

New England Public Service Co.
April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The proceeds will be used to pay bank loans.

New York Central RR. (6/1)
Feb. 7 reported that offering of $11,100,000 equipment trust certificates is expected on June 1. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

New York State Electric & Gas Corp.
April 27 it was announced that this company plans to sell later this year or early next year serial preferred stock or debt securities or a combination of them. The exact method of financing has not been determined. The company will require approximately $30,000,000 new money to complete its construction program through 1952.

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 this month.

Pacific Petroleum, Ltd. (Canada)
April 12 company announced it plans to file with SEC 1,000,000 additional shares of common stock shortly. Proceeds (U. S. currency) will be used for further expansion and development work in the Alberta oil field. **Underwriter**—Eastman, Dillon & Co.

● **Pacific Power & Light Co.**
April 13, Paul McKee, President, disclosed that a group of 16 purchasers who acquired company's 500,000 shares of common stock from American Power & Light Co. on Feb. 6, last, have informed him of their intention to make a public distribution of these shares at earliest practical date, which may be shortly after Aug. 6. A. C. Allyn & Co., Inc. and Bear, Stearns & Co. headed this group. The 500,000 shares of common stock are being split-up on a 3½-for-1 basis, all or part of which will be publicly offered. Company also expects to raise $3,000,000 in new money later this year and a similar amount in 1951.

Pennsylvania Co.
May 4 it was reported that the company may issue $16,000,000 of collateral trust sinking fund bonds in connection with the acquisition from Pennroad Corp. of Detroit, Toledo & Ironton RR. If sold under competitive bidding, probable bidders are: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); First Boston Corp.

Pennsylvania Power & Light Co.
April 17 the stockholders voted to authorize 100,000 additional shares of series prefgerred stock and 12,000 additional shares of 4½% preferred stock. Latter issue is to be offered in exchange, share for share, for present outstanding 4½% preferred stock. It is expected not over 75,000 shares of series preferred stock will be sold in late 1950 or early 1951. **Traditional Underwriters**—First Boston Corp.; Drexel & Co. **Proceeds**—To finance balance of 1950 construction program.

Pittsburgh & Lake Erie RR. (5/18)
Bids will be received by the company at 466 Lexington Ave., New York, N. Y., until noon (EDT) on May 18 for the purchase from it of $10,000,000 equipment trust certificates to be dated June 1, 1950, and to mature $1,000,000 each June 1 from 1951 to and including 1960. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc.; Lehman Brothers.

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.). Proceeds are to finance expansion.

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.

● **Raytheon Manufacturing Co.**
May 12 company was understood to be planning the issuance of additional common stock, probably with Hornblower & Weeks as underwriters. Financing not imminent.

Reading Co. (5/25)
Bids will be received at the company's office at Room 423, Reading Terminal, Philadelphia 1, Pa., up to noon (EDT) on May 25 for the purchase from it of $5,430,000 equipment trust certificates, series S, to be dated June 15, 1950, and to mature in semi-annual instalments of $181,000 each on Dec. 15, 1950, and on June 15 and Dec. 15 in each year thereafter to and including June 15, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lee Higginson Corp.; Harriman Ripley & Co., Inc., and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Schering Corp.
May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

● **Southern Co.**
May 11 company was reported to be planning issuance of approximately 1,000,000 additional shares of common stock late in July. Probable bidders: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc.

Southern Ry. Co. (6/15)
May 2 it was announced company is planning to refund $10,000,000 of its $12,474,000 St. Louis Division first mortgage 4% bonds, due Jan. 1, 1951, by issuing a like amount of new first mortgage bonds. The remaining $2,474,000 of St. Louis Division bonds would be retired from treasury funds. Invitations to bid for the new bonds are expected to be sent out about May 29, calling for bids to be expected June 15. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; Union Securities Corp. and Drexel & Co. (jointly).

Sunray Oil Corp.
May 10, it was announced that subject to approval of stockholders on June 19 a total of 750,000 shares of common stock will be publicly offered at approximately the market by an underwriting group headed by Eastman, Dillon & Co. These will be in addition to 2,700,000 shares of new convertible preferred stock (par $20) to be issued in exchange for 900,000 shares of common stock of Barnsdall Oil Co. common stock in the hands of the public. In addition, 800,781 Barnsdall common shares are owned by Sunray.

Tampa Electric Co.
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

● **Tennessee Natural Gas Lines, Inc., Nashville, Tennessee**
May 10 announced plans to expand its pipe line facilities. The cost of the proposed project is estimated at $764,807, to be financed by the sale of 75% of bonds, the balance to be paid out of treasury funds.

Texas Eastern Transmission Corp.
May 5 company applied to FPC for permission to build a new 791-mile pipe line to supply New England and the Appalachian and Seaboard areas, estimated to cost $117,800,000. This new project will be financed through the sale of bonds and other securities. Probable underwriters: Dillon, Read & Co., Inc.

Texas Illinois Natural Gas Pipeline Co.
May 8 it was announced that this company's financing program contemplates the sale of $90,000,000 of bonds and $12,000,000 of interim notes in addition to the sale of 1,750,000 shares of common stock (of the common stock 50% is to be purchased by Peoples Gas Light & Coke Co.). Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; and (2) for interim notes—White, Weld & Co. and Glore, Forgan & Co.

● **Tide Water Power Co.**
May 4 stockholders were reported to have approved an increase in the authorized common stock to 1,000,000 shares from 500,000 shares. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Toledo Edison Co.
May 9 it was announced that the company plans to issue and sell $7,500,000 additional first mortgage bonds in December, 1950, and probably additional common stock sometime during 1951, the proceeds to be used to complete expansion program. This is in addition to proposed issuance of 400,000 common shares, bids for which are expected around June 13. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); Smtih, Barney & Co.; Union Securities Corp.

● **Tucker's (Mrs.) Foods, Inc., Sherman, Tex.**
May 13 it was reported that registration is expected early in June of an undetermined amount of common stock, part of the proceeds of which will go to the company and part to selling stockholders. **Underwriters**—A. C. Allyn & Co., Inc. and Rauscher, Pierce & Co.

● **Wabash RR. (5/24)**
The company at its office at 44 Wall St., New York, N. Y., will until noon (EDT) on May 24 receive bids for the purchase from it of $5,220,000 equipment trust certificates, series C, to be dated June 1, 1950, and to mature in 15 annual installments from June 1, 1951 to June 1, 1965, inclusive. Probable bids: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Lehman Brothers and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Worcester County Electric Co.
April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane.

Glore, Forgan Places Granite City Steel Notes Privately

The Granite City Steel Co. is placing privately through Glore, Forgan & Co. an issue of $5,500,000 3¾% notes dated May 1, 1950 and due May 1, 1965, with the Prudential Insurance Co. of America and the Guardian Life Insurance Co. of America, according to John N. Marshall, Chairman of the Board.

The proceeds are to be used to retire all term indebtedness and bank loans, for plant expansion and for additional working capital.

Tom Kyranis Opens

Tom Kyranis is engaging in a securities business from offices at 37 Wall Street, New York City. He was formerly President of the Kymar Trading Co., Inc.

George Long Co. Formed

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—George I. Long & Co. has been formed with offices at 100 Bush Street to act as a dealer in securities. George I. Long is principal of the firm.

E. A. Bessom Corp.

(Special to The Financial Chronicle)

SALEM, Mass.—E. A. Bessom Corporation is engaging in a securities business from offices at 127 Margin Street. Officers are Earl A. Besson, President and Treasurer, and Albert Adelson.

Our Reporter's Report

What happened in the corporate new issue market this week may not be especially cheering to people in the underwriting business. But, if it tends to make for a bit more deliberation in the formulation of bids for future new issues, the cost could prove ultimately to have been small.

As usually happens in situations of this kind, when offerings begin to back up because of the resistance of potential buyers to low-yields, investment bankers are inclined to complain about the effects of competitive bidding on pricing and markets.

Well, currently two groups have seen fit to turn loose new issues which they had acquired through this medium and let the bonds seek their own levels. In both instances the result has been that the bonds in question settled about a point under the original offering prices.

Bankers complain periodically about the tendency to over-bid in seeking such issues but, in spite of the reluctance of institutional buyers to become interested much below a 2.70 basis, it is not long before the distributors are back in there bidding "on the last up-tick."

Competition for Ohio Edison Co.'s $58,000,000 bonds a day or two back suggested a business-like approach rather than, as some are disposed to term it, "bidding for glory." With four bids entered only about 29 cents a bond separated the highest from the lowest.

Ohio Edison Bids

The group which captured the Ohio Edison Co.'s 30-year first mortgage bonds paid the company a price of 101.74 for a 2⅞% interest rate. Other bids, all for the same coupon, were 101.659; 101.6199 and 101.4523.

The bonds were reported scheduled to be reoffered for public subscription today at a price of 102¼ and accrued interest to yield an indicated 2.764%.

In contrast with the dearth of interest which greeted several more recent offerings, this one was reported to have encountered brisk demand with the bulk of the issue seemingly assured of quick placement.

Oklahoma Gas & Electric

Much the same conditions prevailed in the case of the smaller offering by Oklahoma Gas & Electric Co., involving $17,500,000 of first mortgage 30-year bonds.

Here, with six bids received, the successful group paid the issuer 101.591 for a 2⅞% coupon or about 52 cents above the lowest bid of 101.06599. But the lowest of four other bids received was 101.2653 or about 33 cents a bond less than the highest.

This indication of similar thinking was helpful when it came to marketing. Repriced at 102.129 to yield about 2.77%, this issue likewise was reported in brisk demand and moving out rapidly.

Southern California Edison

Securities of soundly operated West Coast public utility companies are apparently extremely popular with investors around the country judging by the reported success of Southern California Edison Co.'s big preferred stock offering.

Brought out yesterday this undertaking, involving 1,000,000 shares of $25 par value cumulative preferred stock, was reported to have attracted very substantial demand.

Interstate Power Co.

Officials of Interstate Power Co. are slated to meet with bankers here tomorrow to review statistics and other data contained in the company's registration with the Securities and Exchange Commission covering projected sale of bonds and common stock.

The company has a program of financing outlined which calls for the issuance of $3,000,000 of new bonds and 275,000 shares additional common stock.

Bids are due to be opened on both issues next Monday.

International TV Stk. Offered at 60c a Sh.

D. F. Bernheimer & Co. Inc. and Hunter & Co., both of New York, are publicly offering "as a speculation" 360,000 shares of International Television Corp. common stock (par 10 cents) at 60 cents per share.

The corporation is engaged in the business of manufacturing and selling home television receivers, using 16-inch and 19-inch picture tubes. Its receivers are sold under the brand name "International."

The net proceeds are to be used for working capital and purchase of additional equipment and component parts.

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *May 15, 1950*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 25, 1950, to stockholders of record at the close of business on July 10, 1950; also 85¢ a share on the $5.00 par value Common Stock as the second interim dividend for 1950, payable June 14, 1950, to stockholders of record at the close of business on May 22, 1950.

L. DU P. COPELAND, *Secretary*

THE ALABAMA GREAT SOUTHERN RAILROAD COMPANY

New York, N. Y., May 16, 1950.

A dividend of $4.00 per share on the Preferred Stock of The Alabama Great Southern Railroad Company has been declared payable June 28, 1950, to stockholders of record at the close of business May 29, 1950.

A dividend of $4.00 per share on the Ordinary Stock has been declared payable June 28, 1950, to stockholders of record at the close of business May 29, 1950.

J. J. MAHER, *Secretary.*

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividend No. 34 on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable June 20, 1950, to holders of record at the close of business on May 26, 1950 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, *Treasurer*

May 12, 1950

DIVIDEND NOTICES

J. I. Case Company

(Incorporated)

Racine, Wis., May 15, 1950

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable July 1, 1950, and a dividend of 75c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable July 1, 1950, to holders of record at the close of business June 12, 1950.

WM. B. PETERS, Secretary.

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company on May 16, 1950, declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A, payable July 1, 1950, to the holders of such stock of record at the close of business June 12, 1950.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on May 16, 1950, declared a quarterly dividend of sixty-two and one-half cents (62½¢) per share on the outstanding shares of the Common Stock of the Company, payable July 1, 1950, to the holders of such stock of record at the close of business June 12, 1950.

R. S. KYLE, *Secretary*

MEETING NOTICE

The New York Central Railroad Company

Albany, N. Y., April 17, 1950.

The Annual Meeting of the Stockholders of The New York Central Railroad Company, for the election of Directors and of three Inspectors of Election and the transaction of such other business as may be lawfully brought before the meeting, will be held in the Ball Room of the Hotel Ten Eyck, 87 State Street, in the City of Albany, N. Y., on Wednesday, May 24, 1950, at 12 o'clock Noon, Eastern Daylight Time.

Stockholders of record at 3 o'clock P. M., on April 21, 1950, will be entitled to vote at the meeting.

JOSEPH M. O'MAHONEY, Secretary.

Manufacturers of WALL & FLOOR TILE

American Encaustic Tiling Company, Inc.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable May 31, 1950, to stockholders of record on May 24, 1950.

G. W. THORP, JR.
Treasurer

May 12, 1950.

AMERICAN WOOLEN COMPANY INCORPORATED

"THE GREATEST NAME IN WOOLENS"

AT the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable June 15, 1950 to stockholders of record June 1, 1950.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable July 14, 1950 to stockholders of record July 1, 1950.

Transfer books will not be closed.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT,
Treasurer.

May 17, 1950.

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 87

On May 16, 1950, a dividend of seventy-five cents (75¢) per share was declared on the Capital Stock of Newmont Mining Corporation, payable June 14, 1950 to stockholders of record at the close of business May 26, 1950.

GUS MRKVICKA, *Treasurer.*

New York, N. Y., May 16, 1950.

PITTSBURGH CONSOLIDATION COAL COMPANY

The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 50 cents per share on the Common Stock of the Company, payable on June 12, 1950, to shareholders of record at the close of business on May 26, 1950. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

May 15, 1950.

INTERSTATE POWER COMPANY

DUBUQUE, IOWA

Notice of Common Dividend

The Board of Directors has declared a dividend of 15¢ per share on the outstanding Common Stock, payable June 20, 1950, to stockholders of record on June 12, 1950. The transfer books will not be closed.

OSCAR SOLBERG,
Treasurer

May 15, 1950

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, less 2.75 per cent Wisconsin privilege dividend tax, on the capital stock (without par value) of the Corporation, payable June 15, 1950, to stockholders of record June 1, 1950.

L. G. REGNER, Secretary.

May 16, 1950

THE Magnavox COMPANY

MAKERS OF FINE RADIO-PHONOGRAPHS AND TELEVISION RECEIVERS

DIVIDEND NOTICE

The Board of Directors of The Magnavox Company declared the following dividends:

CLASS A STOCK

A dividend of 25 cents per share, payable June 1, 1950 to stockholders of record May 15, 1950.

COMMON STOCK

A dividend of 25 cents per share, payable June 15, 1950 to stockholders of record May 25, 1950.

R. A. O'CONNOR
President

May 9, 1950

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 75 cents per share and an additional dividend of 50 cents per share on the Company's capital stock, payable June 15, 1950, to stockholders of record at the close of business May 26, 1950.

RICHARD T. FLEMING,
Secretary

TENNESSEE CORPORATION

May 11, 1950.

A dividend of thirty five (35¢) cents per share has been declared, payable June 29, 1950, to stockholders of record at the close of business June 14, 1950.

61 Broadway
New York 6, N. Y.

J. B. McGEE
Treasurer.

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 3

A quarterly dividend of $1.00 per share on the Preferred Stock of the par value of $62.50 per share, has been declared payable June 20, 1950, to stockholders of record at the close of business on June 7, 1950.

Checks will be mailed.

BRUCE H. WALLACE, Treasurer

New York, May 17, 1950.

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 25c per share has been declared, payable July 3, 1950, to stockholders of record at the close of business June 5, 1950. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*

May 15, 1950.

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

A quarterly cash dividend of $1.12½ per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Prior Preferred Stock of this Corporation has been declared payable June 15, 1950 to the stockholders of record at the close of business on June 2, 1950.

A quarterly cash dividend of $.37½ per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Convertible Preferred Stock of this Corporation has been declared payable June 30, 1950 to the stockholders of record at the close of business on June 2, 1950.

A quarterly cash dividend of $.50 per share (or the equivalent in sterling at the rate of exchange on date of payment to holders of record residing in the United Kingdom) on the outstanding Common Stock of this Corporation has been declared payable June 30, 1950 to stockholders of record at the close of business on June 2, 1950.

DONALD A. HENDERSON,
Treasurer.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — About all the House did with its last-minute "economy amendments" to the omnibus appropriations bill was to throw a real scare into this town. With the entire economic activity of this city virtually ruled by the level of government payrolls, that has been some scare.

In last-minute amendments the House presumably directed the White House to effect $600 million in savings below the totals appropriated or authorized. Also the House presumably proposed that only 10% of those Federal jobs which might become vacant could be filled.

It is the sober opinion of persons in close touch with the situation that even if the Senate were to adopt these identical amendments and they become law, the economy which would result would be negligible, pitiful by comparison with the figure of $1 billion which was advertised as the savings.

There is considerable doubt that these economy amendments meant what they supposedly said. "There are enough holes in them to drive a couple of truck-trailers through," explained one qualified source.

As to the $600 million the President is presumably "directed" to save: He may "save" this out of contract authorizations, which require disbursement in future years, so hence there is in fact no savings achieved in fiscal '51. Or if the President decides to save some of it out of appropriations, what he is likely to do—in the unlikely event the Senate likewise adopted amendments of the same tenor—is to announce cuts in appropriations on several of those items more important to a Congressman's heart and leave alone items of interest to a President's heart—thus causing Congress either this year or early next year to rescind hastily its action.

When the House adopted these amendments, however, it did not act with a motive of wholesale cynicism. There is no doubt but that Congress would like sincerely to achieve economy if it were possible, despite this being an election year. The House failed to achieve economy applied to concrete, material things, to specific issues. Its amendments were in part a blind gesture of sentiment in favor of economy.

Incidentally, it is now being said on Capitol Hill that the so-called "single appropriation bill" has proved itself to be a flop. Taking a look at all appropriations as a unit (or most of them) did not, as theory promised, cause the House to face the issue of a deficit squarely, and to try to avoid it or reduce it.

Thus it appears that the single appropriation bill has proved as ineffective as the Hoover Commission or the Legislative Reorganization Act of 1946, to bring about fiscal soundness. For some reason, reorganizations, New Year's resolutions, or bright new procedures cannot seems to do what Congress itself lacks the determination to do.

* * *

If you take recent Administration moves and put them beside some of the provisions of the latest housing law, you will discover a very definite left-wing pattern to cut the ground out from under private financing of housing and create a "climate" favorable to direct government lending a year or so hence.

The Administration cut the FHA rate to 4¼%, as announced some weeks ago, from 4½%. The new housing law made possible the abolition of the combination FHA-GI loan, and the Veterans Administration moved promtly to announce the termination, albeit in stages of the "combo" loan. The new housing law raised the GI guarantee to $7,500 or 60%. GI loans, formerly running for 25 years, may now be made for 30-year periods.

Thus for banks and insurance companies which make home mortgage loans, the prospect is for a lower weighted average yield in the future, or for lending more money per customer for a smaller return for a longer period.

If private finance were to say, as it were, "what the heck, we will lend the money anyway because we can slip the paper to 'Fanny May,'" the RFC secondary mortgage market, they meet a new wrinkle there. The new law gave only $250 million for "Fanny May" and cut that agency out of power to make commitments to buy mortgages in the future, with the new money.

For the record, some of the "liberals" piously observe what a terrible thing it is for the government to be buying mortgages it insures and guarantees and thus going by subterfuge into the mortgage lending business. Actually, the tears of the "liberals" in this respect are crocodillian. What they are aiming at is for the government money to go direct to the buying customer, instead of indirectly via a private lending agency. They want the home buyer to know it is Papa Truman who is generously lending them money to buy their homes—nice, beautiful homes, and only $38 per month to pay under the 30-year loan plan.

So the "liberals" projected the idea of transferring "Fanny May" to the Housing and Home Finance Agency from the RFC. The President was apparently in on the left-wing thinking, because in a reorganization plan "Fanny May" goes to HHFA in a couple of months unless Congress upsets this additional reorganization plan.

Then, of course, when "Fanny May" is safely in HHFA, Congress will give it some real dough to play with.

This deal, incidentally, is one of many proofs of how the Reorganization Act gave the President power to shift his ducks around to suit the whims and politics of any given time and situation. If there must be a secondary market, then conservatives would prefer it stay in RFC. "Then at least you have to go across the street from FHA (a part of HHFA) to RFC, and RFC has a habit of being at least sure it is a good mortgage," as one Representative explained it.

Finally, the Congress put up $150 million for direct GI loans. The generally lower returns is making it tougher and tougher on country banks. The $150 million for direct loans is expected to shine brilliantly—as it is probably used up in one day—as an example of the need for further hundreds of millions for direct loans.

BUSINESS BUZZ

One of the things comprehensible only in terms of bureaucratic politics is the insistence of the Post Office Department upon the retention of the 2% interest rate it pays on postal savings deposits.

In 1910 the postal savings system was created to provide a depository for those persons who might hide their money in the mattress or under the rug.

Total deposits per individual were first limited to $500. The limit has been boosted from time to time to where it is now $2,500. The interest rate was set —in 1910—at 2%, 1¾% below the then going average rate on savings accounts in banks. Now the average going rate is about 1¼%, so the Post Office pays more than the private banking system. The 2% rate is a higher return than E bonds yield, unless the latter are held longer than six years.

Because of the more favorable rate and the higher interest cost, the Treasury favors a reduction to 1%. A proposal of this character was favorably reported out of Senate Committee during the 80th Congress.

This was beaten, however, when the Post Office Department slipped to members of Congress a statistical table showing how much a cut from 2% to 1% on postal savings interest would mean in reduced dollars paid to depositors in each Congressional district.

There is current a proposal merely to allow a reduction each six months down to 1%, in stages of one-fourth of 1%. The House Post Office Committee held a hearing on this bill. It also was favored by the Treasury. The Post Office Department opposed this proposition. Just what grounds the department had, however, were not disclosed, for the usual official record of a Congressional hearing was not taken down. The Post Office Department refuses to make its position public. "We must clear with the Budget Bureau before we can say what our policy is," officials explain.

In times past, the Department, having a holdover from the '30s and before, of higher interest-bearing governments in its portfolio, realized substantial premiums, sometimes over $30 million per year, in sales profits. These under the law were used to pay the postal deficit, and hence "dress up" the figures of the Post Office Department.

Now, however, all the portfolio profit has been realized, and the postal savings system realizes gross earnings of about $9,600,000 on its deposits, probably a $600,000 "profit" above current interest cost.

However, this gross operating profit is probably in fact achieved at a cost to the Treasury, which has to buy "longs" and issue a special 2% security to the postal savings system—so the Treasury probably in effect pays all of the gross operating profit.

This leaves the Post Office with $9,000,000 more than it gets appropriated by Congress to help pay salaries and expenses of postal employees, for only a handful of employees are actually paid specifically for postal savings work, this being incidental to their other postal duties.

* * *

Senator J. Allen Frear, Jr. (Dem., Del.) and the SEC are mobilizing a drive to get through Congress in 1951 the Frear bill which failed to make headway this year—the bill to subject small corporations to various SEC regulations. The FDIC has decided not to fight the FDIC assessment credit bill in the House even though FDIC doesn't like it—so the bill probably will pass. The Farmers Home Administration, spiritual and lineal descendant of the Farm Security Administration of Rexford G. Tugwell and the more radical New Dealers, probably will be allowed to insure another $100,000,000 of loans to farmers for 100% of "normal" value—and to run for 40 years.

(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.)