ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 171 Number 4910 | New York, N. Y., Thursday, May 25, 1950 | Price 30 Cents a Copy

EDITORIAL

As We See It

It is now clear that the President intends, so far as he is able, to have the 1950 election campaign duplicate the 1948 battle. Does the opposition appear to promise more effective strategy?

If anyone had any doubt about the lines along which the Democratic party will fight out the coming political battles this autumn, that uncertainty should have been quite definitely and permanently removed by the general tenor of the President's recent non-political whistle-stop campaign across the country. So far as Mr. Truman can make it so, it will be a replica of the 1948 campaign—with such variations as the existence of a Democratic Congress renders necessary. Will the President's major opponents prove more effective this time, and how will they endeavor to reach an objective so devoutly to be wished?

Of course, time only will tell how effective the opposition will be. Personal opinions as to the probable outcome will doubtless be expressed meanwhile, but in light of the final results in 1948, we are certain that there will be a general tendency to withhold forecasts, permitting the final outcome eventually to speak for itself. At any rate, we have no intention of undertaking the role of the prophet. We shall, however, from time to time, as in the past, venture opinions as to the degree in which candidates for office, and perhaps most particularly the opposing parties, warrant support from the thoughtful citizen with the good of his country thoroughly at heart.

No Spokesman Now

Up to this moment, no candidate and no party official or group of party members or officials with a clear mandate to speak for the Republican

Continued on page 28

Our Hodge-Podge of Anti-Trust Laws

By BENJAMIN F. FAIRLESS*
President, United States Steel Corporation

Asserting, under vast array of hodge-podge Federal statutes, every businessman in America can be found guilty of law violation, Mr. Fairless contends tax laws and government business controls are impeding business investment and hamstringing venture capital. Attacks rulings of courts and holds judiciary is usurping functions of Congress. Concludes we live in a legalistic merry-go-round in which not even lawyers can figure out "which end is up."

I want to talk with you today about a problem that President Truman discussed in a special message which he sent to Congress two weeks ago—a message on small business. It was a temperate, reasoned, non-political exposition of his views on the subject; and it is in this same temperate, reasoned and wholly non-political vein that I propose to comment upon it.

Benjamin F. Fairless

After saying a few guardedly kind words about big business, the President pointed out that—great and successful as this economic system of ours has been—it still is not as good as he—or as any of us for that matter—would want it to be. He said that it is not providing jobs for all the men and women who want work, and that—if it is ever to provide full employment—more new businesses, and more small businesses, must be established. He recommended therefore that Congress pass legislation designed to provide these new, small businesses with capital and with technical assistance.

Now I have noticed that whenever our government officials set out, these days, to be helpful to some segment of our economy, they think almost automatically

Continued on page 26

*An address of Mr. Fairless at the Mid-Century Celebration of Progress sponsored by the Boston Chamber of Commerce, Boston, Mass., May 18, 1950.

The Glowing Business Outlook

By DEXTER MERRIAM KEEZER*
Director, Department of Economics, McGraw-Hill Publishing Company, Inc.

Assuming absence of shooting war, Mr. Keezer predicts very high business activity during balance of year. As constructive elements, he cites great demand for automobiles, furniture, refrigerators, television sets, and homes. Asserts plans for new plant and equipment are being revised upward. Maintains business enterprise's present primary job is to cure "the creeping cancer of unemployment."

My subject is "The Business Outlook." As I see it, the outlook for the months immediately ahead is fine. That is always with the proviso that the Russians don't start World War III during that period. In that event we won't have a business outlook. There will simply be a military outlook. And I won't have a subject.

Dexter M. Keezer

Personally I don't expect Russia to start the third world war soon. My primary reason is that Russia now has only a fraction of the basic industrial strength we have. So far as I can tell, her basic steel producing capacity is less than one-third of ours. It is less than one-fifth of the combined capacity of the United States and Western Europe. It is my observation that superior industrial strength is required to win modern wars. I don't believe atomic bombs, old model or hydrogen, are going to change that. There is another economic reason why I expect Russia to defer the shooting phase of World War III. That is, that she is apparently gaining on us in industrial strength.

As I have noted, Russia now has far less basic industrial capacity than we do. But, so far as I can tell, she is

Continued on page 22

*A talk to the Cleveland Management Clinic, Cleveland, Ohio, May 16, 1950.

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 38.

The Security I Like Best

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

This Week's Forum Participants and Their Selections

GLENN E. ANDERSON
Executive Vice-President Kirchofer & Arnold Associates, Inc., Raleigh, North Carolina

(Transcontinental Gas Pipe Line Corp. and Tennessee Gas Transmission Co.)

It would be difficult, if not impossible, to select any single security that is equally desirable for all of those who have funds to invest. In some cases, it is necessary for major emphasis to be placed upon safety and income with minor emphasis upon growth, while in others the main objective is capital appreciation. I think, however, that most of us would select a security which offers maximum growth with a minimum of risk if the security is to be purchased for the future.

G. E. Anderson

There are many industries which can expect further growth and expansion in the future. Among the more important are the chemicals, airlines, television and utilities. It is from this last industry that I would select my security for the future—one of those in the natural gas industry. Those companies which are engaged, or will be engaged, in the transmission of natural gas appear to me to provide the best vehicle for participating in this fast-growing industry because the element of risk seems to be outweighed by the potentialities of growth.

It is well established that there exists an almost unlimited market for natural gas in many sections of the country which do not now have this fuel and also in areas now being served where the supply is inadequate for all potential users. Natural gas reserves, while not unlimited, would appear to be amble for the consumption which can be anticipated at this time.

While it is true that most companies in this field have raised the major part of their funds from the sale of bonds, thus creating common stocks with considerable leverage, there is probably no industry where the leverage factor can be applied more profitably and with less risk. The regulatory commissions have consistently recognized the need for such companies to earn a fair return on their investment and the U. S. Treasury Department and Federal Reserve are committed to a policy of low interest rates. The combination and continuance of these conditions will enable the pipe lines to raise funds for expansion largely through the sale of bonds on a basis very favorable to the common stockholders.

Natural gas is the cleanest, most efficient, and, at present, cheapest of the major fuels. It naturally follows that it would encounter an increasing demand from a larger number of potential users. In recent years, however, the inconvenience to which users of coal have been subjected, as a result of strikes, has stepped up this demand to the point where sales are now limited only by the capacity of present facilities and the speed with which they can be expanded.

With primary emphasis on growth, I would select from this industry the stock of Transcontinental Gas Pipe Line Corporation or, for a more conservative participation, the stock of Tennessee Gas Transmission Company. Both stocks are unlisted and are adaptable primarily to individual accounts — Transcontinental being more desirable for speculative accounts and Tennessee Gas for the more conservative investor.

FRANK Y. CANNON
J. W. Gould & Co., New York City

(Seatrain Lines. Inc.)

When an investor can buy into an enterprise that can retain for net profit about 25% of its gross income, such a business is well worth examining closely. This growing, labor-saving enterprise is the Seatrain Lines, Inc.—a unique form of water-borne freight car transportation.

Incorporated in June, 1931, Seatrain operates five steamships especially designed for transporting by water, freight brought to or moved from ports by railroads, without moving the freight from cars. Four of these vessels at present are serving two major routes, New York-Texas City and New York-New Orleans. Seatrain has suspended, temporarily, service to Cuba via Havana, due to arbitrary labor conditions at Havana, but in the opinion of those best qualified to judge, the conditions which have existed for the past several years in Cuba are bound to change for economic reasons if for no other.

Although incorporated in 1931, the period from 1934 through 1941 showed increasingly large net income. During World War II, the vessels were requisitioned by the U. S. Government, under charter hire. Upon return to the corporation of the steamships from war service in 1946, four were reconditioned and entered into their peacetime functions in March, 1947. An interesting experience of the Seatrain "Texas" during the war occurred when the German Army under Marshal Rommell had advanced in North Africa not far from Alexandria, Egypt. A convoy carrying munitions from the United States bound for Alexandria, lost by submarine action very valuable supplies. The "Texas," lying at an East port, was hurriedly loaded and set out for Alexandria, via the Cape of Good Hope, Red Sea and Suez Canal. When Rommell struck at the vital spot of Alexandria, he was stopped by Marshal Montgomery with the aid of American tanks, artillery, etc. The Water Transportation Corps said that "The Texas and Montgomery started Rommell out of Africa."

Since Seatrain's return to their trade routes, gross income and net profits have been as follows:

	Gross	Net	% of Retained Net to Gross
1947	$5,690,287	$918,891	16%
1948	9,701,075	2,534,267	26%
1949	9,486,355	2,548,670	26%

It would appear from the last few years' operations that Seatrain service is much in demand by shippers. At the annual meeting held recently the stockholders voted authorization to the directors to have two new vessels built to engage in the coastwise trade. It must be borne in mind that service to the Gulf Ports is to the fastest growing section of the United States, i.e., Texas, Arizona, California, etc.

Financial condition of Seatrain is strong, with $8,200,000 cash and governments on hand Dec. 31, 1949. Present dividend rate of 50c per share per year is less than 30% of earning power, leaving room for increased payments.

Capitalization: Bonds, $1,297,357; stock 1,373,552 shares ($4 par).

To my mind, Seatrain is an expanding situation; rates paid by shippers are competitive with, or lower than, those for all-rail shipment. The service rendered is fast and efficient and it is difficult to discover another business from whose gross a net income can be obtained, comparable to that of Seatrain.

As of Dec. 31, 1949, the Sun Oil Company owned 199,500 shares; Missouri Pacific RR. 132,990 shares, and the Texas & Pacific Ry. 132,930 shares of the capital stock of the Seatrain Lines, Inc.

STANLEY L. ROGGENBURG
Partner, Roggenburg & Co., New York City

(South American Bonds)

My favorite securities are the South American group, particularly the Brazilians, Peruvians, Mexicans and Bolivians. My reasons for this selection are as follows: (1) South America is in the position today that the United States was 100 years ago. They have all the natural resources, including minerals, oil, ores, metals and agricultural products which the world needs and must have; (2) South American bonds give you diversification and an excellent return on your investment; (3) They have very large possible capital gains potential; (4) The bonds are at an explosive stage because the markets are so thin, due to the repatriation by their particular governments, large sinking funds, and foreign buying of dollar bonds to replace foreign currency bonds called for redemption; and (5) They are an excellent hedge against war. South America is the one continent, and the only one, that could possibly gain from another world war.

Stanley Roggenburg

In my opinion, in the event of World War III, certainly your dividends and possibly some interest payments would cease from American securities, due to enormous excess profit taxes that would be necessary to finance such a war. South American countries would continue to pay and redeem their bonds. South American securities have not enjoyed, in the past, a very favorable reputation, due to the instability of their governments and their treatment of foreign capital and investments. This, however, lies mostly in the past. The road

Continued on page 37

The Outlook for Prices And the Cost of Living

By EWAN CLAGUE*
Commissioner of Labor Statistics

Leading government statistician asserts postwar price level will stabilize between 1939 and 1946-47 levels. Predicts price stability will consist of happy medium between buyers' and sellers' market; and will witness neither a shortage nor glut of goods, steadily expanding production and vigorous competition, and healthy profits.

These days, even more than usually, everybody is concerned about prices—hoping for a drop in the prices of things that he buys and fearful of a drop in the prices of the things he sells. Whether it is the farmer, the businessman, the purchasing agent, or the ordinary consumer, everyone is half-hopeful and half-fearful of what may be happening to prices. With one eye on current wages and the other on 1920, we are wondering what will happen next, and what will happen when it happens.

Ewan Clague

It is easy to understand why there is so much interest in prices. In a real sense, prices are the "governor" of an enterprise economy, since they are so influential in determining what things will be produced and in what quantities, and how the national product will be divided among various producers. During the war the governor was "rigged" through price control to keep prices at predetermined levels. When the controls were lifted, the machinery of the economy started to race, and only recently has it begun to return to what appears to be more nearly normal. The question in everyone's mind now is: Are we approaching a plateau from which we can proceed at reasonable speeds and in the right direction, or are we passing through one phase of what may turn out to be a rather violent readjustment?

It is certainly premature to give a dogmatic answer to that question, but our analyses in the Bureau of Labor Statistics leads us to believe that the readjustment need not be violent nor extreme, and that it can bring us to the threshold of a period of stable and healthy price-income relationships.

The Past Record

Now let us go back and look at the record of the past. Our principal long-time measure of the general price level is the Bureau's Wholesale Price Index, which has been compiled continuously for nearly 60 years. The record of the past 35 years according to my chart shows clearly the two wartime peaks separated by a valley of depression. Let us look at that first wartime peak. It represents the accumulation of a six-year price rise with only occasional and brief interruptions. One of the remarkable things about this rise was that it swept up farm prices, and nonfarm prices together. They started at about the same point in 1914, and although farm prices rose more rapidly for a time, they reached about the same relative position in 1920. Then came the collapse. It was spectacular, and nothing escaped. Farm prices and nonfarm prices started down, all within the span of a few months, and fell almost at the same rate, although farm prices hit a lower floor before they bounced back. The declines in prices of individual commodities were equally spectacular. Corn dropped from a high of $2 a bushel in 1920 to a low of 44 cents in 1921, cotton from 42 cents a pound to 12 cents, and lead from nine cents a pound to four cents. These are not isolated instances; they are typical examples of what happened when a speculative inventory boom, without firm underpinnings of demand, broke simultaneously in almost all industries.

Now you may ask: What is there in our present situation to prevent a repetition of this? Let us look at our present situation in the light of the recent developments. The same chart shows the prolonged price rise from the post-depression lows in 1939 to the postwar highs in 1948. Except for a period of firm price control from 1943 to 1946 (which appears as an all-too-brief plateau on the chart), the price rise was about as steep in the second World War as it was in the first. This was particularly true of the spurt that followed the lifting of price controls in the latter half of 1946.

Long-Lived Rise

This postwar rise has lasted much longer beyond the end of the war than the rise that ended in 1920. The postwar boom then lasted 18 months from the end of war. We are now 54 months beyond VJ-Day, and we have as yet encountered nothing approaching a general liquidation of prices.

In the past several years the price level has been several times put to very severe tests. In the spring of 1947 there was a period of hesitation and a momentary contraction in the economy, in view of the uncertainties gener-

Continued on page 24

*A talk by Commissioner Clague before the Regional Conference of State Departments of Labor of the Middle Atlantic and New England States, New York City, May 23, 1950.

INDEX

Articles and News Page

Regular Features

*Not available this week.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, May 25, 1950

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $25.00 per year. (Foreign postage extra.)

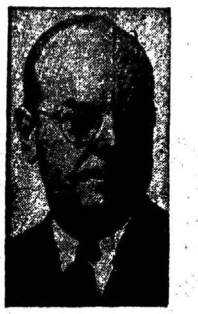
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

1950 to Be Record Profit Year

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

Secretary Snyder, in predicting 1950 will be record year for profits, points to maintenance of price level as checking inventory losses. Sees renewed upturn in capital goods outlay, as well as a heavy consumer goods demand that results from current record level of personal incomes. Pictures "justifiable feeling of confidence."

The close of the war brought serious challenges to our economy. Would America be able to maintain its tremendous production gains? Today — five years later— we have the answer. We have not only been able to maintain our gains, but our productivity is constantly on the increase. Since the close of the war, I understand that at least 700 new industries have been established in your own State (Tennessee).



John W. Snyder

Yet it is not the material gains which you have already achieved that have given this region the title of the "New South." It is rather in the realization of the potentialities that lie ahead for still further expansion and progress.

Your State particularly has tremendous potentials for further development. Agriculture should, and is, turning to higher value crops and products. The advance which you have made in dairying is an instance in point. By "marketing your grasslands" you have become the South's leading dairy state.

In similar fashion, there is great opportunity here for industrial expansion in finished products. Your industrial output is still primarily in the production of raw materials, of semi-finished metals and textiles, and chemical intermediates. By converting your natural resources into finished wares, your annual income can be increased extensively.

You, as bankers, will play a major role in this further expansion of your State's economy. Much of the capital required will be furnished by your institutions. From earliest days banking has supported the growth of your commercial endeavor. The Southern banker was a pioneer in the financing of foreign trade. He issued the drafts covering shipments of cotton to far-distant points. The bill of exchange, the controlling medium of the entire foreign exchange system as we know it today, was part of the daily business of the Southern banks over a century ago.

In serving your customers today, however, the problems and responsibilities which face you are far greater than those that faced your predecessors of even a generation ago. For today, you must be specialists in the whole broad field of business analysis. To evaluate the opportunities for growth in your communities and to judge which of these opportunities offer the best prospects for sound development, you must be able to interpret the changes occurring in business conditions not only in your own State, but in the nation and in the world.

In my opinion, there is sound basis for confidence in the business outlook for our nation. We are well into the second quarter of this year, and it is becoming evident that 1950 will be one of the most profitable business years in our history.

Industrial production is not only back to last year's level, but is now rising, in contrast to the decline last spring. Business profits this year are less likely to be held down by inventory losses since commodity prices have shown a firm trend for nearly a year, and inventories have been greatly reduced.

Renewed Upturn in Capital Goods

The renewed upturn in capital goods, now under way, raises the question whether earlier estimates of a substantial reduction in new capital expenditures this year may not have been somewhat exaggerated. New orders for machinery have been rising sharply since the third quarter of 1949. New construction contract awards for non-residential building were 30% higher than in the same quarter last year, and the increase is widening.

I am particularly impressed, as I know you must be, with the construction outlook. New home construction is at the highest level in our history. Moreover, new contracts awarded for future construction of residential units continue at a specatcular pace. New contracts awarded so far this year for public works construction and public utility construction likewise show substantial gains over the comparable period last year.

The construction industry is highly important in your own State's economy as well as the nation's. Currently, construction is giving direct employment to around 32,000 Tennesseeans, and indirect employment to an even greater number in your lumber and other construction-related industries.

Automobile production is also one of the strong points in the current business picture, and I am told the demand is far from satisfied. In only one month so far have we exceeded the 1929 peak in our output of passenger automobiles. And, again, we must remember that we have 30 million more people today than in 1929.

I know that you are eyeing this industry with considerable interest, for the manufacture of automotive parts is one of the promising fields for future major industrial expansion in this area. Southern ownership of cars and trucks in the 10-year period 1938-1948 increased over 44% compared with a national average increase of 28%. As a result of this growing Southern market, many automotive assembly plants have been established in the South. Your local enterprise is taking advantage of the profitable opportunity to supply a considerable part of the requirements of these assembly plants.

In the last analysis, of course, it is the individual consumer who represents the major market for our goods and services. It is not only his ability to buy, but his willingness to buy that supports American business.

Personal Incomes at Record Level

Ability to buy is evidenced by the current record level of personal incomes, which continues to run well over the $200 billion mark. In addition, personal savings, which represent potential purchasing power, are higher than ever before. Liquid assets of individuals amount to over $200 billion, in contrast to only $68 billion when we entered the war in 1941. And this is not the full measure of the improvement in people's financial resources. Their investments in life insurance, homes and real estate, corporate securities, and other less liquid assets far exceed the prewar total.

Willingness to buy is reflected in the current volume of retail trade and consumer expenditures. Total retail sales, in actual unit volume, are running about 6% higher than a year ago. Consumer buying for the country as a whole is currently running at a record annual level of $181 billion.

The fact that last year's business readjustment did not unsettle the economy has created a justifiable feeling of confidence.

Another factor in the business picture—one of the nation's biggest assets for future progress—is our growing labor force. To realize our full potential for business profits and national income, new jobs must be developed in step with our growing population. In the longer run, as our population grows, new jobs must be created by the initiative and vision of both management and job seekers.

To benefit by our tremendous opportunities, it is essential that we keep our economy strong, healthy and growing. We must be ever watchful of developments which might tend to throw it out of balance. I am certain that you bankers will continue to be constantly on the alert for any financial trends that might threaten our continued prosperity. For upon America's domestic strength rests not only our own future peace and security, but that of all free nations of the world.

*From an address by Secy. Snyder before the Sixtieth Annual Convention of the Tennessee Bankers Association, Memphis, Tenn., May 18, 1950.

Halsey, Stuart Offers Interstate Power Bonds

Halsey, Stuart & Co. Inc. on May 23 publicly offered $3,000,000 Interstate Power Co. first mortgage bonds, 3% series due 1980, at 102½%, plus accrued interest. The firm was awarded the issue at competitive sale May 22 on a bid of 101.909%.

Proceeds from the financing, together with funds received from the sale of 100,000 shares of 2.35% $50 par value preferred stock and 275,000 shares of $3.50 par value common stock, will be used, to the extent necessary, to redeem $5,000,000 outstanding first mortgage 4½% bonds due 1978 and to pay off $2,400,000 of 3% collateral promissory notes held by banks. The balance of the proceeds will be used for the company's construction program.

The bonds are redeemable, at the option of the company, at prices ranging from 106¼% to 100%. Through an improvement and sinking fund provided for the issue, the bonds are redeemable at prices ranging from 103⅛% to 100%.

Unfavorable Contingencies In the Business Outlook

By MURRAY SHIELDS*
Vice-President, Bank of the Manhattan Company

New York banker lists as unfavorable contingencies: (1) the possibility of readjustment slump after final stage of postwar boom; and (2) national economic policies inimical to private enterprise. Sees, however, solid basis for confidence in potentials for period of expansion, progress and prosperity, such as improved phychological atmosphere; accelerated rate of technological progress; and trend away from radicalism. Says taxes can be reduced.

In charting business, banking and government policies for the short- and long-range future it is the better part of prudence to allow for two unfavorable contingencies. First, there is the possibility of a readjustment slump on the final transition from the postwar boom. And, second, there is the possibility that national economic policies will be so inimical to enterprise that the undeniably great potentialities for post-readjustment prosperity will not be realized.

Murray Shields

The Dangers of the Transition

Business sentiment has been given a distinct lift by a buoyant stock market, by the sustained demand for housing and durable goods, by strength in many "spot" and "futures" markets and by the vigorous flow of new orders in a considerable number of industries. There is some softness here and there, but for the economy as a whole the picture is generally encouraging. This has strengthended the conviction that current levels of operation in industry and trade will be maintained for the next few months and there is an increasing disposition to believe that any material setback will be delayed until late in 1950 or early in 1951.

Nevertheless, there remains among perceptive and experienced observers no little apprehension that, unless a powerful new stimulant is introduced, we may well be in the last phase of the early postwar boom in exports, construction, automobile production, farm income and plant and equipment expenditures with the risk that a simultaneous setback in these factors would initiate a decline in business substantially more serious than was experienced in 1949.

Thus far we have been fortunate in that the period of readjustment has been spread over a long period of months instead of being concentrated in a sharp and substantial decline in many industries simultaneously. But the present phase of boom is so pronounced and so much of the present volume of orders and production originates in government outlays and in credit expansion as to justify some concern lest the final phase of readjustment—when it comes—will turn out to be pronounced. Vigorous efforts will undoubtedly be made by the government to perpetuate the boom. But until the basis on which our prosperity rests is strengthened, we are entitled to be apprehensive as to the outlook, and it will probably be prudent to adopt policies based on moderate caution rather than unreserved optimism.

The Post-Readjustment Alternatives: Great Prosperity or Mass Unemployment

While the outlook for the next year or two is clouded by inevitable uncertainties several recent developments provide a solid basis for confidence that the potentials exist for another of the periods of expansion, progress and prosperity which have punctuated the history of this country.

(1) **The psychological position has improved considerably.** Several research agencies and distinguished students (the Brookings Institution, the Twentieth Century Fund, The National Planning Association and others) have recently appraised the nation's economic potential with a degree of optimism which is in pointed contrast to the prevailing fear a decade ago that the nation was moving inexorably toward economic maturity and industrial stagnation. Optimism is again becoming fashionable.

(2) **The upsurge in population has continued.** The postwar reduction in family formation has been much smaller than expected. In addition, accomplishments in medical research during the past two decades have extended the life expectancy of our people and cut the number of working days lost due to illness—developments which presage a substantial growth in the consumption potential.

(3) **The rate of technological progress has accelerated.** More and more money is being spent by business concerns, associations, educational institutions and government for more productive research, which provides a fabulous scientific frontier of new industries and the means by which costs can be reduced and markets widended.

(4) **The trend away from radicalism is gaining strength.** In what people pay to read, see and hear there is evidence that they are less susceptible to the flimsy promises of welfare socialism and are returning to the middle road of progressive capitalism.

"Lower Taxes or Bust"

Will these potentialities for progress be realized? Of that we cannot be sure, for by continuing

Continued on page 28

*An address by Mr. Shields before the California Bankers Association, Coronado, Cal., May 22, 1950.

"OBSERVATIONS"

A. Wilfred May's column was not available this week.

Chicago Bond Club Annual Field Day

CHICAGO, Ill.—The Bond Club of Chicago will hold their annual field day on June 2 at the Knollwood Country Club.

Women's Bond Club Elects New Officers


Helen E. Dickinson Dorothy R. Funck

At the annual meeting of the Women's Bond Club of New York, held May 17, the following officers and two new directors were elected:

President—Dorothy R. Funck, Irving Trust Co.

Vice-President—Irene Sheehan, General American Investors Inc.

Secretary—Helen E. Dickinson, Gartley Forecast.

Treasurer—Marion Quell, Irving Trust Co.

Directors—Isabel H. Benjam, Brown Bros. Harriman & Co. and Olga Fluck, R. W. Pressprich & Co.

J. B. Hanauer Co. To Admit Three

NEWARK, N. J.—J. B. Hanauer & Co., 9 Clinton Street, are admitting Irving Stern, Bert Friedman and William Hanauer, Jr., to partnership.

Cavalier Syndicate, Inc.

Cavalier Syndicate, Inc., is engaging in a securities business from offices at 670 Lexington Avenue, New York City.

The State of Trade and Industry

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

The immediate effects of the ending of the Chrysler walkout was reflected last week in a moderate upturn in total industrial production above the levels of the preceding week and of the comparable period in 1949. An all-time high record in the output of both steel and automobiles was noted, while the production of some subsidiary automotive materials such as glass and rubber, reached unusually high levels. As has been apparent in past weeks, nation-wide unemployment continued last week to reflect some slight decline.

The steel industry in the weekly period just elapsed witnessed the fifth consecutive week of steel operations at 100% of capacity or better, and, to quote the American Iron and Steel Institute, "never before has so much steel been made in a week." This record, however, is expected to be shattered the current week, since steelmaking furnaces are scheduled to make more steel than ever before, the "Institute" announced on Monday, last. The furnaces will be operated at an average of 101.8% of capacity, representing an increase of one-half point from last week's 101.3% of capacity.

The present week rising capital goods expenditures are intensifying tight steel supply conditions, says "Steel," national metalworking authority. Continued strong demand for sheets, strip, tin plate and pipe is being supplemented by expanding requirements for bars, plates and structurals. Heavy product deliveries are becoming increasingly extended. Supply stringency in these items in no way compares with that in the light, flat-rolled classifications. But some trade authorities foresee acute shortages developing in this area as delivery pressure mounts under impact of new capital equipment programs. Notwithstanding this strong demand for the metal, stability in finished steel prices, prevailing since early in the year, continues.

* * *

Noting the effects of the rail strike on the automotive industry the past week, "Ward's Automotive Reports" observed that Chrysler, Ford and most of the independents succeeded in bypassing the problem, while General Motors was partially stymied by the difficulty in shipping bodies to its widely-scattered assembly plants.

On Tuesday last, a five-year agreement which is expected to have a stabilizing influence not only on business but on the economy of the whole country, was reached by General Motors and the United Automobile Workers Union (CIO) covering wages, pensions, insurance and union security. It settles all economic and contract issues until May 29, 1955 and may not be reopened by either party before that date. The agreement, according to C. E. Wilson, President of General Motors "is unprecedented in labor-management relations."

Total production of cars and trucks for the year to date by the United States and Canada was reported by this agency at 2,814,191 units, compared with 2,381,255 for the like period of last year.

* * *

Retail sales in the nation's stores during April amounted to \$11,095,000,000, or "about equal" to a total of \$11,137,000,000 for the like period of 1949, the Department of Commerce reports.

April sales were "fractionally below" those reported for March after the figures were adjusted for seasonal factors and for differences in the number of trading days.

Sales of hard goods were \$3,755,000,000 in April, a decline of about 2½% from March, after seasonal adjustment, the department said.

In this category, the biggest drops were made by the automotive and homefurnishings groups, each of which was off about 4% for the month. The government attributed these drops in large part to lower sales of used cars in the automotive field and of appliances in the case of homefurnishings.

Retail sales of nondurable, or soft goods were \$7,340,000,000 in April, or "very slightly above" March totals, after seasonal adjustment. Adjusted advances of about 3% were shown for the general merchandise and apparel groups.

* * *

Business failures declined 9% in April to 806, the lowest number reported in 1950. For the first time in four years, casualties were less numerous than in the corresponding month of the preceding year, states Dun & Bradstreet, Inc. In April, 1949, they totaled 877. Two-thirds as many concerns succumbed this April as in the prewar April, 1940.

Steel Operations Break All-Time High Record

Despite new steelmaking records almost every week, steel users are having little or no success in building up inventories, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

A careful check among steel users in all major consuming areas by "Iron Age" editors reveals the following: (1) All major steel items are now in tight supply and the pressure is mounting instead of decreasing. (2) Flat-rolled products are most critical. (3) Steel is regarded as better than money in the bank by many users—whether they need it or not. (4) Some plants are being forced to shut down intermittently because of steel shortages (usually cold-rolled sheets), and (5) others are operating hand-to-mouth, with uncertain steel delivery playing havoc with production schedules.

Draw a circle around Chicago and Detroit and you have enclosed the two areas of greatest furor.

Pent-up demand, resulting from over-corrected inventories and production losses due to strikes, is still snowballing, the magazine adds. Even record-breaking steel production will not

Continued on page 35

In Defense of Formula Plans

By LYNN SHURTLEFF
Manager, Investment Research Dept., Laird, Bissell & Meeds

Mr. Shurtleff concedes flaws in formula plan technique, including tendency to over-liquidate funds out of stocks if prices rise to historically high areas. Contends, however, that plans with timing methods can be devised to yield profits both over the normal business cycle and in a period leading to permanently higher market plateau. Describes such plan with scale-up and scale-down purchases.

EDITOR'S NOTE—Mr. Shurtleff herein offers essentially contradictory conclusions to those reached in two recent "Chronicle" articles: "The Pitfalls of Formula Timing," by Bradbury K. Thurlow, April 13, 1950; and "Investment and Speculating by Formula," by V. Lewis Bassie, May 4, 1950.

Rapid Growth of Formula Plans

Ten years ago the term "formula plan" was relatively unfamiliar to investors. Today such plans are widely used. Over the past decade, they have been more widely adopted by investors than any other investment technique. Formula plans are being used by increasing numbers of colleges, church funds, banks, trustees and individual investors.

Lynn Shurtleff

They have been widely adopted because many investors, both institutional and individual, have found that they provide a better investment result than can be achieved by any other method. Indeed, the use of a formula plan will insure capital appreciation in a fund over a complete business cycle. There will always be a profit when the market travels through any cycle and comes back to the same level from which it originally started. Granting then, that the market does not cease to fluctuate or that stocks do not become permanently worthless, a logically constructed formula plan guarantees that there will be no ultimate loss and that reasonable profits will accrue over a sufficient period of time.

In essence, the conventional formula plan aims merely to take advantage of the fact that prices fluctuate, by selling (on a scale up) in high areas and buying (on a scale down) in low areas. A shortcoming of formula plans generally, however, is that in a "permanent new era" of prices, formula plans would keep the investor out of the market. Hence, in a severe inflationary period, the conventional formula plan will take the investor out of stocks just when he needs them most for the inflation protection that equities provide.

Conventional Plans Vulnerable to Inflation

It is this shortcoming of conventional formula plans which is receiving increasing attention. As stock prices continue to rise in the face of unabated governmental deficit spending, inflation protection naturally assumes an increasingly important role in investment policies. As most conventional formula plans are geared to function in areas over which the market has ranged during the past decade or two (90-215 on the Dow-Jones Industrial Average), followers of such plans might well be concerned over their lack of purchasing power protection should inflationary forces drive stock prices to unimagined heights.

It has been pointed out by other commentators on formula timing that typical formula plan investors in 1921 might well have advocated a fully invested position at 115 in view of the fluctuations of the Dow-Jones Industrial Average between 1897 and 1921. Such funds would probably have been out of stocks in 1922 just prior to the beginning of a further five-year tripling of prices which was the biggest bull market in history.

Most formula-plan managed funds today are probably almost out of stocks. Following the severe 1946 market break, many of the better-known formula plans were nearly out of stocks during the 1947-1948 price plateau. They were geared to buy only in the event a severe decline occurred. The bull market that set in in June, 1949, reflecting the tremendous inflationary forces set in motion by the war, has thus not materially aided many investment portfolios based on conventional formula plans since the common stock holdings in such funds have been cut back to a low level. If the Dow-Jones Industrial Average

Continued on page 27

Are Common Stocks Respectable?

New Philosophy of Trustee Duties

By JOHN F. SULLIVAN*
Senior Analyst and Consultant,
Merrill Lynch, Pierce, Fenner & Beane,
Members, New York Stock Exchange

Tracing trend of liberalized trust laws, which permit trust fund investment in common stocks, Mr. Sullivan contends this move offers logical means of maintaining trust income. Discusses types of common stocks suitable for trust investment, and elaborates on diversification principles. Says present level of stock prices invites cautious selection of individual stocks. Concludes common stocks buying by trust funds will be factor in maintaining stock prices.

It has been said that there is nothing new under the sun. Perhaps rather than "New Philosophy" we find instead a steady, normal, natural development to meet the changing conditions of our time. We find ourselves in an era which has recorded sweeping changes in a relatively short space of time — political and economical developments with far-reaching effect and offering a challenge to those charged with the management and investing of the property of others in trusteeship. With the often divergent interests of the donor and eventual remaindermen on the one side and income beneficiaries on the other, plus the squeeze between lower money rates, higher taxes and rising living costs, the position of the trustee is not an enviable one. The manner in which this challenge has been met has reflected favorably on the trust fraternity, and the apparent trend of events in this changing world indicates that their ingenuity and resourcefulness will be tested further in the immediate years ahead.

John F. Sullivan

Conservation is the basic function of trusteeship—has been and should continue to be. But what does the term "conservation" mean? Has the modern trustee fulfilled his obligation by attempting to conserve the dollar value of the assets turned over to him? Can he totally disregard changing values in terms of what these dollars will buy or should he use his best efforts to conserve purchasing power as well?

The New York "Prudent Man" Law

Recognizing this problem, the State of New York, which for many years has adhered strictly to the so-called "legal list," has capitulated, somewhat belatedly it is true, to modified "Prudent Man" law which will become effective July 1 of this year. Briefly, under the terms of this new legislation, a fiduciary, acting under New York laws, may invest not more than 35% of the aggregate value of all of the funds held by such fiduciary in nonlegal securities—bonds, preferred and common stocks. The only restriction on stock purchases is that, except for bank and insurance companies, they be fully listed and registered on a national securities exchange.

In other words, although elaborate statistical formulae are applied to legal bonds they are entirely abandoned as regards stocks. Truly quite a step up the ladder of respectability for the type of investment that not so many years ago was viewed with alarm by conservative investors. We need only to go back to World War I and the financing of its cost for interesting side-lights on investment thinking. At that time many of our citizens made their first investment in marketable securities — U. S. Government bonds. The records show that many of these investors were surprised to learn that in addition to getting their principal back they could also cash in coupons representing interest on the money they had loaned the government. They also learned that if necessary their investment could be converted to cash, on relatively short notice.

In the years that have followed the public has been subjected to a broad general educational program on investments, particularly equity type investments, through greater publicity of corporate developments and earnings; greater availability of financial data from responsible sources; the recognition by the investment fraternity, including the New York Stock Exchange itself, of the necessity of removing the mysticism which heretofore seemed to surround the business of finance; and the many safeguards thrown around stock investments through Stock Exchange and governmental regulations and requirements.

Effect of Low Interest Rates

While these events were taking place other developments brought about a steady decline in purchasing power. Deficit financing to pay the costs of war and buy the peace, unbalanced national budgets and their inflationary implications are all contributing factors. The desirability of maintaining relatively low money rates to finance and support the national debt has resulted in a drastic reduction in the yield on high-grade bonds — once the commonly accepted investment media for the conservative trustee. You are all familiar with this unfortunate development, particularly unfortunate from the standpoint of income beneficiaries, and its bearing on the overall trust investment problem. It seems unnecessary to substantiate the statement with detailed statistical analysis. However, a few basic figures will serve to illustrate the situation. In 1929, the average yield on AAA bonds was approximately 4.73%. In 1939, the figure had declined to 3.01% and in February of this year it was 2.58%. Adding to the woes of the beneficiary are the rise in income taxes and the cost of the necessities of life.

Following through with this trend it is not difficult to envisage a situation where the original intent of the donor is defeated. For instance, I know a trust which has been set up where the wife has the income during her life and at her death a worthy charity is the eventual remainderman. It seems reasonable to assume that the donor would be more interested in having his wife provided for than that the dollar value of the assets to be turned over to charity be maintained. If this assumption is correct and if available data leads to the conclusion that a reversal of current trends is improbable over the foreseeable future, what should the modern trustee do about the situation?

Of course you people who are administering trusts restricted by Pennsylvania statutes remain pretty much tied down. In this connection it would be my suggestion that this body use its combined influence in the direction of amending the present laws to the end that Trustees be given a reasonable degree of freedom of action in the light of changing conditions. It is true that many trusts today are so drawn that the Trustee has broad investment powers. Whenever called upon for advice or suggestions in connection with the preparation of a will or trust agreement the banker should always emphasize the disadvantages of restricted investing.

In cases where the indenture provisions permit, you should not be content to sit back and take the easy way out. True, your bank will never be subject to suit for remaining 100% invested in highest grade bonds but the wailings of the beneficiary make poor trust department advertising. Trust business, like all modern business, is highly competitive and in the long run management results will pay off and a satisfied customer is a great asset. Obviously, some added risk must be assumed in any departure from the so-called "riskless" portfolio but, in my opinion, and assuming careful supervision, the advantages outweigh the disadvantages.

Common Stocks—Logical Method of Maintaining Trust Income

For the purpose of this discussion it will be assumed that the logical medium for attempting to protect purchasing power will be common stocks. It is not the intent here to convey the impression that common stocks provide a perfect inflation hedge but experience has shown that, generally speaking, they stood up better than bonds in periods of pronounced inflation. It is frequently offered in rebuttal that common stocks failed as hedges in Great Britain. Some of the answers lie in the tax structure in that country, the nationalization of industry, etc. Free enterprise, of course, is an important and integral part of the concept of common stock investing.

Having adopted a policy which contemplates the holding of common stocks we come to the question "What percentage of the fund should be represented by common stocks?" This will vary with the individual trust but under current conditions it would seem that up to 40% could be regarded as sound practice. This figure, however, is based on the assumption that the remaining 60% will be represented by truly high-grade protective type securities. I mention this for the reason that frequently we look at portfolios which apparently have conservative common stock ratios only to find on more careful analysis that the so-called protective issues—those which should afford the highest degree of safety of principal and income—provide little in the way of protection and possess many of the characteristics of equities. I understand that in Massachusetts, where the "Prudent Man" rule is in effect, it is common practice to put as much as 50% in common stocks, and this ratio has been strongly defended by noted authorities on trust investments.

Types of Common Stocks for Trust Investment

Next, "What types of stocks should be considered?" Common stocks are purchased for income and for capital appreciation through long-term growth. Protection of purchasing power involves a combination of both of these but generally speaking, and particularly for smaller and medium size trusts, a comparatively good rate of return without undue risk of principal should be the objective. While it is true

Continued on page 29

*An address by Mr. Sullivan delivered before the Trust Division, Pennsylvania Bankers Association, Atlantic City, N. J., May 18, 1950.

Business, Banking and Government in 1950

By F. RAYMOND PETERSON*
President, American Bankers Association
Chairman, First National Bank & Trust Co., Paterson, N. J.

ABA head in reviewing current economic conditions, warns against perpetual optimism, despite high level of business activity. Holds principal concern is in area of government finance, due to government deficit spending and resulting inflation. Contends President Truman's credit proposals are unwarranted, since needs of both large and small business are being adequately met by banks. Attacks government insurance of business loans.

The general conditions of business provide the background for banking and its day-to-day operations. The volume of bank credit outstanding varies with the shifting tides of industry and commerce. Interest rates, the Treasury's decisions regarding debt management and Federa open market policies, all have great impact upon our day-to-day affairs. They, too, must necessarily be closely tied to the nation's general economic swings and interplay.

F. Raymond Peterson

At the start of this year, most of us were optimistic about business conditions generally during the first half of the year. At the same time, we expressed an optimism with restraint concerning business prospects for the second six months of this year. Our optimism for the first half of 1950 clearly has been justified. It appears now that we are also justified in shedding most of the minor doubts we had concerning the general volume of business during the remainder of this year.

One of the important pleasant elements in the business picture is the sustained demand for almost all kinds of durable goods. The demand for automobiles, for refrigerators, and for similar "hard goods" and household equipment has again moved ahead. Expansion of industries such as chemicals and television has exceeded previous expectations. Personal income continues high; and employment, which had sagged a little at the start of the year, is moving upward. Prices of basic metals and many other commodities have again grown firmer. There is strong demand for steel. Orders for machine tools and other heavy equipment are at the highest point they have reached since their postwar high in the spring of 1946.

Industrial production has risen significantly in recent months, partly because of strike settlements in the coal and automotive industries. Residential construction is now going forward at the highest level in history. Corporate profits for the first three months of this year were slightly above those of the same period a year ago, in spite of the fact competition is generally keener than at any time since the war ended.

No Justification for Perpetual Optimism

Although business in general is moving with assuringly strong momentum, there is, of course, no justification for perpetual optimism. Sooner or later, there must be an adjustment in the demand for automobiles and housing. These are basic industries. They have been producing at unprecedented levels for more than four years without the slightest indication of readjustment. Thus far this year, the textile industry has not achieved its expectations. The net income of the oil industry has been lower than a year ago, partly because of mild winter and early spring weather.

The outlook for farm income deserves attention. There may be somewhat less purchasing power in farming communities again this year, as there has been since 1947. Agricultural prices are down from postwar highs, and general crop prospects this year are not quite so favorable as they were a year ago. The government's $2.8 billion refund of G. I. insurance premiums has just been completed, and the added purchasing power from this source has now disappeared. But the government is launching a new program of deficit financing which will add at least $5½ billion to the spending stream during the coming fiscal year.

The generally favorable developments in business thus far this year have had measurable effects on banking. Business loans by banks have undergone a slight seasonal decrease since January. However, the decline has been less than we ordinarily expect each spring. Among weekly reporting member banks, it has amounted to only a little over $300 million, as compared with a decrease of more than $1,200,000,000 in the same period of last year. With the coming of the normal summer and fall upturn in the demand for credit, we may expect the volume of bank loans to rise a little above the levels of a year ago.

Bank Deposits Higher

At the same time, bank deposits are higher than last year. Weekly reporting member banks have recently shown deposits above $62 billion. This is an increase of over $1 billion, compared with a year ago. As the Federal Government continues its program of additional deficit financing, we may expect deposits to rise further. The amount of their increase depends in part upon the extent to which the government calls upon the banks to fill its borrowing requirements for new money during the remainder of the year. When general business is strong, as it is today, an expansion of bank credit through borrowing by the government must almost inevitably result in increased bank deposits.

In the area of government finance, however, lies one of the principal long-range concerns of the whole economic picture. Our present Federal debt exceeds $256 billion. Most of its growth, of course, took place during the war. It was an inevitable part of the price of winning that war. The debt has been managed ably and well. Its base is tremendously broad. Never before in history has a public debt been held by so many millions of people.

About $171 billion of the debt is held by non-bank investors. The bank-held portion of the debt has decreased to about $85 billion from its high of $116 billion early in 1946. Of current bank-held

*An address by Mr. Peterson before the Annual Convention of the Texas Bankers Association, Fort Worth, Texas, May 15, 1950.

debt, $18 billion is placed with the Federal Reserve. Since 1943 the amount of the debt held by non-bank investors has increased. These are healthy developments. The total national debt reached its postwar low in the spring of 1948. Since that time, however, it has increased by more than $5 billion. Further increases are coming as the government's new deficit spending program gains momentum.

It is precisely at this point that one of the nation's present major economic concerns originates. General business conditions are good. The volume of manufacturing, trade and employment is high. Under these circumstances, the government's outlays and its debt prudently should be reduced. There is no justification for a larger government budget. This increases the debt and its interest cost to the taxpayers. It places an even heavier mortgage upon the future of many generations of taxpayers, without providing sound and lasting economic or social advances. It is an unneeded stimulant for purchasing power. In the long run, it undermines the soundness of the dollar and the value of accumulated savings. It syphons away the real purchasing power behind the money the public expects and is entitled to receive from social security and private pension plans.

The recent approval by both houses of Congress of larger social security benefits, as distinct from broader social security coverage, is a forceful example of the dilemma the government faces and will continue to face as long as it engages in deficit financing in periods of prosperity. This is the dilemma: when the government creates new money by borrowing and spending, it must a little later tax or borrow and spend larger and larger sums to offset the sagging purchasing power of the dollars it has created by its previous deficit-financing.

Let me make it clear that I favor old age benefits. But I believe the public is entitled to the full benefit of the purchasing power that people have set aside through social security taxes. The public deserves this value, without penalizing those who produce and save, and without having to carry the burden of additional government borrowing and spending. It should not bear the penalty of further dilution of its purchasing power through ever-growing and ever-widening attempts by the government to make good on the promise behind its original dollars.

Result of Increasing Federal Debt

The increase in the Federal debt this year will result from two things: first, a decrease in the Treasury's revenues from taxes; and second, an increase in Federal expenditures for domestic and social welfare purposes, quite apart from the social security program. Every one in this country is aware that the burden upon millions of individual and business taxpayers must remain high if the integrity of our national debt and the pledges of our government to its people are to be ultimately fulfilled.

But whatever relief from the burden of taxation can be provided is a step in the right direction. Heavy taxation is a drain on the purchasing power of the taxpayers. It lowers their standard of living. Heavy taxes melt away the funds of business and industry that normally go into expansion and modernization of industrial plants, capital goods outlays, and increased industrial production and employment. These are the mainsprings of our national wealth. They are the real source of this country's economic strength. The whole world envies and depends upon Amer-

Continued on page 32

From Washington Ahead of the News

By CARLISLE BARGERON

Now, the next time Mr. Truman asks the Republicans to show him just where is this creeping socialism which they talk about, they might cite these two experiences of business with government.

First, there is the experience of the private power companies against which there has long been the steady encroachment of government. Just now, they are struggling against the ambition of the Rural Electrification Administration to duplicate their transmission lines and to end up in a few years as the owner of all the rural electric co-ops in the country. This latter would be accomplished by having the government lend money for the establishment of the co-ops and the REA would retain title to them. When the original loan is repaid the REA, which is also the government, takes over the ownership.

Carlisle Bargeron

The private utilities have been fighting mainly through their organization known as the National Association of Electric Companies. This is what the leftist propagandists refer to when they refer to the vast power trust lobby.

Well, four companies in Georgia, Alabama, Florida and Mississippi have just withdrawn from the association, or the struggle, because they are adjacent to public power enterprises but for the time being are being permitted by the public power bureaucrats to survive. They fear and undoubtedly have been given to believe that the present "cooperation" will not continue if they persist in the fight against the march of public power. The private utility industry has been nicked just this much, of course, and this nicking of a company or two at a time has been going on for many years. It is not difficult to see what the end will be.

The officials of these four companies are undoubtedly intelligent enough to know that even with their playing ball, the time is not far off when the Federal government will move in on them, notwithstanding their having been good boys. But having been badly scarred in the long struggle that has gone before and now nearing retirement age with handsome retirement pay awaiting them, and in the knowledge also that when the government does move in it will amply compensate the investors as it did in TVA, they, the officials, have come to the conclusion that the struggle is no longer worthwhile.

Over in South Carolina there is a different situation. There is a man in that State who began at the bottom and has now reached the top of his utility company. In newspaper advertisements he is screaming bloody murder over the government moving in on him. Probably he is not near enough to the retirement age to be so philosophical as his neighbors. And certainly a poor future is being offered to the countless younger and subordinate employes. Of course, the fellow in the saloon who can still shoot off his mouth would not see any loss of freedom here; he would probably consider this nibbling away by the government at its critics as nothing more than they deserve.

The second case concerns the lumber industry. The Federal government owns around 90 million acres of forest land in this country while farm and industrial holdings constitute around 345 million acres. The "cooperation" which the lumber industry must give to the bureaucrats, however, is pointed up on the West Coast. In the Douglas fir region of Washington and Oregon alone, the Federal government owns more than 10 million acres against some 13 million on farms and owned by industry. The government's holdings interlace the industrial properties. Here will be a private holding, next to it will be a government holding. The private saw mill operator locating a mill on his own property must be able, for a profitable venture, to work the adjacent government holding. For this, he, of course, pays a fee. If he is in the good favor of the bureaucrats they throw no obstacles in his way; if he is in bad favor, there are all sorts of obstacles that can be thrown up.

The result is that the lumber industry, not alone on the Pacific Coast but wherever there is this juxtaposition of government and private forest lands, wherever there has to be this "cooperation" for the saw mill operator to survive, is completely at the mercy of the bureaucrats. The industry is estopped from opposing, more than perfunctorily, legislation to which it is vigorously opposed and which the Forest Services wants to advance its domain.

I know of particular instances in which the Forest Service has applied the heat to the industry to silence it and in which it has been silenced.

Have men in such a position lost their freedom The man in the saloon to whom Mr. Truman seems to address himself would say no, this is no loss of freedom at all. Because he can still shoot off his mouth.

And it might be said that a businessman who seeks to cash in on government holdings or "to exploit" government resources must expect to take the consequences. But in this instance, the businessman has no choice. It isn't a case of his being able to own his property intact, or of the private holdings being here and the government holdings there. Through no doing of his the properties are intertwined. Undoubtedly the planners planned it that way.

Long-Term Market Trend Bullish

By J. H. ALLEN
Special Partner, Cohu & Co.
Members of New York Stock Exchange

Comparing current stock market position with that in 1924, which was followed by four years of rising prices, Mr. Allen foresees a similar move ahead. Says any market reaction that might develop in next few weeks would provide another excellent "buying spot."

1950 vs. 1924

From a long-term point of view, the market at the present time may occupy a position somewhat similar to 1924. As shown on the chart, a big bull market was just getting under way at that time. Barring war with Russia, another big advance comparable to the long rise from 1923 to 1929 may possibly lie ahead.


J. H. Allen

That's a broad statement. Nevertheless, a number of similarities exist between the present situation and 1924. Many of the bullish factors which helped generate the 1923-29 rise are present today, a few in even more powerful form than was the case 26 years ago. A comparison of the two periods — 1950 with 1924 — brings out the resemblance and the greater strength inherent in the current outlook:

(1) In the first place, both follow major wars.

(2) The present market required less time to recover from the ravages and readjustments of the war. In April, the Dow-Jones Industrials rallied through their postwar peak, four years and eight months after V-J Day. The market after World War I took almost a year and half longer. This implies greater powers of recuperation. In our opinion, it adds to the bullish long-term outlook.

(3) Postwar readjustments were less severe after World War II. For example, the break in stock prices in 1946, as measured by the Industrials, was only 24% compared with 47% after the first war. Deflation in commodity prices was less drastic. Commodities declined, but without the wide breaks of 1920.

(4) Business activity remained higher. A real depression followed World War I, compared with only a "mild recession" last year, leaving the economy in a stronger position.

(5) Recovery set in more quickly, another good sign. The national output of goods and services in the first quarter of 1950 was only 2.4% under the record peak established in the last quarter of 1948.

(6) The financial position of large companies is better. Relatively few are "in trouble."

(7) Many concerns are earning more money now than before the war, despite high taxes and government regulations.

(8) Industrial expansion, generated by war-born scientific advances, usually follows every conflict. Such a period developed after World War I. Its effects appeared during the nineteen-twenties with increased sales of radios, automobiles, refrigerators, washing machines and electric appliances. "Everything electrical" received a big impetus. Westinghouse and General Electric soared. Comparable expansion is beginning now, with, for example, new metals, chemicals and television. The latter has already assumed large proportions and is growing more rapidly than radio after World War I. The strides made in research alone are substantial. New products and processes should continue to appear through the 1950's.

To continue the comparison, government spending is greater than in 1924, with the cost of defense, foreign aid and social legislation far larger. The Federal debt is higher and the required deficit financing unquestionably inflationary. The credit base is broader, money easier, national income bigger and population greater. Population increases, larger than expected, are important to the building industries, utilities, household appliances and almost every phase of business. The U. S. is growing. Interest in securities is on the uptrend, with stock exchange volume already ahead of 1924. World War I purchases of government bonds created a new crop of investors, some of whom later turned to stocks. Individual holders of government bonds are more numerous today. In addition, we have an added factor in mutual funds, creating interest where none existed before.

Market Moves Similar

There is another similarity between 1950 and 1924, one which might prove significant. It is this —stock prices since 1942 have duplicated the pattern made by the price movement in 1921-24, the base period for the long advance. The two markets look alike. The 1942-50 move is a much bigger, broader, larger-scale replica of the earlier market. Nevertheless, the resemblance is striking. Each consists of a very long upswing and a short decline —short compared with the preceding rise—then a trading range of many months, followed by an advance into new high ground. Both form "flag" formations. Their price patterns resemble flags flying from the masthead, with later rallies to new peaks. The chart pictures the Dow-Jones Industrials from 1921 to 1950. A glance at it shows:

(1) The rises from the points marked (1) to (2) were long, steady and persistent in both cases.

(2) The trading ranges ending at (3) developed just under preceding peaks.

(3) Sharp advances later reached new highs with virtually no interruptions of importance.

The distinction between the two periods is that 1942-50 covers a little more than eight years and 120 points versus four years and 40 points in 1921-24. In my opinion, the difference in size does not destroy the similarity. As a matter of fact, the larger pattern in 1942-50 may imply that any advances now may be larger than those of the nineteen-twenties.

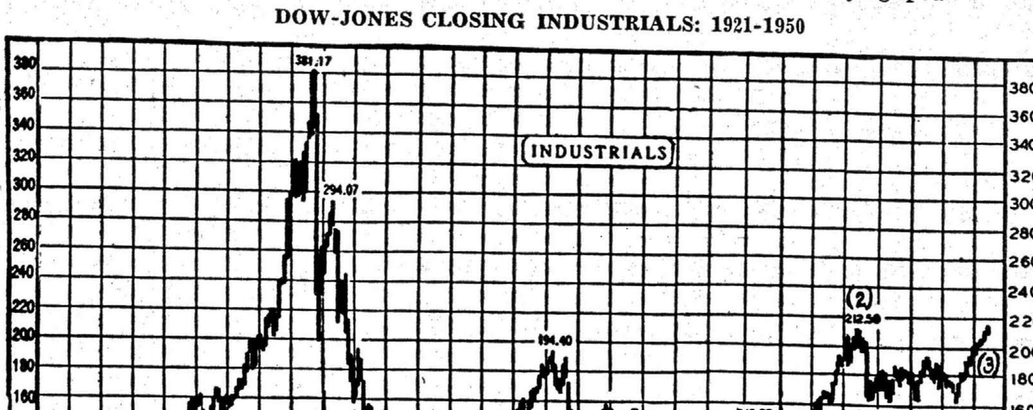
As to war with Russia, World War II was 15 years ahead in 1924. It did not prevent the expansion of the twenties. At present no one knows when the next conflict will break out. International events may hold the key to the future, confirming or denying our views on the long-term trend.

Current Situation

The rise from June 13, 1949 to the present has already reached record-breaking proportions. In terms of number of points in the Dow-Jones Industrials, it has gone farther than the "first upswing" in any bull market. Leadership continues excellent, with high-grade stocks doing better than speculative issues. The move has gone so far that a "secondary reaction" or a period of consolidation could occur at any time. This should prove temporary, with resumption of the rise thereafter.

In my opinion, the long-term trend is up and the outlook bullish. Retention of present commitments appears warranted. Any reaction which might develop over the next few weeks or months would provide another excellent "buying spot."

DOW-JONES CLOSING INDUSTRIALS: 1921-1950



Dealer-Broker Investment Recommendations and Literature

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

Electric Utility Industry—Analysis of the outlook—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.

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.

Stock Market Top?—Current bulletin offering an analysis of probable stock market reversal—and also 33 special hedge selections—current bulletins plus next four weekly issues on special trial offer—$1—Department 32, Bondex Incorporated, 654 Madison Avenue, New York 21, N. Y.

Stocks for Pension Funds and Investors Generally—26 selected issues — Goodbody & Co., 115 Broadway, New York 6, N. Y.

West Indian Sugar Stocks—Brochure analyzing the outlook—Lawrence Turnure & Co., Blyth & Bonner, 50 Broadway, New York 5, N. Y.

* * *

American & Foreign Power—Circular—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

American Water Works—Circular — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Armour & Co.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

Birtman Electric Co.—Analysis —Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Braniff Airways, Inc.—Complete analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Buffalo, Rochester & Pittsburgh Railway Co.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a study of **Consolidated Edison Company of New York.**

General Petroleums Limited—Bulletin—Milner Ross & Co., 330 Bay Street, Toronto, Ont., Canada.

Glass Fibers, Inc.—Analysis—Amott, Baker & Co., 150 Broadway, New York 7, N. Y.

Hilton Hotels Corp.—Circular—Richard E. Kohn & Co., 20 Clinton Street, Newark 2, N. J.

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

Iowa Southern Utilities Company—Analysis—Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y.

Lion Oil Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Madison Gas and Electric Company—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Also available is a study of the **Le Roi Company.**

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.

Miles Shoes, Inc.—Revised memorandum—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Minute Maid Corp.—Memorandum—J. P. O'Rourke & Co., Board of Trade Bldg., Chicago 4, Ill.

Muter Company—Bulletin—Frank C. Masterson & Co., 64 Wall Street, New York 5, N. Y.

North American Aviation, Inc. —Memorandum—Floyd D. Cerf Jr. Company, Inc., 120 South La Salle Street, Chicago 3, Ill.

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

Philip Morris & Co. Ltd., Inc.—Table of related prices—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Pressed Steel Car Co., Inc.—Analysis — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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

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

Stone & Webster, Inc.—Current report—Write Dept. FC, White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Tide Water Power Company—Memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is a card memorandum on **Michigan Public Service Co.**

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.

Milloy Nominated Pres. Of Municipal Forum

Albert J. Milloy, Assistant Vice-President of The First Boston Corp, has been nominated for President of The Municipal Forum of New York for the coming year, to succeed Robert T. Veit, partner of Shields & Co. Mr. Milloy was Vice-President of the Forum during the past year. The annual meeting will be held on June 28, 1950 at the Lawyers Club. Edward D. McGrew, Vice-President of The Northern Trust Co., has been nominated as Vice-President for the coming year.

Winthrop S. Curvin of Smith, Barney & Co., was nominated for Secretary and E. Joseph Scherer of B. J. Van Ingen & Co., Inc., as Treasurer. Nominated for three-year terms as Governors were Daniel B. Goldberg, senior attorney with Port of New York Authority and Rudolph J. Harper of Fiduciary Counsel, Inc. George T. Ragsdale of Lehman Brothers was nominated as Governor for one year.

Otto H. Goettert, Assistant Treasurer of Central Hanover Bank & Trust Co., was Chairman of the Nominating Committee.

1929 Again—Only Worse

By A. A. MOL

Mol & Co., Members, N. Y. Stock Exchange

Asserting the postwar boom is based on large-scale business and consumer gambling, resulting in a highly vulnerable position in credit, commodities and producing capacity, Mr. Mol concludes, despite governmental ameliorating efforts, business earnings will fall below 1932.

We are told that the business situation in the United States is sound because there is "nothing to liquidate." Analysis shows that the opposite is true. While the stock market has behaved more conservatively than in 1929, business, in the aggregate, today is further out on the gambling limb than ever before.

A. A. Mol

During the past 10 years, the nation has produced goods at an unprecedented rate. The height and the duration of the war boom and peace boom combined are the greatest on record. We have produced goods to supply our Allies, to carry on a war on our own hook, to make up for wartime shortages, to bring production facilities and inventories of consumer goods, including those in consumers' hands, to the highest level in history, and, simultaneously, we have, after the war, supplied the citizens with enough products for the highest rate of consumption.

The fact that, today, we, as a nation, own more in manufacturing plant and in national inventory than 10 years ago, demonstrates that during this decade we have produced more than we consumed simultaneously, on top of all the goods which were given away and were shot away during the war.

It is impossible to continue indefinitely producing more than is being consumed. Sooner or later, the volume of national production must decline, not only to the level of simultaneous consumption, but temporarily below that level in order to make up for previous overproduction. This is a certainty and not just theory.

If the nation had operated its postwar boom on a cash basis, the shrinkage in production would still have a serious influence on overall business earnings, on account of high break-even points and of the long period of easy profits which spoil management. Under those circumstances, however, the influence on the economy would not have had to be calamitous. Unfortunately, the boom was not operated on a cash basis.

Over-Expansion of Credit

Business credit in the years 1946-48, and consumer credit from 1946 to the present have expanded at rates which were about three times as high as the sharpest increase which took place in the 1920s. The expansion in mortgage credit is phenomenal and much of it is of the poorest quality risk.

By going into debt on such a large scale, business and the consumer are gambling.

For more than five years, leading up to 1929, commodity prices moved horizontally. Besides that, during the decade of the 1920s, railroad deliveries of freight were speeded up and made more reliable. People could progressively work with smaller inventories in proportion to turnover. Throughout this period, the tenedency was to buy as near as possible on a hand to mouth basis and speculation in commodities was absent.

Inventory Inflation

This time, after OPA expired, the rapid credit expansion has caused a tremendous rise in commodity prices. Nothwithstanding statements by all and sundry in the business world about close control over inventories, aggregate business inventories kept on climbing and climbing, while the quantity of goods in consumer hands also rose. Only recently, after the top in commodity prices was reached, have inventories shrunk, but only to an insignificant extent. Besides that, in counting inventory risk, for sellers and buyers alike, the size of order books has to be taken into consideration. Forward buying is immensely more prevalent than it was in 1920s.

Business has a large gamble on commodity prices.

In 1929, it was not recognized that the nation had indulged in industrial overbuilding. Nevertheless, when the denouement came, its facilities were not used again to the full until the war pulled us out. I pointed out that, during the past decade, we have produced more than we consumed simultaneously. This could only be achieved because the degree of industrial construction during and after the war has been so great that the excess capacity now in existence is much larger in individual industries, and spread over a much wider field, than it was in 1929.

Surplus Capacity

The creation of surplus capacity, which will have to stand idle for long periods, is gambling of the worst order.

In the 1920s, we were supposed to live in a new world in which business had learned enough to prevent excesses and thereby make depressions obsolete. Today, in another kind of new world, government management of the economy is supposed to do the same.

Since the end of 1945, all United States Government bodies together have taken in slightly more cash than they have paid out to the economy. The influence of their operations has not been inflationary on balance. However, the government has, with all the means at its disposal, egged on business excesses instead of curbing them. Upon analysis, we find that the postwar boom has been operated in the well-known old-fashioned manner and that it is only exceptional in the degree of speculative position built up in credit, commodities and excess producing capacity.

Flagrant Collapse Ahead

We have never committed as much economic sin as in recent years and we must be prepared for proportionate punishment. When the boom ends, it will not bring a mild setback but flagrant collapse.

Last year, our government took a number of important actions:

(a) The Federal Government switched from a cash surplus in calendar year 1948 of $8.066 billion to a cash deficit of $1.254 billion in calendar year 1949.

(b) Restrictions on consumer credit were removed.

(c) Bank reserves were progressively reduced.

(d) Margin requirements on securities were reduced to 50%, close to the low of 40% established since 1934.

These measures have the objective of changing the trend of business in upward direction. They were constructive pieces of big ammunition which the government had on hand to shoot at real depression when it came. They were used to stem the internal convulsion in business in 1949, which was so insignificant that it hardly showed up in the rate of consumer retail buying.

We can argue over the reasons why this big ammunition was used against so small a target. The point is that it has been used up and that, thereby, we have become that much more helpless against downtrend.

There remains the hope that the government will succeed in applying a "new" kind of knowledge for saving us from punishment for the excesses we have committed.

Today, the laws of nature do lots of things for us which they did not do in the past, because scientists have studied these laws in detail, and have learned more than our ancestors knew about how to apply them and how to make them work on our behalf.

If Washington followed the methods of the scientist, there would be reason to hope that indeed something new under the sun would be produced. Whether or not it would work to perfection, first crack out of the box, is an open question but, at least, we might expect that the new type of sequence of events would be more constructive than the old and familiar one.

The measures actually taken by Washington in the line of economic management, have merely the objective of fighting the laws of nature and of postponing their effect. They also disregard human nature, as illustrated by the thesis that the men who apply brain to property for the purpose of producing abundance for all and sundry, collectively are the moral inferiors of the underprivileged who can't even provide adequately for their own families.

As long as Washington fights the laws of nature, and disregards human nature, instead of endeavoring to make both work on behalf of the nation, we know that the outcome of its endeavors merely is to postpone the evil day and thereby to aggravate its evils.

Building and Autos the Pulse

This does not tell us how long Washington can continue to do the postponing. The big boom now is being carried forward by building operations and automobile manufacture. We may reasonably assume that, when automobile dealers in the aggregate are loaded with the maximum inventory they can carry, the day of reckoning will be at hand. This item is far from the only possible immediate cause of the downturn, but it is, at least, one where we can keep a finger on the pulse.

Having failed to use prevention, our government will then do its level best to ameliorate conditions during depression. A tremendous outpouring of Federal funds undoubtedly will prevent a shrinkage in the volume of consumption, comparable to that in 1932.

Nevertheless, unemployment, falling commodity prices and excess productive capacity will induce business units to wage war against each other in order to retain for themselves the largest possible share of the reduced outlet. It is my judgment that, notwithstanding government intervention, the bottom in business earnings will lie below the worst in 1932.

In an article published elsewhere, I pointed out that the stock market has been more conservative than business, and explained why share prices have not given expression to boomtime earnings in the old-fashioned manner. For the same reason, I believe that a return of 1932 stock prices, when the Dow-Jones Industrial Average reached a bottom of 41, need not be expected. Instead of a decline of 80% from the present level, a decline of between 50% and 60% is more probable.

Curb 5 & 20 Golf Tournament June 20

The annual golf tournament of the New York Curb Exchange members' Five and Twenty Club will be held on Tuesday, June 20, at the Wheatley Hills Golf Club, East Williston, L. I., for all members of the Exchange and their guests. Philip Diamond is chairman of the tournament committee, which also includes Harry Brickman, Henry Goldberg, Victor Grande and Milton E. Reiner.

The day's chief prize will be the Curb Five and Twenty Club golf trophy which was won last year by Joseph F. Reilly for the third consecutive year and which has been returned to competition by Mr. Reilly. James J. Hopkins, President of the club, will preside at a dinner in the evening during which prizes will be awarded.

The Five and Twenty Club is composed of Curb Exchange members who have owned seats on the Exchange for 25 years or longer.

After Marshall Plan Aid

By A. W. ZELOMEK*

Economist, International Statistical Bureau, Inc.

Citing emerging evidences of depression and accumulation of surpluses in Europe, Mr. Zelomek expresses pessimism concerning U. S. trade outlook after ending of Marshall Aid. Foresees strong competition on world markets, and discriminatory measures against hard currency areas.

For most companies the importance of exports is relatively small. Perhaps for that reason I find that many businessmen do not seem to be directly concerned with political and economic trends outside the United States. With exporters, of course, the situation is completely different. Their position is influenced greatly by political developments abroad. And they recognize the fact that economic developments have political consequences, and that political developments have economic consequences. Thus a subject like today's requires us to be very frank and honest with ourselves and to consider politics as well as trade.

A. W. Zelomek

American Trade Balance

It is not necessary here to talk at length about the arithmetic of exports. Foreign buyers have to have dollars if they want to buy in the United States. They either have to take dollars out of their reserves or they have to get dollars by selling goods to us, or dollars have to be sent to them in the form of gifts, loans or investments.

Much is being written now about America's balance of trade and necessity of reducing tariffs and stepping-up our imports so that foreigners can continue to buy in this country.

And from the theoretical point of view, it is certainly true that Western Europe must have large export surpluses in trade with dollar areas and the United States, and that we as a creditor nation must have a big import surplus.

Such an import surplus, however, can come about in two ways. Either by a sharp decline in our exports or by a sharp increase in our imports. The first of these, however, would imply a shrinkage of world trade and a depressing trend for the world economy. The second would imply great competition for domestic manufacturers, and a great deal of political pressure for "protection."

From 1948 to 1949, exports declined from about $15 billion to about $11 billion. The decline in imports was quite small so that the export surplus dropped sharply. Exports this year will probably decline by another billion or two, while imports should show very little change.

However, this trend toward a balancing of our foreign trade is not entirely encouraging. Our exports are dropping because foreign markets are becoming more competitive. Production in other countries has increased and a bigger supply of goods is available on world markets.

A real recovery of the capitalist world economy might have brought a balancing of world trade but it would have taken a much different form. By this time the flow of capital from the United States to other areas would have changed from government gifts to private investments. But Europe does not attract investors; nor will American investors send their funds into the old colonial areas, ruled or controlled by European powers. Exports of private capital amounted to around $1 billion in 1948, but dropped to a half billion in 1949.

Now let us take a look at exports and see to what extent they have been subsidized. In 1947, we find that 45% of our exports were paid for by imports and only 10% by subsidies, including ERP. In 1949, these figures had increased to 61% for imports and 32% for subsidies, including ECA. Although the dollar value of American exports has declined, we see that they had to depend more on subsidies in the third year of ECA than they did in the first. It is no wonder that exporters ask themselves what will happen after ECA.

Purposes and Results

In the next few minutes I'm going to point out certain aspects in which ECA has been a failure. I think we must also recognize the fact that United States foreign policy has in some respects been a failure. You will understand that my comments have nothing to do with what I would like to see happen, but merely take a realistic view of what is happening and what may be expected to follow.

When the war ended, there certainly was an immediate need for economic relief in war-devastated countries and in other areas where there were no foodstuffs to feed human beings nor raw materials and machines to start up production again. Immediate relief was necessary on a large scale, and America was the only country that could provide it. But ECA was not supposed to be a relief organization. It was based on the idea that the European economy would be reconstructed; and reconstructed in such a way that Europe would cease to be a deficit area in terms of its dollar balance, its international balance-of-payments, and its vital products.

Therefore it was stipulated that ECA money should not be used to finance budgetary deficits, and that ECA countries should balance their budgets and remove unilateral restrictions on foreign trade and foreign exchange as soon as possible.

We cannot blame the administration of ECA if these aims were not achieved. It seems that the promises of ECA could not have been achieved, even by the most efficient relief administration.

As a matter of plain and simple fact, a number of ECA countries have continued extensive budget deficits. Moreover, in the field of trade, unilateral restrictions are greater now than they were when ECA began.

There has been a certain amount of industrial and agricultural reconstruction. Unfortunately, the countries that have been able to carry this out have done so without any knowledge of what their postwar market position would be. Production in France, Great Britain, Belgium and Holland has been revived; to some extent new plants and industries have been built. But these plants will depend largely on exports, and no one knows where the export markets can be found to keep them busy.

The original aims of ECA, to make Western Europe self-sufficient within five years, are now reaffirmed in terms of European integration. This is to be the new escape from the old dilemma of competitive expansion of individual European industries. So far, however, this kind of integration has never gone beyond the point of talks, meetings and resolutions.

Hoffman's proposal for an inter-European clearing agreement, at least of ECA countries, may bring some results. But current negotiations have watered down a real integration plan to an extent that it would not basically change the dilemma even if it were accepted. With the aid of high tariffs and quotas, restrictions can be preserved. The role of Britain, as the center of the sterling bloc and the heir to the old empire, cannot be adjusted to a European role where Britain would be a partner in a European economy.

British plans strive for the incorporation of Western Europe into the sterling bloc, or for making London the center of Western Europe's foreign trade and foreign exchange. But the London as well as the Paris plans ignored each other's "Empire" interests and both ignored the need for an "integration" in Germany.

During the first stage of ECA, the role of Germany was undefined and ignored. Therefore all the plans and estimates prepared at that time were more or less unrealistic. Even now it is uncertain what the role of Western Germany will be and how long Western Germany can exist as a part of the split-up Germany. A sharp industrial depression in Western Germany is already threatening to spread.

The simple attachment of the Western German economy to Western Europe is not possible without making the European economy more unbalanced than ever before. The Western German economy will have to rely on American subsidies if it is to survive as the near-to-death, paralyzed economy called for under the present political setup. In 1949-1950, the first year after the cold war in Berlin ended, shipment of goods from Western Germany to Eastern Germany amounted to about 8% of the shipment of goods made in 1936—a year which still was little affected by the later armaments boom. Shipments from the Eastern Zone westward will not have been more than 7% of shipments made in 1936.

It is obvious that such a disruption of the Germany economy cannot be the basis for a return to "normalcy." The drive in Germany to restore the ties between East and West in Germany will be overwhelming; and whoever ignores this drive will lose the political battle which now develops in Central Europe.

It is true that the foreign exchange position of most Western European countries has greatly improved. Great Britain was able to restore gold and dollar reserves to the "minimum" needed in order to play its role as center of the sterling bloc. In France, the Government has been able to fight the black market with the most effective means — through increased supplies which deflated free market prices. Belgium, Italy, and Holland also are in a stronger position from the viewpoint of foreign exchange.

But it would be dangerous to assume that this is the result of the foresight of our international planners or of ECA. We only have to remember the basic facts that the improvement was reached not on the basis of expanding international trade as such, but largely as a result of import restrictions, especially for imports from hard currency areas. Even then, these countries had the help of high prices for commodities exported to the United States.

Britain is in a special position.

Continued on page 30

*An address by Mr. Zelomek before the New England Export Club, Boston Mass., May 11, 1950.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The market for bank stocks showed considerable strength during the early months of the year and shares of the leading institutions moved up to the highest levels reached since 1946. While most stocks are still selling near the high of the range, within the past two months only minor fluctuations have been experienced and most shares have shown little, if any, improvement.

Part of the reason for this performance may be that investors are awaiting more positive action on the adjustment of Federal Deposit Insurance assessments. Legislation to reduce these assessments is currently being considered by the Congress and although opposition to the measure is limited and is mainly concerned with substance rather than form, progress has not been so rapid as would have been desirable.

While there seems to be little doubt about the eventual passage of legislation which will adjust the current assessment rates, the question at present is how soon. There is still a very good possibility that passage can be obtained in the current session of Congress which means the next two-to-three months.

The amount of savings to the banks from the passage of such legislation will be uncertain until the final form of the bill is determined. However, from preliminary discussions, it appears that it could add between 5% and 8% to operating earnings. Thus the passage of this legislation could have an important effect on the bank stock market.

There is also the fact that future changes in dividend policies for some of the banks will, in part, be determined by the action taken on the FDIC assessments. As most bank dividends have been on a conservative basis in relation to earnings, there has been the expectation that a number of institutions would increase these payments sometime this year. It is possible that any such action will await favorable consideration of the proposed legislation.

These factors combined with the recent enactment of a more liberal bill relating to trust investments in New York State and the change in the Massachusetts law which will permit savings banks of that State to purchase certain bank stocks, should have favorable implications for the market for bank shares over the remainder of the year.

Although gains are not likely to be dynamic, the prospects for moderate appreciation in these high-quality investment issues are regarded as favorable.

A fact to keep in mind is that as the effective dates for these different pieces of legislation approaches an increasing amount of attention will be focused on the different bank stocks.

This is already the case, to some extent, with bank stocks which are eligible under the new Massachusetts law on savings bank investments. This law will become effective around July 24, 1950 and already a number of investment houses have published compilations of the 15 banks that meet the requirements.

While there are other banks which should and will be considered in any major investment program, these 15 institutions are likely to receive an increasing amount of attention. For this reason we have compiled certain information on the current market price, indicated dividend, current yield, and the 1950 and 1949 price range for these 15 stocks.

	Current	Indic.		1950 Price Range		1949 Price Range	
NEW YORK CITY—	Price	Dividend	Yield	High	Low	High	Low
Bank of Manhattan	26¾	1.30	4.86	27⅜	25½	27⅞	21¼
Bankers Trust	48	2.00	4.17	48½	44¼	45½	36¾
Central Hanover	102	4.00	3.92	103¾	95	101½	82½
Chase National	37⅞	1.60	4.22	38¾	35½	36¾	32½
Chemical Bank & Trust	44	1.80	4.09	44¾	41½	44¼	37¾
Corn Exchange	62½	3.00	4.80	67	56¾	57	49½
First National	1,290	80.00	6.20	1,290	1,185	1,300	1,145
Guaranty Trust	309	14.00	4.53	311	287	295	252
Irving Trust	18¾	0.90	4.80	19½	17⅜	17⅝	14⅞
Manufacturers Trust	58½	2.40	4.10	59¾	52½	54⅛	47
National City	46½	1.80	3.87	47⅞	42	45	37¼
New York Trust	92	4.00	4.35	93½	84½	90½	80
CHICAGO—							
Continental Illinois	93½	4.00	4.28	93½	84½	85½	73
First National	233	8.00	3.43	239	197	198	170
PHILADELPHIA—							
Philadelphia National	105	5.00	4.76	105½	94½	98¾	88

Admit New Partner

LOS ANGELES, Calif.—Joseph Lockman has been admitted to partnership in Kerr & Bell, 210 West Seventh Street.

Reed & Reed in Burbank

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Ohio—William M. and Kenneth E. Reed are engaging in a securities business from offices in Burbank.

Joins D. J. St. Germain

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Charles Rodda is with D. J. St. Germain & Co., 1490 Main Street.

A. E. Weltner Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Edward E. Mathews has become associated with A. E. Weltner & Co., Inc., 21 West 10th Street.

World Trade and Point IV Program

By HON. CHARLES SAWYER*
Secretary of Commerce

Secretary Sawyer, in outlining world trade prospects, contends, despite trade barriers and "dollar gap," there are factors which give hope for larger foreign trade. Sees progress in implementation of "Point Four Program" and points out its success is dependent on cooperation of recipient nations and creation of favorable climate for private investment. In address at Philadelphia outlines means of closing "dollar gap."

As we look out upon the world we see trouble—many kinds of trouble. Five years after the end of the greatest war in history, we see political insecurity and political revolution. Despite our dreams of establishing international business relations unhampered by such restrictions as import and currency controls, the network of trade is still tangled.

Charles Sawyer

No realist who looks at the contemporary world can be blissfully optimistic about the future. It is a mistake to underrate the complexity and size of the social, political and economic problems now facing us. It is also a mistake to lend a friendly ear to the counsels of despair which are freely offered at the present time. The outlook for the future is cloudy. There are some rifts in those clouds, however, and a few shafts of sunlight shining through. We have some reasons for hoping that the world can be made more orderly, more stable, more conducive to creative business—and more pleasant for the two-and-a-half-billion people who live in it.

Of all the forces that make for a better world, none is so indispensable, none is so powerful, as hope. Without hope, men are only half alive. With hope, they dream and think and work.

High Volume of World Trade

What are some of the facts that serve as a basis for hope? One of these facts is the high volume of world trade. Last year the nations of the world exchanged with one another 10% more goods than they exchanged in 1938, the last full year before the war. Only five years after the end of a war which destroyed thousands of factories, railroads and homes, and which weakened or wrecked many of the social institutions which make trade possible, international trade surpassed by 10% the highest volume it achieved before the war.

Another fact is the new awareness in the United States of our responsibilities. Our leadership in establishing the United Nations, our financial support of the International Monetary Fund and the World Bank, our heavy contribution to the recovery of Europe, and our vital interest in stimulating imports into the United States are clear and unmistakable signs of a new spirit of international collaboration.

We have recognized the fact that our welfare and our security are tied up with the welfare and security of those other nations who wish to work with us. We are working with them to hasten the time when we and they can do business on what the economists call a "multilateral basis." This is a big and ponderous term. It means a world in which the monies of all nations will be sound and will be freely exchangeable for the monies of other nations; a world in which there will be fewer barriers thrown up against trade and more facilities to keep trade flowing; a world in which a businessman from the United States can contemplate investing his money in other nations without worrying about getting his earnings back in dollars.

*An address by Sec. Sawyer at Luncheon sponsored by New York World Trade Week Committee, New York City, May 23, 1950, and part of address at Philadelphia, Pa., May 7, 1950.

We cannot bring into being easily or soon the kind of world in which business can be transacted outside of our borders as easily as it is now transacted within the United States. For one rather brief period in the history of the world—late in the 19th Century and early in the 20th—international business relations were favorable to a relatively free flow of goods and money and people. The currencies of the various nations were tied to the value of gold. Dollars could be exchanged freely and at known rates for francs. Likewise, yen could be exchanged for pesos. No American trader selling goods to a foreign buyer had to stop and wonder whether that foreign buyer would get permission from his government to use some of his country's supply of dollars. In those days the American trader was not forced to negotiate for export licenses from his own country or import licenses from the country to which he was selling. Today virtually every country in the world has thrown up along its borders barriers which at first glance seem to be designed specifically for the purpose of discouraging businessmen.

Export Controls

Our own government enforces regulations for controlling the export of goods from this country. I have tried to reduce these controls as fast as possible and to make sure that those which are still in force are serving a useful purpose.

American businessmen and the American people should understand, however, that foreign countries have not placed controls on the use of dollars as a bureaucratic pastime. The dollar is today the standard against which the value of all other currencies is measured. In many ways it has replaced gold as the international medium of exchange. This is true because all nations in the world want the goods and the various kinds of skilled services which we produce in abundance.

We hear a great deal these days about the "dollar shortage," or, as some people call it, the "dollar gap." This means that other people need certain essentials which they can buy only from us; and at the same time they are not earning enough dollars to pay for these essentials. This gap is measured by the amount we appropriate for foreign assistance of one kind or another. Without such appropriations there would be no substantial difference between the value of our exports and our imports. The dollar gap is as big or as little as we permit.

Why did we spend the money? We spent it for various reasons, some political, some economic. In general, we spent this money to buy time. We spent it to bring about a world in which trade will be balanced and healthy—a world which will be more secure against political aggression.

The Point IV Program

Today, the main subject of my remarks is hope—the hope which inspires and springs from our effort to strengthen the world economy and world trade through the investment of American technical skills and American capital. Sixteen months ago, President Truman gave to the world a message of hope. He said that the United States had in abundance the technical information the world needed to bring about economic development in underdeveloped areas and the United States was prepared to help other countries raise their standards of living through governmental technical missions and through private American investment.

This idea has caught the imagination of the world. Month after month new books, pamphlets, and scholarly studies are added to the printed matter on the "Point Four" program. Despite this growing literature, I feel that something still needs to be said on the underlying philosophy of the Point Four program. The essential idea of Point Four, as I see it, is that a world economy can be developed which will be both dynamic and balanced. It will be dynamic insofar as it is based on the release of the creative energies of many other peoples and on the great expansion of their productive powers. It will be balanced as the economic growth of each country is steady and in harmony with the efficient use of its own and of the world's resources, and insofar as each country achieves, through relatively free and competitive practices, its proportionate share of expanding world trade and economic welfare.

A dynamic balance of this kind I have described can be created only by the great common effort of all nations. It is part of the philosophy of Point Four that it recognize the need for common effort and mutual assistance and interprets it in a large and generous spirit. The stronger nations can assist the less developed countries in acquiring the knowledge and skills and capital which they need in order to go forward on the road to industrialization. In their turn, the less developed countries can do everything in their power to make such technical and financial assistance effective by adjusting their economic practices and social attitudes to the requirements of the new age of world economic expansion. In such a process of give and take, we cannot measure exactly the contribution which each country may make, but we can be sure that the greater the willingness of each country to do its best, the greater will be its gain.

Point Four projects one of the great advances in world industry and trade; and it calls for a new step forward in international economic relations and cooperation. There is needed a clear understanding of differing customs and attitudes around the world and a capacity to find ways of bridging over such differences. Seldom before in the history of the world have economics and trade been so intimately connected with social attitudes and cultural values. More and more the growth of world business is dependent on, and contributes to, the growth of mutual understanding, respect and friendliness among nations and peoples.

A year ago I spoke at Cape Henry, Virginia, on Point Four and what I thought American businessmen could do to aid in the economic development of the world. I believe now, as I believed then, that if Point Four is to be successful it must in large part be financed and carried on by private business. Business has a natural interest in doing this job. It has the capital to invest. Moreover, it is staffed with men who are trained in the complicated techniques of industrial and business methods. Most important of all, it is only upon our own businessmen that we can rely to teach the businessmen of other nations the methods of production and distribution which have made us prosperous.

Making Favorable Climate for Private Capital

The philosophy of Point Four raises this question—how can we work with other nations to create the conditions which will attract increasing amounts of private capital from the United States and other countries? We can continue our efforts to negotiate trade treaties with other countries for the purpose of guaranteeing the same rights to our investors in other countries which they enjoy in our own. Such treaties have been signed during the past six months with Uruguay and Ireland, and we are negotiating similar treaties with many other countries. Treaties alone are not sufficient. They are but a preliminary in creating the understanding which lies behind all business dealings. We must keep in mind the point of view of other countries and we must give understanding attention to the desires of other peoples to build the kind of country they want for themselves.

We must aim at these things:

(1) Convince other peoples that we are interested in their needs, that we understand the kind of economy and society they want to build.

(2) Make it possible for them to utilize the services, the skills, and the capital they have already at their command. This includes the fullest use of local money in those countries which are short of dollars.

(3) Encourage the maximum initiative on the part of the governments and businessmen of other countries.

We must, of course, avoid the temptation to look for a particular formula which will change the world over night. People who expect heaven tomorrow morning are not well qualified to wrestle with the stubborn and complicated problems of foreign investment.

One solid reason for hope is that American businessmen are flexible enough and ingenious enough to meet new situations with new devices and methods. Within the last few years, they have given attention to new patterns of investment such as management contracts, joint investments, and mixed corporations. These new patterns embody in one form or another the general principles which I have discussed above. I wish to stress here today these new patterns of investment activity. They are not abstract objectives or untried schemes. They have been demonstrated by private business and by governments. We can profit greatly by making ourselves familiar with the successes so far achieved.

Industrial Development Bank of Turkey

One of the most promising new plans for encouraging investment abroad was announced on April 7 of this year by the newly organized Industrial Development Bank of Turkey, formed through a subscription to stock by nineteen business groups in Turkey, including thirteen banks, two textile firms, and four other large commercial and industrial organizations. It was formed with the

Continued on page 31

Our Confused Foreign Policy

By ALF M. LANDON*

Republican Presidential Candidate in 1936

Stressing Russia's present military might and aggressiveness, former Republican Party leader says, in race for survival, "it is later than we dare think." Criticizes Administration's foreign policy as confused, faltering and invariably late, without clear-cut, positive objective. Holds American position in Far East has been weakened, but admits things might be worse. Contends peace is impossible with Communist Russia, and our aim should be destruction of Communist power.

Before embarking on his non-political excursion to the Northwest President Truman told the American people that the international situation was improving. That remarkable statement followed close on the heels of General Bradley's words that the world crisis had worsened in the past few months.

Alf M. Landon

The cold facts support General Bradley. For that reason I cannot succumb to the easy temptation to speak only what people may like to hear. If our great nation is to survive we must face up to uncomfortable facts. The plain truth of the matter is that we are drifting toward disaster and unless we radically change our course we may soon find overselves over an abyss.

The Soviet possession of the Atomic Bomb has completely altered our struggle for survival. Today our situation is extreme. Within the next few years it can become hopeless. Atomic scientist Harold C. Urey has warned that the next two years could—and probably will—see the atomic lead of the United States effectively wiped out.

Perhaps that ominous prediction inspired Secretary of State Acheson to set 1954 as essential completion date for the Atlantic Pact military defenses.

If the Soviets attain atomic equality and retain their present overwhelming superiority on land and their comfortable margin of superiority in tactical air power they will be able to play with us like a cat with a mouse. The march of events for the past five years is making nonsense of most of the American plans to contain Soviet aggression.

"It Is Later Than We Dare Think"

Once the American people see our situation in proper perspective they can be depended on to deal with it effectively. In the race for survival it is later than we dare think.

We won World War II at tremendous cost, and lost the peace. The foundations of American security will be undermined in the months which lie ahead unless frank leadership requires our people to pay a still heavier price for their own survival.

I need not dwell long on the facts of Soviet aggression. Soviet leaders have made it quite clear that they seek the complete destruction of the non-communist world. Whenever possible they have adhered to these aims in practice. Communist philosophy has always rejected all previous standards of international conduct. Trickery has been exalted to the number one principle in Soviet foreign affairs. To the Kremlin no real distinction exists between war and peace except in the emphasis placed on military or political and psychological pressures.

Since V-J Day the Soviet Union has conquered a greater empire than that won by Hitler and the Japanese at the height of their military aggression. The Soviet Union stands today as a more completely military state than Nazi Germany or ancient Sparta. Communist gains in Europe and Asia are as real as if they had been won in pitched battles against the West.

Nothing breeds success like success. The Soviets are becoming confident if not downright cocky. Malenkov, ranking man in the Politburo — possibly being groomed for Stalin's successor—reflected this attitude when he recently stated "With the victory of the Chinese people, the people's democracies of Europe and Asia together with the Soviet Socialist Power embrace a population of approximately 800,000,000."

There is not one single action taken by the Soviet Union since the end of the war consistent with the aims of permanent peace.

Confused and Faltering Foreign Policy

In the face of this threat the policies adopted by our government have been confused, faltering and invariably late. We have been slow to recognize the danger and slower in reacting to it. We have tried to preserve our peace by refusing to stand by our principles. One of the factors of the present crisis has been American indecision and vacillation in high places.

On the credit side the Administration belatedly rejected the trend of appeasement so much in vogue in Washington when Churchill made his electrifying speech at Fulton, Missouri, in 1946. But meanwhile we have lost the great nation of China to our cause and we have not even begun to advance against the forces of tyranny.

Expansion engenders expansion. The frontiers of Communism have been advancing while those of freedom have been receding. As the free world is being compressed into a smaller and smaller area by the malignant growth of Communism, the number of choices open to us become fewer.

The appalling tragedy of the present situation stems, in part, from the reluctance of our leaders to make these choices because they believe them unpopular with the people. My trust in the character of the American people is greater than that. To save our skins the false sense of security created by groundless official assurances must be dispelled.

Soviet Aggression Unabated

Let us look at the record. Despite our tremendous efforts to restore peace and prosperity to a war-torn world the underlying tension created by Soviet aggression continues unabated. Despite our efforts to "contain" communism, the Soviet Empire is relatively stronger today than at any time in the past. Despite our tardy efforts to restore our military strength the balance of military power is tipping toward the Kremlin. It will continue to do

Continued on page 37

*An address by Mr. Landon at College of Emporia, Emporia, Kans., May 23, 1950.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Flash liquidation of the tap issues by some of the large life insurance companies along with a decreased interest in the longer eligibles, gave the government market a rather heavy tone. Federal continues to keep the ineligibles under wraps when not aided by outside liquidation. Nonetheless, the restricted bonds are being well taken and those from the life insurance companies as well as from Federal were readily disposed of without too much effect upon quotations. The longer eligibles have quieted down on somewhat lower volume, while the nearer-terms have apparently taken over some of the play on buying by the larger commercial banks.

The 2½% due 9/15/67-72 is still the leading eligible obligation, although increased attention is being given to the 1½s of 1955 and the 2¼s of 1956/59. The last three partially-exempts are not without followers. In the restricted list, the Vics are the bellwethers of that group and despite the selling by Federal, are the favorites of non-bank investors who continue to acquire them on a scale basis. Switches between the eligibles and taps and the taps themselves show the 1967/72s are still the sought-after issue.

Trading in Doldrums

Lessened activity which has resulted in somewhat decreased volume seems to be the present state of the government bond market. Traders and dealers evidently do not see enough opportunities to scalp a few 30 seconds in either direction, to go long or short of the market. It appears as though the government security business is now in one of those "dead spots" that happen from time to time, but which generally do not last very long. The June and July refundings and the raising of new money to finance the deficit should revive interest in the market again. The waiting attitude of operators in government securities does not mean there has not been some important business going on. The buyers of tap bonds continue to take fairly sizable amounts of these obligations out of the market. The securities that are being let out still come mainly from Federal, although a few of the large life insurance companies have again joined the parade as sellers of selected tap issues. These funds according to advices were used to acquire corporate bonds and preferred stocks.

Because of the selling by other holders of the ineligibles, it is reported Federal has moved away from the market at intervals. The pressure on quotation was still there, even if the Central Banks were not applying it.

Institutional Buying

According to informed sources, the principal buyer of the tap bonds in the past week has been the savings institutions. This is in spite of some spot adjustments in certain issues. It is indicated there has been a rather sizable if not too noisy accumulation of many of the restricted issues by these concerns, especially those which have had very substantial increases in deposits. Pension funds continue to be important buyers of the Vics, but reports seem to show that acquisitions from this source have not been as substantial as had been the case a short time ago. Fire and casualty companies have become active in the market, in the eligibles as well as the tap issues, and by switching out of the former have become a more important factor in the restricted issues. The swopping of one Treasury issue for another by these concerns will not last very long because it is believed a great many of these exchanges have already been completed.

There is no tendency yet among the fire and casualty companies to abandon the equity market in order to put new funds into Treasuries. On the other hand, there is a modest amount of buying of the longest tap issues by institutions which follow the so-called "automatic" or "plan" type of investing.

Portfolio Switching Feature of Market

Because it is somewhat more difficult now to get owners of Treasury securities to make switches in holdings or to get them to make new money commitments, more than a little effort is being put forth by dealers to show why certain changes in positions should be carried out. As should be expected, the issue which bears the brunt of these assaults is the 2½% due September 15, 1967/72. Almost everyone in the business, it seems, had some apparently valid reason why this obligation should be sold and the proceeds reinvested either in other eligibles or selected tap issues. While there have been swops out of the longest bank issue into other Treasury obligations, it indicated not too much success has come from the attempts to separate holders from their September 1967/72s. The way the price of this obligation has held up has tended to work against suggested swops out of this bond.

Switches from eligible taxables into the partially-exempts and vice versa, are among the favored ones, as are swops within the tap bonds themselves with the lengthening of the maturity to increase yield, evidently getting tangible results. Some, however, favor the 2¼s of 1959/62 for swops. Many changes are being suggested among the nearer-term obligations, and the 1½% of 1955 appears to be the issue that has been getting the bulk of the attention, with considerable success evident. The 1⅜s of 1954, according to some, have not been without a favorable reception especially when it has been put forward as a replacement for other short eligible obligations.

It is reported that New York City commercial banks were fairly sizable buyers of the 2¼s due 1956/59, the 2¾s due 1960/65 and the 1½s due 1955. A fair-sized switch from the 2½s due 9/15/67-72 into the tap bonds was quickly consummated last week, with two out-of-town commercial banks reportedly very willing buyers of the bank issue.

William Ehni Rejoins Akin-Lambert Co.

William R. Ehni

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William R. Ehni has rejoined Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Ehni has recently been with Francis I du Pont & Co. and Cohu & Co.

Frank J. Shakespeare Opens Office in NY

Frank J. Shakespeare is opening an office at 1 Wall Street, New York City, to engage in the securities business. Mr. Shakespeare formerly was head of Shakespeare & Strasburger, Inc.

Paul H. Aschkar With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul H. Aschkar has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Aschkar has recently been with Fewel & Co. Prior thereto he was manager of the trading department of the Los Angeles office of Carter H. Corbrey & Co.

"Toppers" Schedule Outing for May 29th

The "Toppers" will hold their annual outing on May 29 at the Montclair Country Club, Montclair, N. J.

The Corporate Secretary And the Proxy Rules

By EDWARD T. McCORMICK*
Commissioner, Securities and Exchange Commission

Commissioner McCormick defends SEC proxy rules as implementing crucial right of stockholder to vote. Lauds corporation management cooperation and outlines problems of SEC handling of proxies. Upholds right of stockholders to present proposals for vote at annual meetings and SEC rules regarding management's refunds of short-term trading profits. Holds question of legality of management's short-term options has not yet been resolved by courts.

The interest of the corporate secretary in proxy solicitation is perennial. Your group has welcomed talks of SEC people on proxy problems and we have been willing to comply. That's no more than fair; after all you fellows have to live with the statute and the rules we adopt.

E. T. McCormick

I have had a unique advantage over my fellow-Commissioners in observing the proxy rules in action, for I have been on the staff firing line administering them since the adoption of the first simple and experimental rules under Section 14 of the Securities Exchange Act. I talk from experience when I say that corporate management has by and large accepted with more than good grace the additional obligations which have resulted in the enormous advances in management-stockholder relations effected by the rules.

In some cases management has simply bowed to the inevitable and taken the proxy provisions along with other newfangled gadgets. But most have recognized that decent proxy practices are at the heart of decent and responsible corporate administration and have welcomed the improvement in their relations with stockholders that compliance with the rules has brought about.

Depending on the means afforded for its exercise the stockholder's franchise is either real or illusory. The proxy provisions of the statute and the rules have the obvious purpose of making a reality of the stockholder's right to vote.

It is a crucial right. I have always been struck by the resemblance between the modern, publicly owned corporation and a governed community. In both, the administration of community assets and affairs is given over by the citizen to a governing group. In both the governing group can hold its power either by the will of majorities or by manipulation of the means of control. In both, the day to day management decisions upon which the community welfare depends cannot be made subject to prompt routine check. Except in cases of critical actions requiring referendum or special stockholder approval the only effective check is for the voter to be informed of progress (or the lack of it) and to keep the management in or to vote it out.

Substitute for Stockholders' Round Table

As communities and corporations grow in size and diffuse their ownership, substitutes for the town-meeting and for stockholders' roundtables have to be found. It is not easy to find them, and even the strongest supporters of our proxy rules will have to admit that they are at best an inadequate substitute for a compact stockholders' roundtable.

But without some substitute corporate growth would carry with it increasing management irresponsibility. To the old die-hards who still insist that stockholders are a necessary evil and are entitled to know only what management chooses to tell them the American answer is that entrenched and irresponsible control is as odious in corporate life as it is in political life. Russian propaganda does on these die-hards. But the majority of our managements, living under our proxy rules, give the lie to propaganda that insists that big business is coextensive with big tyranny.

In a sense the benefits of our proxy rules to stockholders and to the corporate welfare have been immeasurable. Their usefulness does not stop at merely implementing the stockholders' voting rights. The proxy provisions pervade the atmosphere in which even day to day decisions are made. I have seen time and time again, proposals that have died aborning because they could not stand up in the light of disclosures called for by the proxy rules. Time and again managements have discovered that the stockholder electorate welcomes full discussion by management of its problems and may give an honest management more leeway for working out the company's destiny than an entrenched management might dare to take in fear of strike suits. The occasion of a proxy contest often opens management's eyes to the merits of the proxy rules—for the rules apply equally to all contestants. Neither the outside group nor the management is permitted to lie or distort and many managements have been spared a rabbit punch by the Commission's insistence on proxy compliance.

I believe in the principal of our proxy rules and I have tried to state some of the reasons why it is important for you and for us at the Commission to make them work. I would like to use this chance to give you a few ideas that have grown out of my working experience with the rules and with problems of compliance.

Seasonal Pressure on SEC

As you know the proxy load of the Commission tends to be seasonal and to concentrate in the early part of the year. It tends also to come at a time when the Corporation Finance Division of the SEC, which has primary staff responsibility for proxy clearance, is likely to be flooded with other work just as pressing. The load of clearing registration statements may be high. Many issuers, in order to avoid special audits which, though not required by the Securities Act of 1933, are often insisted upon by underwriters, try to plan their financing within three months of the end of their calendar-fiscal year. And annual report filings are likely to begin pouring in while the proxy rush is still on.

Our staff people are only human and notwithstanding rumors to the contrary are hard-working. In spite of the unfortunate concentration of proxy work in busy periods they manage in the vast majority of cases to process filed material well within the 10-day period of the rules.

Since clearance of material with the Commission is only one step in proxy solicitation and must be followed by printing, distributions and often by follow-ups, there is generally a pressure on the staff to rush through the clearance process. In the vast majority of cases the staff can meet this pressure well. By and large you fellows have gotten to know the ropes and your material presents few problems. But problems do arise. Failures of compliance are rarely intentional but, whether they result from oversight or failure to comprehend a requirement, they can be extremely troublesome.

Troublesome to you as well as to the staff. Many of these difficulties can be avoided by following a simple procedure. Think your problem through and if you have difficulty consult the staff. Get to know the Section Chief and the Assistant Director at the SEC in charge of your corporation. After our years of administering the proxy rules the likelihood is that your difficulty has been met and solved before. The staff's experience and help is at your disposal. Both you and we will be helped thereby.

Of course I am by no means inviting you to ask our staff to write your solicitation material. You would be surprised at the number of cases in which that request is made openly and sincerely. But don't expect the staff to carry your burden and do your drafting.

Soliciting material for the annual meeting which does not raise any unusual issue for stockholder vote is likely to be routine. But major corporate changes, and proxy fights, are fertile ground for difficult problems. For many types of proposals, the schedule of items in the proxy rules contain specific requirements for relevant information. But there is no tailor-made formula for full disclosure in these cases; the corporate secretary must often coordinate the activities of many segments and levels of management in order to prepare the material. The job of presenting it fairly and clearly is sometimes tough, and the job of processing it by the Commission presents more than routine difficulty.

At these times there is a high premium on early preparation of preliminary material and consultation with the staff on difficult problems you anticipate.

Not all of you have lived through a tough proxy fight but differences of opinion can arise and proxy contests can develop even in the best of corporations. You are likely to discover that the Commission recognizes that once the ring is squared off elbow room has to be provided for the contestants. However, neither in a proxy fight nor at any other time will the Commission tolerate deviation from truthful disclosure.

But there is an area of characterization in which some latitude must be permitted. Don't condemn a staff member who clears an opposition solicitation even though the opposition expresses the **opinion** that the management is "incompetent." It is just as common for management to express the **opinion** that the opposition is "inexperienced" or "irresponsible." But neither side will be permitted to distort facts in any way.

Those of you who know how our staff works know also that it does its best to provide equal opportunity in cases of contest. Timing is often important and the staff makes special effort to accelerate clearance in order to avoid disadvantages to either side. It cannot do the job as quickly as it otherwise might in those instances where either side cuts corners in violation of the rules.

Follow SEC Practice

It may seem late in the day for the following tip — but it is surprising that many managements still need it: Get to know the practice and reconcile yourself to following it. As you know, several years ago the Commission was presented with attempts to use the proxy itself to carry statements or devices designed to influence the stockholders' vote. We did amend the rules to require identification of proposals as coming from management or from stockholders. But we did not accede to the view that the proxy, the ballot itself, should be a place for electioneering. Rule X-14A-4 requires matters up for vote to be "clearly and impartially" set forth in the proxy. And in a release the Commission expressly announced a policy against that practice.

Further, in 1948 Bob McConnaughey, then a Commissioner, made it clear in an address to your group that the Commission would not permit arrows, set-off forms of type, or other devices to be put on proxies to influence the vote. Yet we still get proxies —sometimes in the course of a contest and sometimes not—that do just that. They do not get by the staff and, short of creating unnecessary work and delay, serve no purpose.

Permiting Stockholder's Proposals

When our proxy rules were amended to permit stockholders to make and justify proposals within the sphere of proper stockholder action a bomb exploded. We were branded as wild-eyed radicals, a Congressional investigation was touched off, and it was confidently predicted that the proxy solicitation would be converted into a forum for crackpots, and hare-brained reformers.

That dire prediction never came true. You may be interested in knowing that according to our latest report figures the average number of proxy statements containing stockholder proposals has been about 25 per year out of the total of about 1,600 statements filed. By and large managements have had little difficulty with these proposals. Many of them have been well within the sphere of stockholder action and have been, on their face, reasonable. I don't mean to imply that there have not been troublesome ones. A proposal to change the place of annual meetings, or to provide for rotating auditors is clearly a permissible one. Others are just as clearly too far off on the other side of the line. For example, proopsals to require the corporation to make annual contributions to various organizations, to have the corporation petition for changes in the law, to have it favor various political schemes, are clearly not permissible.

Others have hovered close to the line of doubt. Proposals affecting, directly or indirectly, dividend policies often pose great difficulty.

It would be fine if there were

Continued on page 33

*An address by Commissioner McCormick before the American Society of Corporate Secretaries, Atlantic City, N. J., May 13, 1950.

Economic Expansion: Promise vs. Performance

By EDWIN G. NOURSE*
Formerly Chairman, Council of Economic Advisers

Asserting we must not let the 1950's repeat disheartening record of 30's, Dr. Nourse warns we must ascertain whether there is a healthy state of economic growth or an inflationary boom. Says sound economic expansion depends on technological advances; skill of organizational or operational management; and sound free market strategy. Stresses as twin engines of economic progress: (1) industrial peace; and (2) fiscal soundness. Concludes "our unsatisfactory and dangerous national economic performance" is due to "putting cart before the horse."

The year 1950 is not merely the midpoint of the century; it is a year that brings us to a crucial stage in our economic life. The questions it presents to us are not merely those of our private fortunes and our national prosperity. The entire free world is looking to us as the only industrial and financial bedrock upon which the economic structure of the whole non-Soviet future can be reared. We must not let the '50s repeat in America the disheartening record of the '30s. I can find no reason in my book of economics why such a disappointing and discreditable development need take place. But, on the other hand, we cannot, as prudent men, allow ourselves to be beguiled into an easy confidence that there is rosy promise for the future just because we haven't had any postwar slump or just because we are at the moment in a state of apparently rising prosperity, not to say boom. We must soberly examine the economic indicators and search our minds to be sure whether we are in a state of really healthy economic growth. Or has the process of monetary inflation and the renewed expansion of the national debt revealed the fact that Uncle Sam's pituitary gland is out of kilter and we are in the way of developing progressive deformities and debilitating diseases?

Edwin G. Nourse

Sound Expansion Makes Three Demands

When we come to analyze what it takes to assure a satisfactory rate of economic expansion in the years that lie just ahead of us, it seems to me that three needs have to be met. The first requirement is technological advance. The second is skill of organizational or operational management. Third comes the quality of broad economic management, business administration, or free market strategy. To be brief, I'll give you my answers as to the first two of these factors in one short paragraph. The third requires "the full treatment."

Interms of technology, there seems to me ample evidence that the scientist and the engineer can be counted on to do their part in the needed economic expansion—to be real pacemakers. Second, I believe that our business organizers and operational managers have turned in a performance that justifies calm confidence for the future. It promises that they can carry on old companies and set up new ones which will follow the call of private enterprise quite adequately both in production and in distribution. They have shown the kind of skill needed to handle expanding volume as new product becames available and as consumer preferences change. That is to say, they are competent at business tactics if economic strategy is being properly handled.

So I'm happy about the whole thing? So I think our economic performance, current and recent, promises expansion and economic progress in the next decade or more which will be equal to that of our glorious past and commensurate with our great potentials? No, I am not that happy. I do not have that full confidence. For we must consider a third ingredient that will have to be found in our economic setup if we are to fulfill the promise of economic expansion. Besides technological skill and operational competence, we must have a general grasp of basic economic strategy which gives direction to the underlying forces which will create the market conditions within which these tactical skills of the technologist and the business operator can be successfully applied.

The Money System Does Not Run Itself

In the quaint phrase of my childhood, "It's money makes the mare go." It is price, income, taxation, monetary manipulation, public debt management — the whole pecuniary process—that in the last analysis determines whether business will boom or languish in the years ahead. It was the comfortable belief of businessmen and economists of a simpler day that this process would pretty much run itself if we would just leave it alone. Even if that was then true, it would have no validity for the changed conditions of today. You could turn Old Dobbin loose and he'd find his way home to his stall, but you can't turn a DC-6 loose to find its way home.

Our modern price-organized society has to be run, and the running of it is a complicated process. It is done through an elaborate set of controls that center at two places, one in the government and one in the private markets. Each center of control is prone to blame the other for any disastrous results that appear and to accuse the other of "back-seat driving." As a matter of fact, neither is in the back seat. The situation is better described as that of co-pilots. And both must know their job and must behave themselves if we are to have a happy landing.

Difficult as the money and market adjustment process is, I don't believe that, just as an intellectual problem, it is any tougher than the technological and organizational problems we are solving so successfully. In a way, making a total economy click is much like operating a great industrial assembly line. There are a great many separate parts and subassemblies which must be properly designed and fabricated, channeled and timed so that they flow together into a complex working mechanism under the hands of people trained to the work, equipped with proper tools, and stationed in the right places and in the proper numbers. The key to success in this remarkable industrial process is that these people are cooperating with each other to reach a recognized and accepted objective. There are competent engineers and works managers who lay out the total process and coordinate its parts, supervisors and foremen who see to the details of execution.

Turning to the economic mechanism, smooth operation and maximum production require that cost, price, income, and investment relations of the private market be adjusted to each other with something approaching assembly-line precision. Furthermore, the money flows of the private market are interwoven with the whole series of taxing and spending, procurement and employment operations of the government. Both public and private price and income adjustment must be such as to assure incentive to work and to spend and to save in amounts so proportioned to each other that they will keep the productive process in full motion and in equilibrium. That implies expansion up to the limit of economic use of available resources.

We Seek Self-Regulation, Not Controlled Plans

Now, don't get scared. Don't imagine I've suddenly turned into a "planner" and am going to say that the splendid promise of our country can be realized only by having the White House staff or the Congress make up a blueprint for perpetual prosperity and economic expansion and put us all at our posts with detailed orders and strict supervision to carry the plan for our national assembly line into effect. Heaven forbid!

No, all I am saying is that there is no reason in logic why the human brains, big and little, that devise our modern industrial techniques, that understand its several processes, and that perform the routine and the "judgmatic" operations that keep it running smoothly cannot master the economic processes that make up the money side of that productive mechanism. The trouble with us as operators of an economy is not in our brains; it's in our dispositions. We are not willing to use the methods of science to find out what course is necessary to give us maximum production or a rate of economic expansion proportionate to our economic resources. We are busy developing centers of power and then using that power to foul up the delicate economic process in ways that minister to our individual desires or to some preconceived notion of our "rights." I wish you would each draw a mental picture of an assembly line run on such a basis.

It is a great temptation to lay the blame for economic disruptions on the other fellow. I fancy that at this point I could get a considerable amount of assent or even approval from this audience by saying that we could straighten everything out and go along on a sustained and glorious program of economic expansion if only the government would quit extravagant spending, balance the budget, and lower taxes substantially and/or if labor would quit pushing wages up, abandon featherbedding practices, and drop inordinate pension and other social security demands. I am not going to say that because the case is not anywhere near that simple. Nor is there the slightest likelihood that business is going to get swift and ample relief from its problems in this manner.

I have been laboring to the limits of my time and strength for the last six months to arouse people to the dangers of large

Continued on page 34

*From an address by Dr. Nourse before 34th Annual Meeting of the National Industrial Conference Board, New York City, May 18, 1950.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Elliott V. Bell, former New York State Superintendent of Banks and now Chairman of the Executive Committee of the McGraw-Hill Publishing Co., and publisher of Business Week magazine, has been elected a trustee of **The Dime Savings Bank of Brooklyn**, it is announced by George C. Johnson, President of the 90-year-old institution. Mr. Bell, who is a director of half a dozen corporations, was elected by the "Dime" trustees to fill the vacancy on the board created by the recent death of Thomas H. Roulston. Born in New York City, Mr. Bell began his career as a financial writer on the New York "Herald Tribune" in 1929 and he wrote financial news for the New York "Times" from 1929 to 1939. During that period he became the first President of the New York Financial Writers' Association. Later he was economic advisor to Gov. Thomas E. Dewey, research consultant to the late Wendell L. Willkie, and a member of the editorial board of the New York "Times." Following his resignation as State Superintendent of Banks, Mr. Bell was named Chairman of the Executive Committee of McGraw-Hill Publishing Co., Inc., last Jan. 1, and a month ago became publisher of "Business Week." Among his other activities Mr. Bell is a member of the Board of Trustees of Vassar College; President Board of Trustees, The Lenox School, and director of the Foreign Policy Association.

Elliott V. Bell

* * *

Bankers Trust Company of New York has acquired the bank building at 1002 Madison Avenue, near 78th Street, where it will open a branch on or about July 3, following approval by the Superintendent of Banks. The premises are presently occupied by the New York Trust Company. This will become the fifth New York office of Bankers Trust Company. Its present locations are at 16 Wall Street, Fifth Avenue at 44th Street, Rockefeller Plaza at 51st Street, and Park Avenue at 57th Street.

* * *

Mrs. Majorie M. Mayer, Associate Editor of Putnam's, and Miss Maureen McManus, Publicity Director of Putnam's were guests of the **Association of Bank Women** on May 24 at a dinner honoring Helen Knox and Mary B. Finke. Misses Knox and Finke are co-authors of a book "Moneywise" which has been published by G. P. Putnam's Sons. Miss Knox was President of the Association of Bank Women 1944 through 1946, and associated with the **Chase National Bank of New York** until her retirement Jan. 1, 1947. Miss Finke was Manager of the Women's Department and Loan Officer of the **Industrial Bank of Commerce of New York** until her retirement Jan. 1, 1947. After the dinner, held at the Advertising Club, Mrs. Mayer and Miss McManus gave informal talks on the publishing business.

Walter H. Nelson, Assistant Vice-President of the **East River Savings Bank of New York** was elected Commander of Peter Minuit Post, the Real Estate Post of the American Legion and the Real Estate War Veterans Association, at the annual election of officers, at a dinner meeting on May 18. Mr. Nelson is in the mortgage department of the bank's main office, 26 Cortlandt Street. He was one of the Vice-Commanders of the Post during the last year. His formal induction will take place at the annual banquet, at the Statler Hotel, on June 14.

* * *

Charles A. Hanna, formerly for many years Chief Examiner for the **New York Clearing House**, died on May 9 at the age of 87. Mr. Hanna, whose death occurred at Mountainside Hospital in New Jersey after a week's illness, was a resident of Montclair, N. J. Born in Cadiz, Ohio, Mr. Hanna, after graduating from high school there, went to Nebraska, where, it is learned from the Newark "Evening News" of May 20, he began working as a clerk for the First National Bank of Lincoln and by 1891 had risen to the Vice-Presidency. From the "News" we also take the following:

"While in Lincoln, he made friends with Generals Charles E. Dawes and John J. Pershing. Their friendship lasted a lifetime. Mr. Hanna left the bank in Lincoln in 1897 to travel about the West with General Dawes. In 1899 his travels were cut short by an offer for the position of National Bank Examiner for New York, a job that lasted until 1911 when the government dissolved the post. The New York Clearing House immediately hired Mr. Hanna as Chief Examiner, the position he held until his retirement in 1939.

"Mr. Hanna was the author of 'Historic Collections of Harrison County, Ohio,' 'Ohio Valley Genealogy,' 'Scotch-Irish of Ohio' and 'Wilderness Trails.'"

* * *

George B. Maxwell has joined the **La Salle National Bank of Chicago** as Assistant Trust Officer, it is learned from the Chicago "Journal of Commerce" of May 17, which notes that he was Assistant Secretary and Trust Officer of the **Trust Co. of Chicago.** It is added that C. Ronald Fairs, former investment analyst for Manufacturers Trust Co. of New York, has been named to direct the investment activities of La Salle's banking department.

Small Business and Venture Capital

By PHILIP W. MOORE*

Asst. Treasurer, Schroder Rockefeller & Co., Inc.

Mr. Moore, in pointing out greatest attraction for venture capital lies in capital gains, contends because of redistribution of national income "those who have the money to venture do not have the facts and those who have the facts do not have the money." Lists unattractive features of small business, and contends, despite difficulties, small concerns can reach capital markets in their own localities. Contends small business requires advice and guidance more than capital and outlines plan for giving this advice.

Venture Capital has been relatively in lower supply than was true two or three decades ago. By venture capital is meant money which was willing to place itself in small business propositions (in either equity or in a so-called "senior" position), which was either new and untried or was older but unproved in earning power.

Philip W. Moore

Earlier studies attempted to show why this type of capital was keeping itself more or less in hiding—for such reasons as high graduated personal income tax rates, and widespread attention paid among all income groups to security, with a concomitant flight from equity risks into savings, savings bonds, life insurance, and the like. Even investment trusts with the selling handle of "security," catering to the new-moneyed groups, have sopped up what venture money might linger there, to invest it in high-grade stocks.

In "capital gains" has resided the only attraction for the over-ten-thousand-dollar income class which formerly had the surplus available to put into the small new business enterprise. Therein lies the only reason why such a group would risk their smaller surplus in return for equity in some small business. Capital gains looks like a good chance to profit, on paper, but the surplus of that group has been sadly depleted, and even the chance of a 25% tax is not enough to bring out such money easily.

One of the outstanding individual experts on venture capital, a vice-president of a Wall Street firm, had this to say about the venture capital shortage: "In the 1920s, you could form a syndicate to finance anything. Nowadays it would be hard to finance a syndicate to help Thomas Edison. In those days you could save something from what salary you made, while nowadays it is not possible. . . . The whole question of venture capital revolves around the question of 'surplus funds'." Another prominent investment banker made available a study written in 1927 which brings a very interesting point to light. In this study we find: "Immature enterprises as a general rule can be more properly financed and administered by private syndicates whose members are in a position to be adequately informed as to risks of the enterprise. . . . They are usually professional or wealthy people who can afford to invest a few thousands in testing the commercial possibilities of a new invention or a new process."[1] Note the casual way in which the words "a few thousand" are mentioned in the quotation above. What the two statements really prove is that the ease of getting venture capital together to finance a project or extend a going concern is no longer with us; the economy has changed and that fact must be faced.

Redistribution of National Income

A brief look at the redistribution of income should be valuable at this point. Comparing 1950 with two groups of previous years, 1941-2 and 1935-6, we see the following changes in the so-called income triangle.

Distribution of Consumer Units By Income Classes

Income	1950	1941-2	1935-6
$5,000 or over	8%	4%	2%
3,000—$8,000	17	11	4
2,000— 3,000	21	21	10
1,500— 2,000	13	15	11
1,000— 1,500	14	16	20
500— 1,000	16	18	28
Under $500	11	15	25

Source: Crowell Collier Publishing Company.

The most important thing to notice is the fattening of the waistline. The so-called "middle income groups" are the ones who have advanced the most, and who (multiplied by millions) have the new capital to venture. The problem seems to lie in how to get them to venture it.[2]

Now the fact that the income triangle has broadened out and given money more diffusely to certain groups which formerly were dissavers has changed the picture appreciably. Those who have the money to venture (in theory) do not have the facts, and those who have the facts do not have the money. That seems to sum it up rather neatly.

Realize, however, that there are few relative figures available to prove this supply question definitely and fewer still to *prove* the demand feature. Even the great detail gone into by the research staff of the Joint Committee on the Economic Report in 1949[3] did not prove anything, and all the factors on which we have studies do not precisely prove where venture capital is lurking or lacking.

Unattractive Investment Features Of Small Business

On the other side, of course, the small business does have its unattractive features for a potential investor. We have seen earlier that:

(1) Small business has a high mortality rate; only if a business can last three years has it passed the danger point. Dun and Bradstreet estimate that of all 1948 business failures, 55% were less than three years old. The TNEC showed in the late 1920s, the average life of a small business with under $10,000 in net worth was 9.4 years, that of an enterprise with some $10,000-$75,000 net worth was 17.7 years, and that of businesses in the $75,000-$500,000 group was 30 years.[4] A ten-year study of Indiana retail firms, for instance, showed that 78% of the firms with a net worth of over $20,000 failed within a ten-year period—1928-37.[5]

(2) The small business is affected much more, earning-wise and existence-wise in bad times than is the larger enterprise. Previous tables in Chapter III prove this point.

(3) Small business has been quite a little overburdened (often of necessity) with short-term debt.

(4) Small business is a relatively profitable operation in good times and can be most unprofitable in bad. Small business is volatile and can make a man rich, but the usual picture is one of the business earning for the owner little more than a living.

(5) The small business requires more capital to enter than before the war, but the capital needs are not excessive for retailing, wholesaling, or certain types of service establishments. Manufacturing presents a far different picture, however.

(6) The small business, in its eagerness to commence earning, often begins operation with less capital than it should have. This again is especially true of manufacturers.

(7) Some enterprises look largely to one or two people to keep in business. While there may be other employees, the small business is characterized by management.

(8) The small concern also suffers from poor management. A representative from New York brought this point out in a recent interview when he said he felt that, "many small businessmen should never have gone into business for themselves at all. Just because a man is a good roofing salesman or textile designer does not make him capable of handling the various problems of running his own business. It requires quite a different technique . . ." This makes the small business vulnerable to weakness of leadership, high personal error quotient, and general managerial difficulties. All of these problems are accented by the *small size* of management. This lack of depth understandably causes the would-be investor to shy away.

(9) The bookkeeping, record keeping, and general accounting methods of small business are poor.

(10) The small business, especially, finds the tax burden great. Efforts to grow from retained earnings have been made more and more difficult for the struggling enterprise. The small size of such retention also causes repeated calls for new capital.

The above facts make the investor the hard-pressed risk-taker think twice before putting his increasingly scarce surplus on the line. He is not willing to go blindly and jump from a taxable frying pan into a problem-ridden, money-consuming fire.

Many studies have delved into the relations of small business with the conventional and institutional sources of funds, and have attempted to show that the small business is not treated too badly by them. In general, of course, rates are higher for the small than for the larger borrower, but then so are the risks higher. The small business does, dollar-wise, a large amount of business with banks and does a tremendous business with factors and industrial banks. Thus, for relatively short-term funds, the small enterpriser does not lack sources. Field warehousing and equipment financing have helped him, too.

Short-term funds are not venture funds, however, with the small business, the venture comes with taking the long view, the risk-sharing step, be it equity or loan, for the institutions have not provided them to any extent. The exceptions to this are the new plans for long-term small business loans by the Chase Bank, Metropolitan Life and others, but time will tell more about the progress of this development.

The Government has discussed the problem of Small versus Big (and worried and fretted about the just-plain-small) for some 11 or 12 years now, since the TNEC hearings. The Government has thought, debated and held hearings, discussed and wooed ideas. It has, of late sessions, flirted with plans on paper and taken one or two home for the night. It has become enamored with a new centralized scheme of "capital banking." It has labored and brought forth a mouse; the so-called O'Mahoney Plan.

The Federal Government and its Legislature has agreed with Dr. A. D. H. Kaplan of the Brookings Institute that there is a grave shortage of venture capital and a need to "broaden the financial base for small businesses within our banking system."[6] The answer, they say, to long-term money for small business lies in the Government for, as Dr. Kaplan says, the local commercial bank has an "overwhelming concern for liquidity." The Government thus gives and it taketh away; it blamed the banks in the 1930's for timidity, but keeps the interest rate pattern 20 years later so low that prime credits are not money-makers. Yet from the Federal eyrie, it watches the banks like an eagle lest they make a loan not up to standard. It nods unhappily when someone points out that banks prefer to be liquid and, frowning earnestly, decides to start a little banking venture of its own. After RFC has failed in its ideas, it comes up with the O'Mahoney Plan. Whether that scheme will be carried out remains to be seen.[7]

The RFC has been under fire of late months, and its service to small business, such as it was, has been shown up as inefficient and unworkable in conception. It should perhaps be abolished, but in any case it must be realized that in practice it has served small business not a whit.

Not Impossible for Small Business to Reach Capital Markets

The capital markets are hard for small business to enter, but not impossible. Obviously only

Continued on page 16

*Paper presented by Mr. Moore before a group of venture capital firms, New York City, May 23, 1950.

1 John Whitney, partner Riter & Co., in a study entitled "Capital for Unproved Companies," New York, 1927, mimeographed and privately distributed.

2 Mr. Thomas Phelps, Assistant to the Chairman of the Board of Socony-Vacuum Oil Co., stated in an article in "Fortune" two years ago that one of the big drains on available venture capital in these new hands was the money spent on gambling. It is estimated that between $5 and $10 billion per year is spent in games of chance or gambling in this country each year. As an example of this, 120 days of racing at Gulfstream Park in Florida grossed $90,000,000 at the Mutuels in the 1949-50 season, an average of $750,000 per day.

3 "Factors Affecting Volume and Stability of Private Investment," Washington, 1949.

4 TNEC Monograph Nov. 17, 1938.

5 Ibid.

6 Dr. A. D. H. Kaplan, Joint Committee Hearings in Washington, 1949.

7 As a matter of interest seems similar scheme of capital banks was tested by a survey with the 14,000 FDIC member banks in 1948. The Senate Committee making the survey stated that of those answering, 1,746 said they favored the capital bank idea, 3,298 said they did not, and 584 had not made up their minds.

Continued from page 15

Small Business and Venture Capital

certain small businesses should be offered to the average customers of an investment house, for the customer relies on that house for selection of his investments, not his risks. In general, we find that Wall Street or the larger capital centers are not the places for small business to seek funds. "Small businesses are almost without exception not financed by Wall Street. . . . In fact, Wall Street is not the place where they *should* be financed and Wall Street firms are not organized to do and they do not pretend to do such financing. . . . By survey, an overwhelming proportion of small businesses were financed by individuals in local communities. . . ."[8]

The small retailer, wholesaler, or service establishment, of course, does not have a chance to sell securities in general—here the small manufacturer does have some edge, despite other limitations for he can at least sell representative shares in his planter machinery (which does have some book value) for what he can get for it. A recent survey of investment banking houses decidedly showed however that the small business cannot raise money in the capital centers, and showed that the locale of the business was the place to seek funds, not the general public.

In closing on this subject, let us state here again that the cost of an equity issue is not what has kept the small business from the general securities market. It is a matter here of kind and not of degree. With the larger business, cost does enter the picture; with the small business, it is fortunate to raise what money it can regardless of the cost of distribution of its securities. No matter how small the net filtering through to them, after public offering, the owners of the small business are possessed of capital which formerly existed not at all for them. Registration costs for small issues are not great, nor can the cost of distribution of risk securities, considering their general character, be considered exorbitant, and the registration exempt feature of issues less than $300,000 is attractive for the small business as well as inexpensive.

The IBA idea of stressing local investment companies to aid small business seems the best plan of all those seen. This is agreed to by almost all students of the subject.[9] It is a flexible system, geared to local problems—but it will take a great deal of organizing. Nothing concrete has been done about this to date and nothing is in the wind.

The private venture capital houses, while they do represent a step in the right direction, are not the answer to the small business equity or venture capital problem, although to expand this thought from the larger capital centers (where it is now concentrated into the locale of the small business) would be a fine answer. The cumulative experience and larger funds of a cooperating group of such houses would give such an idea an excellent base. This is a good while off, however, although a few steps toward this goal have been taken.

The local or community plans which have been tried (such as the Louisville Industrial Foundation)[10] have proved valuable answers to the local small business venture capital problem, as well as their flexible arrangements, the small business could be helped on local ground by people who know the proprietor and who know his methods and his capabilities.

Small Business Requires Guidance

The word "helped" is used advisedly—for if this study has come up with any general conclusion it is that small business requires advise and guidance more than it requires capital. Figures are hard to come by to prove a venture capital shortage for the small wholesaler, retailer, or service organization, but that the small enterpriser could well use guidance in business matters is at once evident and capable of proof. Dr. Kaplan, in his discussion of capital banks before the Senate Committee, mentioned previously, pointed out (and the Committee concurred) that advice must accompany the successful financing of small business. The hearings of the Senate-House Small Business Committee of last year were replete with statements pertaining to the need for management and financial guidance and advice.[11] The small business man requires advice on financing, on credit, on inventory handling, on whether to start a business, when to start it, how to develop it, how to promote it, how to keep its books, how to improve production or how to hire personnel.

The Department of Commerce has attempted to fill this gap, but the answer must be found, in the last analysis, *locally*. The CED has stated this in their books on the subject, and has gone so far as to issue pamphlets such as "Handbook on Bank Credit" and "Selection of Sales Personnel." The Louisville Industrial Foundation and the New England Industrial Development Corporation have shown that local advice locally applied is best. As G. Harvey Porter, Director of the Industrial Corporation of Baltimore, said: "Thirty years of experience of our corporation, dealing with hundreds of cases has convinced us that small business *needs more counsel than cash*. Small business will not agree to that. It is easier to cover up your shortcomings with new cash and to stay in your comfortable management rut than to correct your practices or vary your policy—if you can get the cash; whereas, small business can many times effect more financing faster with a new policy, and sometimes personnel changes, than in any other manner."

Mr. W. L. Stoddard, President of the New England Industrial Development Corporation, said in 1945: "Small industry has special problems of finance, management, research and marketing, etc., not adequately met by existing facilities."[12]

There are many reasons for advice and guidance being needed by the small enterpriser, but the greatest of these is the inexperience of the owner. In a study by the National Opinion Research Center, University of Denver, in 1944, a representative sample of small firms in all industries was asked, "What experience or training did you have for this business?" Only 11.3% had had previous experience as owners or executives; the remainder, except for about 15%, who had had no experience, had had experience as an employee, salesman, apprentice, or some education in the line of business. It can be presumed that financial experience was limited to a fraction of the 11.3% who had indicated previous owner or executive background.

Cannot Afford to Pay for Advice

Small business needs advice but cannot afford to pay much for it. He competes for such advice with large business since, for example, in 1944, it was estimated that $65 million was paid by all business in the U. S. for such advice. As Doctor Kaplan points out:[13] "Competent services (of the business counselling type), except perhaps in the area of accounting, are beyond the financial means of the typical small firm under present conditions." Surely some plan for local advice could be so schemed as to be within pocketbook reach of the small business.

In the survey of small firms mentioned above, the National Opinion Research Center said that management indicated that (in general) they had outside professional advice on management problems in 11.1% of the interviews made. Almost 3 out of 5 of these referred to their trade associations who did not use outside professional service for advice on management problems, only 1 out of 16 had felt the need of such aid. However, over half of the firms interviewed used an outside accounting consultant, in most cases a CPA. On tax matters over two-thirds used, for the most part a CPA or attorney. Insofar as CPA's or lawyers can give financial advice or guidance, it was available in a substantial majority of cases.

The advice then is needed, and it is looked for eagerly. As the testimony of J. K. Lasser, a tax consultant of some note, before the Select Committee on Small Business of the House of Representatives[14] stated: "Somehow or other it seems to have stepped up so that 80% of small business, our questionnaire and research showed, seek advice and want information badly. They welcome our researches. . . ." Such testimony was typical of all those hearings that lasted for a year or more.

Need for advice has gone so far that the NAM in a study in 1946[15] stated: "Strong sentiment favors government setting up an advisory service specially suited to supply small firms with advice and help on managerial, technical and economic problems. It is felt that small businesses cannot afford to provide themselves with this service, whereas, the larger concerns can do so."[16]

Mr. A. M. Sullivan, Vice-President of Dun and Bradstreet, stated in an article:[17] "What the smaller manufacturer needs more than financial or tax preferment is management guidance, especially in product and marketing research. He can save himself some costly errors, and he can support decisions with a greater confidence and swifter competitive action, if he has the aid of the technician in production and distribution."

As a direct study of this problem states: "The small businessman seems to realize that the successful businessman must be trained for his job and that he should be willing to receive advice from other sources. . . . Many of the small businessman who most need help are the *growing* small businesses—the businesses which have begun to experience the "growing pains" of limited finances and strained management."[18]

Advice Should Be Local

This study feels that management and financial advice should be made available to small business. There seems little doubt that the setting up of some sort of advisory centers would be probably the most constructive step under all present circumstances. Without coming up here with any organizational ideas for such centers, it would seem that the following features would be necessary:

(1) The advice should be local.

(2) It should be able to secure the cooperation of all business elements in the community and all small business as well.

(3) It should in some fashion lend, where necessary, some advice and guidance as to required and available funds.

(4) The small businessman should be looked upon as a *client* of the advisory groups and not as a community charge or problem.

(5) The advice should in some way be paid for by the small business on a small fee basis.

(6) The advisory center should encourage local interest in business and in advisory functions.

(7) The movement should promote general interest in results and attempts to interest the community both as consumers and investors on sources of expansion funds.

(8) Definite efforts should be made to train the management of small business in necessary skills. It should be drummed into the potential small businessman that success will come about only through skilled management.

(9) The advisory groups or center should act as a clearing house of concerns seeking financial or other help, and of capital seeking venture employment on a *local* basis.

(10) Advisory panels or boards should include a cross section of local business life, with both a banker and a local investment firm serving.

It would seem, however, that while the local advisory method is sound in theory, that an advisory function vested with greater financial potential and able to tap a broader field of experience, would be able to back up the local efforts to great effect. For this reason, the study is impressed by the possibilities latent within the state; i.e., the organizations within each state formed to foster the growth of industry and commerce. The Connecticut Development Commission, for example, if it had cooperation up and down the line between state and locality, could readily support local efforts and act as a clearing house for financing and research. The New York State Development organization and similar groups in other states could so serve, and could incidentally, foster the growth of the local groups within their own state. On such allegiances small industry could thrive without requiring the last straw of Federal aid.

8 C. C. Abbett, "Harvard Business Review," Winter, 1946, "Small Business—A Community Problem," p. 185.

9 Under this proposal chartered investment companies could be started in local communities, with a minimum of $25,000 of paid-in capital, and the Federal Reserve Banks would be called upon to accept debentures of paid-in capital. These special chartered companies were then to be permitted to take on any form of financing including ownership of small enterprises until their stock could be disposed of. A certain percentage of the loans of issues for the borrowing firms would be withheld to go into a separate pool, to enable the financing company to cover any losses.

10 See W. B. Harrison, "Louisville's Local Credit Pool"—"Banking Magazine," March 1944; p. 26.

11 The reader is referred to the available copies of the hearings for exact quotations. "Hearings—Subcommittee No. 2, Finance," Pursuant H.R. 18, Washington, 1948.

12 From a speech before the Graduate School of Banking, American Bankers Association, at Rutgers Univ., New Brunswick, N. J., June 20, 1944.

13 "Small Business: Its Place and Problems," New York, McGraw Hill, 1948, p. 237.

14 June 10, 1948, in Washington, D. C.

15 "Financing Small Business," NAM, New York, p. 29.

16 See Barron's, Jan. 9, 1950, "Does Dynamic Small Business Need Aid," p. 5.

17 "New Horizons for Small Business—Manufacturing"—"Printers' Ink," Oct. 31, 1945.

18 C. C. Abbott, op. cit., p. 183.

Charles T. Matz Joins Wheelock & Cummins

Charles T. Matz

(Special to The Financial Chronicle)

CHICAGO, Ill.—Charles T. Matz has become associated with Wheelock & Cummins, Inc., 135 South La Salle Street. Mr. Matz was formerly with the trading department of Reynolds & Co. and prior thereto was with Harriman Ripley & Co. in Chicago for many years.

Bond Club of N. J. Annual Field Day

The Bond Club of New Jersey will hold their annual field day on Friday, June 16, at the Montclair Golf Club, Montclair, N. J.

Events scheduled for the day are golf; horseshoe pitching; a putting contest; and a special event! Luncheon will be served in the grill from 11:30 until 2:30 and a snack bar and beer will be available on the North Terrace from 4 p.m. Dinner is in the main lounge at 8:00 p.m.

Foy Porter, Estabrook & Co., is in charge of the golf committee; Charles E. Reed, Kean, Taylor & Co., and Ray Vanderhof, Fidelity Union Trust Co. of Newark, of horseshoe pitching. The committee in charge of the special event scheduled are Carl A. Preim, R. W. Pressprich & Co.; James S. Johnson, Bramhall, Barbour & Co.; John W. Kress and Glenn D. Thomason, National State Bank of Newark.

Keller, More With Fewel & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Thomas H. Keller and Edward E. More have become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Keller was formerly with Crowell, Weedon & Co. and Morgan & Co. Mr. More was with Daniel Reeves & Co. and prior thereto was comanager of the Beverly Hills office of Buckley Brothers.

Hanover Securities Co.

Ralph L. Albanese has formed Hanover Securities Co. with offices at 37 Wall Street, New York City, to engage in a securities business.

Singer, Beane & Mackie

Singer, Beane & Mackie, Inc., has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business.

With A. B. Morrison Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—George F. Adams has joined the staff of A. B. Morrison & Co., 936 du Pont Building.

Leo Schoenbrun Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph B. Pantell has been added to the staff of Leo Schoenbrun, 1385 Westwood Boulevard.

Joins Maynard Murch

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Phillip G. Hopkins has been added to the staff of Maynard H. Murch & Co., Union Commerce Building, members of the Midwest Stock Exchange.

To Spend or Not to Spend— A Question of Government Policy

By H. CHRISTIAN SONNE*

Chairman, Board of Trustees, National Planning Association
President, Amsinck, Sonne and Company, New York City

Mr. Sonne, in discussing fiscal and monetary problems, maintains we cannot keep our money sound and, at same time, keep taxes within reasonable bounds if public debts are increased at rapid rate. Advocates making efforts to accumulate budget surpluses large enough to keep National Debt within safe limits and not in excess of what can be absorbed by savings. Hints wider market will be needed for government bonds if deficits continue, else higher interest rates will be demanded. Wants more bonds absorbed by private investors.

One may well ask what will happen over the years to our national debt—will it go up or down? On this point everybody may have his own opinion, but I fear that many realize the political obstacles to large surpluses even in good times, and, therefore, visualize that the national debt will increase to a great extent over the years.

H. Christian Sonne

This is the central and a very important issue. To spend or not to spend, that is the question, a problem that may stay with us and be debated for years.

During the last twenty years the government increased its expenditures by almost thirteen times, while the national income has increased only about two-and-one-half times. At this rate, we might have a budget of one hundred billion ten years from now.

There is a great danger of government getting into the habit of spending and playing Santa Claus for votes. Moreover, increased debt service is not pleasant to contemplate.

I know full well all the arguments about how, technically speaking, a much greater debt can be serviced and that it does not matter so much because we owe it to ourselves. But, we should remember that the government owes it to particular citizens who still count as individuals under our Constitution. By the same token it should not matter so much that we pay high and prohibitive taxes because they also are paid to ourselves! The fact is that when taxes reach a certain point they hamper initiative.

This is not just talk but a very serious reality which I already now observe in the practical working field. But it is much worse in some of the Western European countries, from which we can gain experience.

Remember that less than half or, say, seventy million of our citizens are productive and between the ages of twenty and sixty-five. With true American generosity we expect them to provide for the education of our children and for the support of the aged and sick. They must provide as well for unproductive Federal, state and local government employees.

It is solely through the energy of these seventy million productive citizens that the other eighty million find support. Add to this that the cold war will call for great efforts.

This will show why we can ill-afford to have that productive middle group softened through social legislation which encourages loafing, or to have initiative restricted through prohibitive taxes.

Taxes will increase materially if government debt mounts—the more so because in order to find a market for those bonds the government may have to pay a much higher rate of interest than it pays today.

The only other alternative is to place such bonds in the banking system, but that may be worse than planting greenbacks, because such bonds in the banking system form the basis of credit to the extent of several times the amount. Here we touch upon Monetary Policy and debt service.

We expect to bring together another conference of leading economists to discuss this whole question of monetary policy and debt management.

We may not find unanimous agreement but it will, at any rate, throw light on this question:

"To what extent can this country afford not to create sufficient surpluses in good times to keep the debt that will increase as a result of deficits incurred in bad times within reasonable bounds?"

Let us analyze some of the questions which in the very broadest sense may be raised at such a conference.

(1) Is it not dangerous constantly to want to interfere too much with the economic laws and move ahead without any recession? A recession—if kept within bounds—also has its advantages. It eliminates extravagance and unhealthy enterprise and forces unsuccessful people to go into another field of endeavor for which they are better suited. President Truman — *quem honoris causa nomino*—told us that in the '20's he operated a haberdashery in St. Louis which failed. That took him out of that line and brought him into another! Was that useful?

You see how the economic laws work—"too slowly," may be, for the Democrats; but certainly "too quickly" for the Republicans!

Are we not in the habit of treating with a certain contempt dollar profits but at the same time with a degree of reverence the Congressman who has been elected by a majority vote?

Is not the collection of dollars the equivalent of votes?

If General Motors sells Chevrolets throughout the country and collects dollars, does not that constitute a vote of preference, of confidence?

We have the opportunity periodically, at elections, of weeding out such politicians as are deemed inefficient. A recession from time to time in which to weed out unhealthy enterprises might perhaps be equally fruitful.

(2) Do we actually think through the phrases so frequently used—"A rising standard of living," "increased production," etc. Such sayings frighten me a little, because a thing that always has to rise and keep moving does not seem to me to be very safe (reminds me of the darky who was asked why he did not fly and leave terra firma. "No, Sir," he said, "the less firmer, the more terror.").

Can an economy not stand on a firm basis without constantly rising? Let us not forget that over the last decades the upper income groups have definitely gone downhill and yet remain reasonably cheerful. Is it too much to ask that, once we have raised the standard of life of the lower income groups to a certain level, they, too, as they gradually become educated, should live as happy citizens, without this continual agitation for improved standards of life?"

If so, I see grave danger for the future, for I have a notion that we are entering a new period, when all the arguments of the last decades about rising standard of life (whether through fiscal policy, taxation, unemployment insurance, old age pensions, etc., etc.) have to be modified.

Have we not overlooked the factor of our national resources?

To what extent have we a right to continue increasing our standard of life if such involves a gradual depletion of the nation's raw materials, when we can see that future generations will need such raw materials desperately?

When we talk about an economic crisis, we are apt to take it for granted that it has its origin in general over-production or under-consumption.

Must we not also recognize that there are other kinds of economic crises, such as lack of raw material and power to produce, due to the softening of the productive middle group of citizens, which are more serious and which we may one day face?

May we not in the new era which we are approaching have to call increasingly on modern science to help improve living standards with the same or even a smaller rate of resource use; develop consumption of the kind that can always be replaced, such as of agricultural commodities; and encourage personal services.

Remember the fruit of last season which was left to rot can never benefit future generations; but oil, iron and coal left in the soil may be of great value to our country in time to come.

Among the metals that may be left in the soil—or, at any rate, at Fort Knox—is apt to be gold, which must be considered at any monetary conference.

(3) Do we not take too narrow a view on this subject? We know that gold is not an essential for our economic system, which in many parts of the world functioned long before gold was in use. We know also that one can get on in the world with only one language. Nevertheless, it is useful when travelling abroad to know other languages. The trouble is that in order to feel quite at home in the world one has to know too many languages, so for years and years one strove to introduce a universal language —Esperanto — with an idea of simplifying life and having each individual learn merely his mother tongue and Esperanto. However, so far no success has been achieved in this direction. But, in the economic world we have the equivalent of Esperanto. We have gold, which after eons and eons of time the whole world unanimously agreed it would take as an international currency. Should we throw that away?

You are familiar with the history of gold and why it became the basic instrument for international trade. People in various countries had no confidence in each other's currencies and events have certainly proved that they were right. They all knew what gold was. It was easy to carry, limited in supply, and the price of world produce changed in relation to gold less than in relation to any other material that was as practical to handle.

Came the time when a number of countries no longer could afford to keep on the gold basis. They tried to make it fashionable to throw it overboard. Was it "sour grapes" or was it because productivity increased in later years to a greater extent than did the gold supply?

If the former, it should be ignored.

If the latter, it can be rectified by from time to time fixing the gold price at a level where its supply stands in the proper proportion to the items which gold has to represent. (Free capital and, to a lesser extent, capital wealth and debt.)

The more economists assure us that gold is valueless, the more ridiculous it seems to protest against it being used as a circulation medium, for the alternative for governments is to print more notes, which certainly costs something and consumes resources. My reaction to all these protests is—"Methinks the lady protests too much."

Would you want to deprive ladies of wearing pearls and diamonds if they wish to, just because in the opinion of some these are valueless? It is not essential, but it is one of the sad chapters in economic history that the nations still powerful enough to use gold have been gullible enough to fall for the "sour grapes" argument of the so-called "intellectuals" in those countries that no longer can afford to do so.

It is not essential, as I say, for intelligent, conservative business can, at some inconvenience, do without it and, so-to-speak, steer by instruments. But how would you like here to be forced to use gold slates instead of paper for your studies? It probably is as inconvenient to serious business to use paper instead of gold as it would be to learned institutions to use gold instead of paper!

Whether governments like it or not, gold is still a determining factor in international prices and exchanges. The dollar is quoted at considerable discount in relation to gold. Whenever such things have happened to big nations in the past, you would hear their statesmen assure the world that gold speculators were misguided and that there was nothing wrong with the country's currency. History has proved that the so-called gold speculators practically always were right. When, therefore, our Federal Reserve made a similar statement recently, serious thinkers doubted the wisdom of it.

I think we should come to the conclusion that, if we want to watch the extent to which our spending and our monetary policy create inflation, gold is a useful thermometer. It is true that you can do without a thermometer, but the average mother nevertheless likes to have one on hand in case of need.

(4) Do we not mix up "cause and effect" when we talk about interest rates? Do we not treat it as though it were something that government or other authorities can fix any way they choose?

Interest is part of nature's scheme. Cattle multiply. If you start with a hundred head, in one year you have one hundred and fifteen after having slaughtered enough to cover expenses. A bushel of wheat will produce twenty after harvest. And so on.

So, is it not the average rate of interest that first-class farming, business and industry can safely make that establishes the rate?

Thus, we find in the new world, where one can still make 15% on safe enterprise, interest rates high, whereas in the old world they are lower because of keener competition.

If one has a little experience and knows what sound private enterprise in a country in, say, South America can make on average, one can almost predict what the interest rates in the various categories will be. (For instance, when industry and agriculture realize 15%, preferred

Continued on page 33

*Part of an address by Mr. Sonne before the students and faculty of Antioch College, Yellow Springs, Ohio, May 15, 1950.

Mutual Funds

By ROBERT R. RICH

Futures Fund Circular Relates Its History

Futures, Inc., a mutual fund, but not an investment company, trading in commodities futures, released an attractive circular entitled, "Futures Shares Belong in Every Well-Balanced Portfolio."

Futures, Inc., is featuring the current tax advantage to investors because of the loss now on its books, and point out that, subject to the two-year loss carry-over provision of the Internal Revenue Code, any operating profits from now until the loss is recovered, at about $9.75 a share, will accrue directly to the stockholder. Present offering price is around $5.00.

In the Fund's own words, its history has been this:

"Futures, Inc., started operations on Nov. 15, 1948, after selling 2,567 shares at an original offering price of $10.00. At that time we felt that commodity prices were too high and were likely to come down as they had after other wars in American history. Therefore, we took a diversified short position in commodity futures in order to profit from the indicated dollar declines. By Feb. 9, 1949, when the grain and cotton markets hit their lowest point, the net asset value of Futures, Inc., shares had risen to $15.00, a 50% increase in less than three months.

Encounters Difficulties

"We then ran into some difficulties. Because we were concentrating on major swings rather than short-term trading movements and because we felt that the major price trend was downward, we didn't close out our positions. By prewar standards, we felt that certain commodities, including coffee and cotton, were too high, and we deliberately decided to carry half our short positions through any intermediate recovery no matter how far it went. As you know, coffee had an unprecedented bull move, spurting from 20½c to 52 cents per pound. Due chiefly to the rise in coffee, the Futures, Inc., net asset value per share declined from $15.00 ($14.60 after allowing for two dividends each of 20c per share) to a 1949 low slightly under $5.00. Since mid-November, despite the fact that we have favored the short side during a period of irregularly rising commodity prices, the net asset value of the shares has steadied, with recent lows between $4.00 and $5.00."

Operating Philosophy

Future operating philosophy is to concentrate positions in the direction of prevailing trends and to endeavor to reduce risks by closing out any positions which go against it by more than a limited amount. Futures Fund comments that, "In commodities even more than in stocks, history shows that trends last long enough and go far enough so that if you 'cut losses short and let profits ride,' a single profit will offset several losses, and you don't have to be right as often as 50% of the time to make satisfactory net profits almost every year."

More Volatile Than Other Funds

In 1948 and 1949, Futures states that it has demonstrated much greater volatility than most mutual funds. The Fund remarks that "when we are on the right side of a 10% move in the Dow-Jones commodity futures index, the net asset value of Futures, Inc., can rise 50% or more . . . five times better than the general market average. Of course, volatility works both ways, but we sincerely believe that as a result of our loss limitation operating policies, the profits when we are right should be far greater than the losses when we are wrong."

The commodity market outlook, according to the Futures, Inc., circular, is that firmness may prevail until the major crops start coming in this summer. However, the Fund is inclined to believe that 1950 may be the year when the present support program for agricultural commodities proves unworkable. The Fund notes that seven of the 15 commodities on its approved list are not government-supported. Futures states it is holding a diversified position both long and short of various commodity futures, including a well-protected short position in coffee.

The Fund's commodity market outlook concludes by saying that, "Unlike most companies whose shares are likely to decline in price when business turns downward, Future, Inc., subject to the skill of our management in taking advantage of prevailing trends, can profit from price swings in either up or down directions."

Wellington Fund Sells Volatile Common Stocks

Wellington Fund since April 1, last, has taken profits on some volatile common stocks and replaced them with more stable equities, according to the Fund's interim investment report made public today. The report points out that this shift to more stable issues brought about little change in the Fund's proportionate holdings of common stock which as of May 18, last, amounted to 62.85% of resources. This compares with 63.29% on March 31, last, and with 58.84% on Dec. 31, 1949.

The Fund realized profits of $1,429,411 on sale of securities between Jan. 1, 1950, and May 18, last. After realization of these profits, Wellington investments had a market value in excess of cost of $6,991,464, a gain of $3,255,062 in unrealized appreciation since the first of the year.

Total resources as of May 18 amounted to $127,905,316, for an increase of $22,463,614 since Dec. 31, 1949. In addition to its common stock holdings, the Fund had 17.44% of its resources in investment bonds and preferreds on May 18, last; 0.83% in convertible seniors; 1.32% in appreciation bonds and preferreds; and 17.56% in U. S. Governments and cash.

Television Fund Cites Rapid Industry Growth

Television Shares, Inc., in its bulletin, "Keeping Up," notes that TV total revenue increased from $8.7 million in 1948 to $33.8 million in 1949, a gain of 288.0%. Radio revenues, over the same period, increased from $408.1 million to $426 million, a rise of 4.4%.

In 1948, TV operations resulted in a loss of $1.71 for each dollar of revenue received, while in 1949, the loss was 72c for each dollar of revenue.

With Scudder, Stevens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Lawrence W. White is now with Scudder, Stevens & Clark, 10 Post Office Square. He was formerly with Schirmer, Atherton & Co. and prior thereto was Boston Manager for Spencer Trask & Co.

Finds Menace in Farm Surpluses

Survey of National Industrial Conference Board holds farm program, by extending price support to perishable products, is creating surpluses that seriously affect both food prices and farm incomes, in addition to causing heavy outlays by Treasury. Says main headache is in support of perishable products, but warns any lowering of price supports in these products would mean heavy reduction in farm income, despite increased output.

The National Industrial Conference Board, a permanent and skilled research organization set up in 1916 by businessmen, has made a survey of the farm surplus situation and concludes that the whole price support program is threatened with inundation of excessive food supplies, due in large part to extension of the program to include perishable products. According to the Conference Board's report:

Surpluses are already beginning to threaten the new patchwork farm program which Congress enacted late last year and which took effect January 1. The new and key problem now has to do with perishable food rather than with storable crops as before. Not only the cost of the program, which is running into more money than was foreseen, but also its effect on food prices, on farm incomes, and even on political issues in the 1950 election make this of concern to businessmen.

Loopholes are showing, very much as expected, in the crop controls which were instituted to limit 1950 harvests because of the surpluses already accumulated. Winter wheat farmers have reduced plantings 15% but have intensified cultivation on most productive acreage, so that, with the aid of favorable weather, the new crop is estimated almost at a par with last year's. Also, the new law does not stop the farmer from using the land taken out of a controlled crop (like wheat) for uncontrolled crops like rye or sorghams. And plantings of these are up this year.

Similiarly, the Agriculture Department is asking Corn Belt farmers to plant 13% less acreage to corn—which these farmers may now use for soybeans. Meanwhile, cotton planters can be expected to sow former cotton land to corn, as the controls on corn do not apply to them, but only to the Corn Belt farmers. All these loopholes make for larger harvests of controlled crops than is desired and possible surpluses of uncontrolled crops—which could mean a further extension and tightening of a whole network of controls.

Tighter Controls?

While these difficulties are arising in connection with the crop control program, the main 1950 farm headache is in perishable foods. And that is a far more sensitive problem. Surpluses of dairy or meat products cannot be so readily stored as those of grains and fibers. At the same time, these products bulk larger in both the urban cost of living and in farm incomes.

Last year, Federal purchases of egg and milk products for support purposes increased by about $200 million—and early this year steps were arranged to distribute these perishable surpluses to authorized agencies on virtually a give-away basis.

This year, the problem will be intensified by the rising curve of production and the lowered level of demand and prices. Back in 1947, production of meat, dairy and poultry products was high, but so were prices, as consumers were willing to spend an abnormal proportion — one-third of their high incomes (after taxes)—for all food and liquor products. Production of most of these foods dropped in 1948 after the short feed crops of 1947, but prices declined nonetheless for a number of reasons. In effect, consumers cut back the share of their incomes spent on food. Reduction in export demand also played a part, as did the large 1948 harvests, which foreshadowed the coming lower food prices. In 1949, production advanced, aided by the large 1948 feed crops, while incomes eased. Hence prices declined toward support levels and surpluses accumulated. Now the outlook is for higher output. But as yet in 1950, the rise in consumer income has not upped food demand enough to lift the surplus threat.

Much of the price and surplus problem now is left to the discretion of the Secretary of Agriculture under the new farm law which took effect this year. He may set price supports anywhere within a range which varies for different products.

Public opinion has mounted, against the accumulation and waste of perishable food surpluses, particularly in view of the recent potato fiasco. However, any lowering of price supports sufficient to increase consumption might well reduce farm incomes in spite of the expanded output, and there seems to be no easy choice between the horns of this dilemma. The looming problem of 1950—output, prices and surpluses of perishable foods—menaces the whole concept of price support as it is known today.

Accordingly, attention is shifting to methods of disposal and particularly new methods of price support. Already, serious consideration is being given to Secretary Brannan's proposal to allow commodities to sell at the free market price.[1] Under his plan, the government would pay the farmer the difference between the market price and the support price.

No Change in Dairy Supports

Support prices for dairy products will remain unchanged through March, 1951. Under the new law effective last January, the Secretary of Agriculture uses his discretion in setting supports at between 75% and 90% of the new parity for manufacturing milk.[2] The announced price represents 81% of parity. In actual dollar and cents value, however, this is about equal to last year's support price.

Butter will also continue to be supported at last year's level of 60 cents a pound, wholesale value. This is about 8 cents a pound

1 See "The Business Record," May, 1949, for detail on Brannan Plan.

2 See "The Business Record," Nov.-Dec., 1950, for a more detailed discussion of the Agricultural Act of 1949.

higher than the minimum required by the new law.

Such high prices, in the opinion of many in the trade, result in lower consumption, with consequent hugh stock piles. According to the head of one of the largest butter distributing companies, the government will have to buy "astronomical quantities" of butter to maintain the current support price. "If something isn't done," he said, "the scandal in butter will make the one in potatoes look tiny."

The original intention of Congress in setting such high support standards was to encourage greater production. But the supply - demand situation has changed considerably since last year. The five-year decline in the number of cows was reversed in mid-year. With a stable or possibly increasing cow population this year, milk production "probably will exceed the 1949 output," according to the Department of Agriculture.

Since fluid milk consumption is expected to decrease or at best continue stable or decrease more and more milk will be channeled into butter. The Department of Agriculture expects that production of butter will be "significantly greater than in 1949." Stocks in cold storage, on Jan. 1, moreover, were more than three times as large as a year ago. This 113 million pounds (three-fourths government owned) represents approximately a month's consumption at the 1949 rate of about 10 pounds per capita.

Government Holdings High

To support prices last year, the Federal Government bought about a month's consumption of butter. Only a quarter of it was sold. In addition, it purchased about 450 million pounds of nonfat dry milk solids or about half of total output. The total dairy purchase program cost about $135 million. A substantial portion of the milk was disposed of through foreign supply and school lunch programs, but a large amount remains.

There is no demand for dried milk on the export market at existing support levels and no offer has been made to lower the price. As for the domestic market, the new law permits sale at not less than 5% above the support price, plus carrying charges. But in the event of spoilage, the law makes provision for disposal without charge.

The Commodity Credit Corporation held that this latter situation existed in early February. Public and private welfare agencies are now asked merely to pay for transportation and take 170 million pounds of dried milk off government hands.

Prospects for 1950

Meanwhile, butter production continues about 9% above a year ago. Since prices remain at last year's level, pressure on surplus will become increasingly serious. Thus far in 1950, more butter and dry milk solids have been purchased for support. Buying will increase rapidly during the peak production season in the spring. Just how much support the market will need is anyone's guess.

One trade authority argues that "as long as the government supports the price of eggs at present levels, there is no incentive for farmers to cull flocks, and smaller flocks appear to be the only answer to the egg problem."

How much of all this production will find its way into government support purchases is not yet clear. True, the price cut has increased demand, but it's not yet up to output. Unusually warm winter weather has spurred output temporarily, and in the first two months of the year government purchases for support have been running at twice the volume of early 1949.

Who Wants Dried Eggs?

Dried eggs seem virtually unsalable. In mid-January, government stocks were ordered for export at 40 cents a pound, or 90 cents a pound less than the government paid for them, and 53 cents below the current support level. Only a nominal quantity have been sold. For one thing, purchases are restricted to buyers not using Economic Cooperation Administration or other government funds. Moreover, since foreign governments are not in essential need of eggs, they are unwilling to pay United States dollars for them, regardless of the low price.

The latest development is the government offer to give away the surplus. Public and private welfare agencies need only pay for transporting the eggs from Federal storage depots.

Egg Support Lowered

"Hens are laying their fool heads off" is the way one department official explained the necessity for egg support. In this case, the problem of surplus has become so acute that the government chose to drop 1950 support prices 10 cents a dozen, or more than 20% below last year's average.

This price represents 75% of the new parity formula, compared with 90% of the old basis for 1949 supports. Discretionary powers were granted to the Secretary of Agriculture to determine at what level of parity, up to 90%, eggs were to be supported, if at all.

Last year, price support cost $90 million for 207 million dozen eggs—about 4% of all eggs produced. Much has been disposed of in exports, relief and school luncheons, but, again, large amounts remain adding to earlier stocks.

Egg production now is setting new records, topping demand. It has been about 10% above 1949 so far, and some trade authorities estimate that the year's output may top 1949 by about 5%—234 million dozen more eggs.

What of Hog Support?

Aside from potatoes, the other single farm commodity which has caused the greatest controversial discussion in and out of Congress is hogs.

Hogs have only narrowly escaped government support thus far through March. As early as mid-January, when marketings were unusually heavy, the Commodity Credit Corporation offered to buy pork products for support. But decreased marketings and seasonally higher support prices lifted market prices, and as yet no government purchases have been made.

Mandatory hog support under the old Act—90% of parity—expires March 31. As permitted by the new law (effective April 1 in the case of hogs), the Secretary could support prices at anywhere up to 90% of the new parity formula, or not at all. Decision on the matter was delayed through mid-March, pending Congressional approval of a $2 billion increase in CCC borrowing authority. Expectations at that time were that hog supports would be set at only a few cents below the maximum limit, and about at last year's level.

At these levels what will be the effect of the new support measure on market operations?

Pork products cannot be stored like potatoes. Under the original plans made in January, the government offered to buy smoked hams, shoulder picnics and bacon only—products which keep relatively well. Moreover, arrangements were made for immediate distribution to school lunch programs and eligible institutions. But what will happen if the buying program has to be stepped up?

In April and May, the bulk of the crop of pigs farrowed last fall will be coming to market. This crop is 10% greater than a year earlier. Market prices may start to drop below support levels. Large government purchases of frozen pork may then be necessary to support the government price. In late summer and early fall, another bumper crop of pigs will be coming to market. In all, about 7% more pigs will be marketed in 1950 than a year ago.

Canadian Forum on Mutual Funds

MONTREAL, Que., Canada—The Third Canadian Forum on Mutual Funds, sponsored by Investment Distributors Limited of Montreal, will be held May 30 and 31. American dealers are invited to attend the affair at which several hundred dealers will be represented.

Speakers will be Thomas A. Baxter, Vance, Sanders & Co., Boston; Dudley F. Cates, Kidder, Peabody & Co., New York City; W. C. Cusack, Keystone Co. of Boston; E. C. Ertl, "The Financial Times," Montreal; Trevor F. Moore, Imperial Oil Limited, Toronto; H. I. Prankard, II, Affiliated Fund Inc., New York; Lucile Tomlinson, economist; Raymond Trigger, "Investment Dealers Digest"; W. Howard Wert; and Dr. Max Winkler, economic advisor to the U. S. Senate Committee on Banking and Currency.

Participants in discussion will be R. H. Dean, Nesbitt, Thomson & Co., Ltd., Montreal; Charles F. Eaton, Jr., Eaton & Howard, Inc., Boston; W. H. Griffiths, Geffen, Dunn & Co., New York; Merrill Griswold, Massachusetts Investors Trust; Lt.-Col. E. G. Hanson, U. S. Fidelity & Guaranty Co., Montreal; Dr. John J. O'Neill, McGill University, Montreal; Dr. P. L. Pratley, Montreal; Arthur S. Torrey, W. C. Pitfield & Co., Ltd., Montreal; and R. C. Vaughan, former Chairman and President of the Canadian National Railways.

To Be NYSE Member

On June 1 the New York Stock Exchange will consider the proposed transfer of the Exchange membership of the late Joseph M. Adrian to Richard A. Adrian.

Independent Investors Planning Awards To Management and Labor Leaders

New stockholders organization to give recognition for efforts on behalf of small investor. President Javits announces group's eight-point program.

Annual awards will be given to ten leaders in management and ten leaders in labor who have done the most for independent stockholders, it was announced in New York City Thursday, May 18 by the Independent Investors, Inc. through its President, Benjamin A. Javits. The non-profit organization formed early this year represents individual small stockholders in 42 states and the territories, as an organized body and spokesman for their protection.

Benjamin A. Javits

These "Job Maker Awards" are intended to further the positive principles of the small investor who until now has had little voice as a unified body, in contrast to the powerful voices of organized labor and organized management.

"Management and labor will be asked to submit their qualifications to the American stockholder for appraisal for the first time," Mr. Javits said. The stockholder-members of the organization will have a voice in the selection of award winners. Vital points of interest to the investor will enter into the decision such as production, management's fair return to the investor, industrial statesmanship, and stockholder-management-labor relations.

Stockholder Committees

Javits announced that since the organization was formed it has taken action in behalf of stockholder-members at the annual meetings of Montgomery Ward and United States Steel. He said stockholder committees are now being formed to investigate Sewell Avery's management of Montgomery Ward in preparation for next year's annual stockholders meeting, and a resolution was introduced in the last United States Steel annual meeting "to help U. S. Steel management be among the leaders in American industrial statesmanship so necessary to save our system" by a public relations committee of the stockholders of U. S. Steel.

An 8-Point Program

Independent Investors, Inc. has notified Congressmen, government officials, individual stockholders, management and labor of its eight point program as follows:

(1) The government must recognize the rights—and power—of the millions of American citizens who are investors.

(2) Organized pressure groups must respect the power of the independent investor at whose expense they have won their special privileges because investors were heretofore unorganized.

(3) Individual security holders' point of view must be adequately represented at stockholders' meetings.

(4) Management, labor and government must accept the investor at the conference table where they bargain over assessments to be levied against Investors' equities.

(5) Local, state and Federal governments must cease discrimination and unfair regulation against American business and their investors.

(6) Government must stop levying confiscatory taxes, double taxes, triple taxes, and any other unfair taxation that impedes growth and prosperity by penalizing the investor.

(7) Management abuses against stockholders must be vigorously exposed by individual investors, organized for militant action.

(8) The public and investors must be kept constantly informed of the problems and progress in the fight to win recognition for America's independent investors.

Gordon Todd Co.

Gordon B. Todd is conducting a securities business from offices at 25 Broad Street, New York City, under the firm name of Gordon B. Todd & Co.

Montreal Exchange Governing Committee

MONTREAL, Canada—Jacques Forget, of Forget & Forget, was re-elected Chairman of the Montreal Stock Exchange for a third consecutive term by acclamation when nominations closed. It is the first time that a French-speaking member has been given the triple honor. Mr. Forget has been a member of the Exchange since 1937 and was a Governor for a number of years prior to his election as Chairman. He is also a member of the Montreal Curb Market.

F. G. McArthur, of A. E. Ames & Co., was elected Vice-Chairman of the Montreal Stock Exchange by acclamation. Mr. McArthur has been a Governor of the Exchange on several occasions and a member since 1935. He is also a member of the Montreal Curb Market and acted as Chairman for the latter from 1946 to 1948.

D. C. McEachran was re-elected by acclamation to the post of Secretary-Treasurer of the Montreal Stock Exchange. He has been connected with the stock brokerage business since 1919 and has been a member since 1945.

H. J. Ferguson, of G. E. Leslie & Co., was elected a Trustee of the Gratuity Fund for a period of three years.

Mr. Forget announced that the following were elected officers and members of the Governing Committee for the ensuing year:

Chairman: Jacques Forget, Forget & Forget; Vice-Chairman: F. G. McArthur, A. E. Ames & Co.; Secretary-Treasurer: D. C. McEachran; Governors (regular members): R. B. Ashby, Hugh Mackay & Co.; J. E. Chaput, Brault & Chaput; H. S. Jones, Flood & Co.; N. L. C. Mather, MacDougall & MacDougall; F. L. Stuart, Kingstone & Mackenzie; Governors (advisory members): R. C. Bulman, Grant Johnston & Co.; W. T. K. Collier, Collier, Norris & Quinlan; R. N. Trudeau, Savard & Hart.

Merrill Lynch Employee Scholarships

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, has granted four $2,000 college scholarships to children of employees, it was announced by Winthrop H. Smith, managing partner. Each scholarship is for four years. The scholarship selections were made by a committee of educators headed by Dr. Eugene S. Wilson, Amherst College.

Those receiving scholarships for the coming school year are: Esther W. Doolittle, of Providence, R. I., daughter of Mr. Lytton W. Doolittle, Merrill Lynch account executive; Janice Marie Hogan, of New Orleans, daughter of Mr. William H. Hogan, clearing supervisor in the New Orleans office of Merrill Lynch; George Edward Jackish, of Minneapolis, Minn., son of Mr. George V. Jackish, trader and account executive with the Minneapolis office; and Clarke Perry Miller, of Portland, Ore., son of Mr. Darl Vernon Miller, commodity manager with the Portland office.

Arthur Ehlenberger Opens in New York

Arthur Ehlenberger has formed Arthur Ehlenberger Co. with offices at 61 Broadway, New York City, to act as brokers in municipal bonds. Mr. Ehlenberger was previously a partner in Sholten, Knight & Co.

Britain and French-German Steel Integration

By PAUL EINZIG

Dr. Einzig commenting on French proposal to integrate French and German steel industries, reports London views it as choice of two evils. Points out Britain may participate in plan in order to promote multilateral trading, but doubts France and Germany can agree on details in implementing proposal.

LONDON, England—The announcement of the French proposal for an integration of French and German steel and coal industries came as a complete surprise to Britain. The first reaction in official circles in London was one of annoyance at the way in which information about the plan was withheld from the British Government until the last minute. In that respect, however, the French were merely following the example set by Sir Stafford Cripps in September, 1949, when he left the French Government entirely in the dark about his government's decision to devalue sterling. Apart from annoyance about the way in which this important matter was announced, the announcement was received in London with mixed feelings. On the one hand everybody was pleased that at last a realistic step has been taken towards a better French-German understanding. On the other hand, it was realized that the French proposal confronted Britain with a very awkward dilemma, as to whether or not British steel and coal industries should participate in the arrangement.


Dr. Paul Einzig

As it is seen from London, the choice is between two evils. If Britain were to refuse to participate, her steel and coal industries would have to face the combined strength of French and German industries, possibly reinforced by the industries of Belgium and Luxembourg. On the other hand, British participation might mean acceptance of a curtailment of British steel and coal production in order to avoid overproduction. For there could be no doubt that Germany would never agree to a plan unless her present maximum permissible limit of steel output is raised. And in existing circumstances that might lead to a very substantial overproduction, unless other participating countries agreed to a reduction of their output. Moreover, the French idea is to develop a strong steel industry in Lorraine with the aid of Ruhr coal. The possibility of an agreed limitation of the output of all participating countries must be envisaged.

The possibility of a formidable steel-coal combination arising from the proposed French-German scheme is causing some concern. It is felt in many quarters that the British steel and coal industries could ill-afford to keep aloof from it, and that even in the absence of their participation it might be necessary to negotiate some form of inter-European cartel. This would not mean a return to the prewar International Steel Cartel which was controlled by the industry concerned. Under the proposed arrangements the control would be vested in a board controlled jointly by the participating governments. The cartel would not be run for the sake of securing the maximum of profit for the participating firms but for the sake of coordinating them under an inter-European plan to be elaborated for the purpose of serving the general interest. It would not necessarily eliminate competition between the rival industries, and it would not necessarily fix rigid prices. This at any rate is the way it is viewed from London in the absence of any detailed information.

The view is held in nongovernmental circles in London that, unless Britain participates in the scheme, it would inevitably result in a further accentuation of the bilateralist character of Britain's foreign trade policy. For in face of the increase of the competitive power of the continental coal and steel industries, Britain would insist more firmly than ever that the proceeds of exports to the sterling area must be spent on imports from the sterling area. On the other hand, if Britain were to participate in the scheme it would go a long way towards the abandonment of British resistance to American and Continental pressure in favor of multilateral intra-European trading.

The French plan is viewed with interest from the point of view of its bearing on the O.E.E.C. and Western Union plans for European integration. Hitherto the idea was that progress towards the desired end would have to be made in the form of gradual abandonment of certain types of trade barriers by all participating countries or their complete abandonment by certain regional groups of countries in their trade with each other. The decision to cut by 50% the extent of quantitative trade restrictions within Europe is an example of the former line of approach. The establishment of a Customs Union between Belgium, the Netherlands, and Luxembourg, and between France and Italy, are examples for the latter line of approach. The arrangement under which economic integration is confined to certain industries only is a new line of approach, and its results are awaited with much interest.

Some quarters in London are inclined to doubt whether the hopes and fears aroused by the French announcement are justified. For it is by no means certain that France would be able to come to terms with Germany. Evidently, the French idea is that Ruhr coal should be brought to Lorraine where a strong steel industry would be built up, while the German idea is that Lorraine iron ore should be brought to the Ruhr steel industry. The controversy is not new, though the situation in which it has to be faced has certain novel aspects. The fear of Russian aggression might induce both France and Germany to make concessions and meet each other halfway. But the gap between the attitudes of the two countries is very wide, and the fact that the West German Government responded favorably to the vague French statement does not necessarily mean that it would be possible to come to terms on details, or even on fundamental principles. However, the feeling that something must be done on the lines suggested by France is so strong that possibly the negotiators might set out to tackle their formidable difficulties in the right spirit. Nevertheless, it would be unduly optimistic to expect spectacular developments in the immediate future.

Canadian Securities

By WILLIAM J. McKAY

A notable milestone in Canadian economic history has been passed with little fanfare, but the achievement nevertheless will ultimately exert a marked influence on the economic trend both at home and abroad. Within the past year the geographical imbalance of Canadian trade, the root cause in the past of the Dominion's principal foreign exchange and trade difficulties, has been largely adjusted. This striking change has been brought about partly as a result of Canadian economic policy but mostly as a consequence of the exchange rate changes of last September.

Following the currency adjustments, the competitive positions of Western European producers vis-a-vis Western Hemisphere markets has been appreciably improved. The removal of price differentials, which had previously brought British and European exports to this country almost to a halt, has permitted once more a flow of goods from soft to hard-currency areas. Although tariff barriers and customs' procedures still operate to reduce the volume that normally would be expected, strong efforts are being made on both sides of the Atlantic to eliminate these obstacles to freer trade. Despite these impediments a first step has been made towards the closing of the dollar gap. Indeed in the case of British-Canadian trade there has been a dramatic change that has produced a balance in favor of the United Kingdom. On the other hand, partly as a result of the devaluation of the Canadian dollar, the Dominion's exports to this country have recently registered a gratifying increase. In both directions therefore Canada has greatly improved her foreign trade and exchange position. The hard-currency deficit is now of manageable proportions and the soft-currency surplus has been, for the time-being at least, largely eliminated.

This constructive turn of events moreover should ultimately produce a greatly expanded volume of multilateral trade. The gradual closing of the dollar gap should lead eventually to a relaxation of the European ban on non-essential imports from hard-currency areas. As far as Canada is concerned the improved position vis-a-vis the United States has already permitted the easing of restrictions on imports from this country. Furthermore the Dominion authorities are fully cognizant of the fact that it is in the nature of enlightened self-interest to do everything in their power to encourage the entry of goods from soft-currency areas.

A further important factor that is contributing to an increasing degree to a healthier balance of Canadian trade and foreign exchange is the established trend towards a greater diversification of the Canadian economy. In addition there is now less dependence on external sources of supply for essential industrial requirements. A few years ago any serious curtailment of Canadian outlets for farm products would have caused a grave economic crisis. Under present conditions even the possible failure to renew the important United Kingdom Wheat Agreement, which expires next July, can be viewed with reasonable equanimity. Everything now points to Canadian ability to compensate for loss of European markets for farm products by increased sales of other commodities to hard-currency areas. This process serves the double purpose of improving both the European trade position vis-a-vis Canada and the Canadian balance of payments in relation to this country.

Looking further ahead it can be readily envisaged that the Canadian dollar can become the world's strongest currency. On the one hand the Dominion is becoming to an increasing extent a world supplier of basic industrial requirements as well as farm products. On the other hand Canada is rapidly becoming self-sufficient in respect to oil, steel, and manufactured goods which previously created a heavy deficit in trade with this country. Furthermore in the case of oil, natural gas, and iron-ore the Dominion is likely shortly to have exportable surpluses instead of heavy import requirements. The foreign exchange position will be further improved as a result of the rapidly expanding domestic gold production and the valuable invisible export item constituted by the Dominion's highly lucrative tourist traffic. When it is also considered that Canada has only just commenced to exploit her almost limitless natural resources, and that in a world where inflationary tendencies are barely kept in check, Canada has succeeded as well as any country in keeping her economy on a stable basis, the Canadian dollar at its current 10% discount unquestionably rates as the currency with the soundest backing in the world.

During the week there was again little interest in the external section of the bond market but the internal Dominion's were in moderate demand at 11½% discount. The corporate-arbitrage rate as a result of U. S. demand for Canadian stocks was firmer at 14½%-13¾% and free funds were steady at 9¾%. Activity in the stock markets was on the largest scale in many years. Industrials advanced to a 1950 high led by the papers and steels. Gold prospects however provided the heaviest trading group with Newlund, Villbona, North Denison, and Mosher Long Lac notably prominent. Base-metals were firm following the copper price rise but the Western oils made little headway although Federated Petroleums, Pacific Petroleum, and Foothills continued to meet strong support.

Business and Industrial Construction Lags

Study of Machinery and Allied Products Institute contends business construction since the war, in terms of constant dollars, has averaged lower than in previous years.

According to an analysis made by the Machinery and Allied Products Institute, business and industrial construction has been at low tide during the postwar period of record-breaking business activity in other lines. The results of the study have just been published in the second issue of the Institute's new "Capital Goods Review." Business construction, in terms of constant dollars, the publication states, has averaged lower in recent years than it did twenty years earlier, despite the growth in population and increased industrial activity, the Institute found.

In charting plant expenditures and equipment expenditures, the Institute found a similar lag. Computed at constant prices, equipment expenditures for the five years from 1946 to 1950 were up nearly 150% from the five-year period from 1926 to 1930. Plant expenditures, on the other hand, were 10% lower in the postwar period than they were in the late 1920s. Prior to 1930, plant expenditures constituted about 40% of total fixed capital outlays, whereas in the postwar period they have averaged only about 25%, the Institute discovered.

In seeking explanation of the lag in postwar plant construction, the Institute examined five factors:

(1) *Economies in the use of space.* It reached the conclusion that this factor has been present throughout history and there is no clear evidence that it has exerted more influence in recent years than formerly.

(2) *Cost of construction.* In this connection it showed that construction costs have risen much more sharply in recent years in relation to equipment prices than they did formerly.

(3) *Shortage of outside equity capital.* The Institute points out that plant construction usually involves such a large investment that there may be a tendency to postpone it unless outside capital is readily available. High taxes on personal income, it said, have aggravated the difficulties of mobilizing risk capital. At the same time, the low level of stock prices prevailing during most of the postwar period has discouraged new equity flotations.

(4) *Earlier overbuilding.* This was discarded as a factor affecting the postwar period, because plant construction figures show no overbuilding since the 1920s and any excess at that time should have been fully digested long ago.

(5) *A decline in the growth of the country's labor force.* On this point the Institute cites the long history of decline in the birth rate, the curtailment of immigration and increasing absorption of workers in government service. It shows that in the decade 1900 to 1910, about 660,000 workers per year were added to the private labor force as compared to only 525,000 in the decade 1940 to 1950. The labor force which, at the beginning of the century, was growing at about 2.5% per year, has recently been growing at the rate of only 1%.

In conclusion, the "Capital Goods Review" states: "It is doubtful if the several factors reviewed add up to a reasonably satisfactory explanation of the low level of postwar plant expenditure. There remains an element of obscurity, if not of mystery, in the phenomenon.

"Apart from an abatement of the tax erosion of equity capital . . . the most promising approach (to the expansion of business construction) is to accelerate the obsolescence of existing structures, thus stepping up the volume of replacement demand. By our estimate almost 60% of the entire stock (of structures) consists of assets over 20 years of age, while nearly 30% of them are over 30 years. Acceleration of obsolescence has the potentiality, therefore, of developing a tremendous volume of business. . . . Such a shift to the replacement of earlier structures is as logical for the construction industry as it is desirable for the country at large."

Atlantic Coast Line RR. Plan Operative

C. McD. Davis, President of Atlantic Coast Line RR. Co., has announced that the directors on May 18, 1950, declared operative the company's modified offer of exchange of its first consolidated mortgage 4% bonds due 1952 for new general mortgage 4% bonds, series A, due March 1, 1980 (bearing interest at the rate of 4½% to Sept. 1, 1952).

Announcement that the offer had been modified to provide additional security for the new bonds was made May 12, and the reception given the announcement has been very satisfactory. Mr. Davis said. He stated that up to May 18, 1950 assents had been received from over 600 bondholders with aggregate holdings in excess of $15,250,000 of the outstanding bonds, and additional assents continue to come in.

There are $50,724,000 of the non-callable first consolidated 4% bonds outstanding. In addition to the higher rate of interest for two and one-half years, the new general mortgage series A bonds will be entitled to the benefit of a sinking fund, which is not provided for the first consolidated bonds.

Mr. Davis said further that, to accommodate those holders who have not yet assented, the offer of exchange will remain open at least until the close of business on June 1, 1950, but may be terminated on that date or at any time thereafter.

The offer of exchange is subject to authorization by the Interstate Commerce Commission of the issuance of the new series A bonds.

Bond Club to Play For Shanks Trophy

At the annual outing to be hold at the Sleepy Hollow Country Club on June 9, this year, golf-playing members of The Municipal Bond Club of New York will compete for the "Sanders Shanks, Jr., Memorial Trophy." This trophy, which will be the major golf prize of the outing, is presented by the club for the purpose of "perpetuating the memory of our late member and former President, Sanders Shanks, Jr." Arrangements for the trophy were made by a committee of three, composed of Charles J. Waldmann, Kean, Taylor & Co.; David M. Wood, and George R. Waldmann, Chairman.

This trophy is a sterling silver Paul Revere bowl, seven inches high and 12½ inches in diameter, on an ebony base. On the bowl is engraved "Sanders Shanks, Jr., Memorial Trophy, The Municipal Bond Club of New York."

Each year the name of the winner also will be engraved on the bowl and he will have possession until the next annual outing. In addition, the winner will be given a small reproduction, suitably engraved, to keep permanently.

Labor Strikes

By ROGER W. BABSON

Mr. Babson, in pointing out strikes are costly both to employers and employees, maintains they result not only from demands for higher wages, but also for more workers' "psychic satisfactions." Urges employers analyze their "psychic" job needs.

There is no easy way of settling strikes. Strikes signify what workers want and how they hope to get it.

Roger W. Babson

I am reminded of the old story about Samuel Gompers, one-time head of the A. F. of L. Once when someone asked him what Labor really wanted, he replied, "More." The question is: More what? Many labor economists, as well as newspaper columnists and psychologists, seem to think most strikes are for only one reason: more pay for less work. As a matter of fact, the May, 1948, issue of "Monthly Labor Review" reported that only 74% of all our strikes involved the issue of higher wages and shorter working hours. It is a mistake to say that strikers want only more money.

Strikes have cost not only the employer but the employees huge sums; it will take years for many employees to make up the money they lost through strikes. If money were the sole underlying motive, why, then, do $10,000-per-year workers, such as script writers, airplane pilots and locomotive engineers, strike? In many instances workers get angry because they are not receiving the "psychic" satisfactions necessary to wholesome manhood. They flare up, go on strike, then look around for something to demand. More wages and shorter working hours usually is a simple formula. But, fundamentally, inadequate "psychic" compensation is the root of most of our industrial conflict.

Psychic Compensation

Psychic compensation is the inner satisfaction and feeling of well-being derived from individual recognition, praise for work well done, fair treatment, and a steady job. This soul-satisfying compensation does not, of course, supplant an adequate wage, but it is very important in keeping workers contented.

Interestingly enough, the business executive's inner wants closely parallel those of the worker. He wants power, independence of action, a free hand to carry out ideas, recognition by associates and community. Psychologists, economists and college professors have all been wrong with their notion that economic factors are the sole motivators of men. Except in economic depressions, neither labor nor management is motivated primarily by dollars and cents. Both groups want certain "psychic" satisfactions of recognition, respect for the individual, reasonable personal power and prestige. It is the inadequate satisfaction of these wants and needs that drives men into conflict.

Satisfying Psychic Needs

We live in a highly competitive society which stresses and rewards individual achievements, prestige and power. Executives and workers are all moulded from the same clay. They have attended the same schools. They have the same physical make-up. There is no reason to believe that the economic and "psychic" motives of one group differ markedly from those of another group. It would be pretty difficult for union leaders to develop strike activity if the workers' "psychic" wants, as well as economic, were satisfied.

The trouble is, most executives know so little about human relations that they don't know where to begin. If the average executive would sit down and analyze his own basic "psychic" job needs, recognize that his workers crave the same "psychic" satisfactions, and develop ways to share these satisfactions, I believe he would be on the road to resolving his industrial strife, provided *labor leaders would fairly co-operate.* We must jack up the "psychic salaries" of our workers.

What About Investors?

The unfortunate fact is that innocent investors are the real sufferers because of this psychic conflict. I therefore, am coming to the conclusion that they—from their independent position—must soon wake up and take an active hand in settling this problem.

S. F. Exchange Holds Forum and Lecture

SAN FRANCISCO, Cal.—A look behind the scenes of the securities business was given an audience of almost 600 persons at the second lecture of the San Francisco Stock Exchange's current Series on Investments. These programs are being sponsored in cooperation with the Adult Educational Program of the San Francisco Public School System.

The forum was conducted by Carl Schick of the San Francisco Stock Exchange. Illustrating his talk with examples from the list of the local exchange, Mr. Schick defined and explained the principal types of securities and their relation to each other. Bonds and debentures, rights, warrants, dividend dates and common and preferred stocks were among the fundamental terms covered. Mr. Schick emphasized the fact that investment goals differ and the degree of safety as well as return must be established in each individual case.

In the open forum session which followed, the audience proved their interest with the number of questions asked concerning the general topic of investments.

Two more lectures on successive Wednesday evenings will complete this series. All the programs are held at the Auditorium of the High School of Commerce from 7:30 to 9:30 p.m. No registration fee is charged and the public is welcome to attend.

Robert Jones to Admit

WASHINGTON, D. C.—Robert C. Jones & Co., Metropolitan Bank Building, members of the New York and Washington (D. C.) Stock Exchange, will admit Robert C. Jones, Jr., and John M. Buckley to partnership on June 1.

On April 30 Oscar P. Hunt and August H. Schmidt withdrew from the firm.

Continued from first page

The Glowing Business Outlook

expanding the capacity within her borders at a rate faster than we are. And there also is reason to believe that at the appropriate moment she can, without too much military difficulty, take over some western European industrial capacity which we are very diligently repairing and modernizing.

These facts (or more properly they should be called surmises) about basic industrial capacity seem to me to argue convincingly that Russia won't touch off the final world show-down in the immediate future. They also argue that we will be supremely stupid, if, with our great headstart, we let the Russians outstrip us in industrial strength. I shall return to this important point later.

Gilding the Business Lily

Because the business outlook for the months immediately ahead, say the next six months, is so bright I don't intend to spend a great deal of time on it. That would partake of gilding the lily. Also it would go over a lot of ground you have already had covered in the heavy outpouring of optimistic reports about the immediate business outlook.

Instead, I also propose to deal with the problem of keeping the business outlook bright over a period of years ahead rather than a period of months. That, I assure you is a far tougher problem than expounding the cheering short run business outlook. But I also suspect that at this juncture it is a more important operation. I have been encouraged by the assurance that this is the sort of group that will not mind the omission of the conventional sally into the wit and humor of the ages in favor of some rather bleak but, I hope, consequential economic discussion.

Business Until November

First, about the outlook for business until, let's say Thanksgiving Day. If pressed I might even stretch the period to Christmas. Here is a quick summary of the key elements which, it seems comfortably clear to me, are bound to produce the continuation of a high level of business activity.

Consumers are buying automobiles, homes and appliances at a record or close to record clip—and plan to keep it up for the balance of the year.

The source of our knowledge that they plan to keep it up is the Federal Reserve Board Survey of Consumer Finances. This survey, now in its fifth year, is establishing itself as a basic guide to consumer intentions. It is worthy of your careful study. Also, you ought to give those who are developing the survey an encouraging cheer. They deserve it.

Here are a few key findings of the 1950 survey:

People now plan to buy as many new automobiles as they did a year ago. The bloom is still on the motor car boom.

Demand for furniture, refrigerators and other appliances is as strong as it was a year ago.

More than twice as many people plan to buy television sets this year as a year ago. There are those who will regard that as something of a cultural catastrophe, but it brightens the business outlook.

More than a million people plan to buy new homes this year.

It is one thing, of course, to plan to buy things. It is another to have the requisite amount of money at the right time. Or at least it used to be until these mad merchants of consumer credit who sell things at nothing down and three years to pay came on the scene. But they probably won't last long.

Public Well-Heeled

Happily, however, the consuming public is well heeled with the purchasing power required to carry out its buying intentions. The nation's disposable income (the income going to individuals after the taxpayer has taken his cut) ran in the first quarter of 1950 at an annual rate of $199.6 billion. That's $6.2 billion higher than the annual rate in the first quarter of 1949.

In addition, the current flow of income to individuals is still backed up by an enormous pile of individual savings in the form of so-called liquid assets, i.e., cash, bank accounts and government bonds. That pile, created largely during the war, was still $175 billion at the last counting.

So the plans to keep on buying in a big way are not pipe dreams. They are backed by the necessary wherewithal.

High Retail Trade

The volume of retail trade, which has recently been reaching new all time highs, is, of course, reflected back along the lines of production.

Even while Chrysler was shut down by strike the automobile industry raced along producing cars and trucks at a rate of 6,400,000 per year. That is a rate over a million higher than the biggest prewar year. With Chrysler back in production some people talk of an annual production rate of 9,000,000 per year. You know as well as I do whether or not that rate will be cut down by a strike at General Motors. My expectation is that it will. But I reach that result by using mirrors. It is not a reliable method.

New Houses

Through April of this year almost 400,000 new houses were started. That is half again as many as last year, and an all-time record. Heavy construction, as measured by the "Engineering News-Record" compilation of contract awards, is running 44% ahead of last year.

As a whole, business investment in new plant and equipment has been lagging behind last year. That is a direct drag on the economy. Somewhere near a third of our industrial workers are engaged in producing and installing industrial plant and equipment. It also has other grave consequences to which I shall return later. One of them, of course, could be second place in the arms and industrial race with Russia. In that race second is no place at all.

However, we at McGraw-Hill have made a recheck on our annual year-end survey of prospective expenditures for new plant and equipment. If you don't know about that survey, you would do well to give us a chance to tell you about it. It can be important in your business. Our recheck indicates that expendtiures for new plant and equipment are being revised upward. That gives major strength to the business outlook.

A substantial boost in defense expenditures is clearly in the making. General Eisenhower touched it off, and Secretary of Defense Johnson has followed right along by asking an increase of $350 million above his original request for the next fiscal year.

There is probably nothing like an increase in defense expenditures to give our kind of economy a quick pick-me-up. The increase in defense expenditures gains in significance on that account.

A Glowing Picture

Combined, the elements I have mentioned produce a glowing picture of the business outlook for the months immediately ahead. In fact, far from worrying about a painful deflation, as some have been doing, it seems clear that the problem in that line which lies immediately ahead is whether or not we shall escape another substantial does of inflation.

My guess is that we shall. I would expect industrial prices to be a little higher by the end of the year, and farm prices a little lower—to balance out at a relatively stable general price level.

There are, of course, less glamorous aspects of the immediate business outlook. Parts of the textile industry, particularly that producing rayon, are rather droopy, and are expected by some with expert knowledge in that field to be more so before they are less so.

Dangers

I know of no one who expects the automobile industry to maintain its production pace of recent months very far into the future. Virtually all of them see a sizable downward adjustment of production not far ahead. That won't be pleasant.

There are also dangers in the headlong pace which the housing industry is maintaining. There is probably still something in the old wheeze about the higher they fly the harder they fall.

There are aspects of the consumer end of the current situation which are so dizzy as to be worrisome. Not many months ago the most popular makes of cars were frequently being sold at several hundred dollars off list price. Now in some of the same markets a wait of several weeks or months is required to get a car; and I am told that some premiums are being paid. A consumer market as giddy as that suggests at least a mild form of hysteria. That is something to worry about.

I assume, however, that your capacity to worry, or at least your inclination to worry is relatively limited. Hence, I shall not continue a catalog of all of the manifold things about the business outlook which offer good sources of inspiration to one given to worrying. Instead I shall close right in immediately on what all of us need to worry about if we are going to keep the business outlook bright in the months and years ahead.

That is the fact that with all the tremendous outpouring of production and prosperity we are having and have been having in recent years we have not expanded our economy rapidly enough to prevent a serious rise in unemployment.

Unemployment Off Front Page

Right now unemployment is off the front pages where it was conspicuously located when the February returns came in. Then the government reported a total of 4.7 million unemployed. Since then the volume of unemployment has been cut both by the regular spring upturn in business and by expansion beyond that due to the change in seasons. Right now the volume of unemployment is probably somewhere in the neighborhood of 3 million.

In June the largest graduating class in the history of our country—about 450,000—will start looking for jobs. Then the unemployment figure will shoot up again. However, I personally don't expect it to hit its February high by quite a margin. If I am right, it may not get a very exciting play in the press. But this crucially important fact will still be there. It is that we are not creating jobs as fast as we are creating additions to our work force.

This year the total net addition to our work force will be about 700,000. It will be at least half a million a year for several years to come, and then get higher. It is axiomatic that to keep unemployment under proper control we must create 700,000 new jobs this year.

However, the present prospect is that we will miss it by a wide margin. The prospect is that when the next mid-winter peak of unemployment rolls around, a large part of the new recruits in the working force will still be looking for jobs.

Unemployment Impracticable

This will be so obviously bad for all concerned that there is no need to labor the point. I probably should make it clear that I am under no illusion that we can have 100% employment and still make our kind of an economy work properly. A certain amount of unemployment, perhaps something over 3% of the working force or about 2,000,000 this year, is inevitable and necessary. Such a total would include people moving from job to job and seasonal layoffs. To have absolutely full employment would stretch the economy so tight it would not work. Inflation would be running rampant.

But when we get to running well above the margin of unemployment I have indicated, we are letting a cancer develop in our economy and body politic. In studying the origins of the deadly Nazi regime in Germany, Walter Kottschnigg discovered that Hitler found his first intellectually competent and effective recruits among unemployed ex-officers of the German Imperial Army and unemployed university graduates. During the '20s Germany produced a large crop of Ph.D.s. But then it did not produce any jobs for many of them. So, in desperation they joined Hitler.

If large numbers of our June graduates find they cannot get jobs I do not know how they will express themselves. But I am confident that it will not be pleasantly. However, I am not suggesting that we should let fear prompt us to create more jobs. I hope that we will do it because it is the right and profitable thing to do. But in any event, I am certain that if the business outlook is to stay bright, let alone the outlook for our ancient liberties, it will be necessary to match our expanding labor force with an equally expanding number of job opportunities.

Having reached this point I wish that I might promptly provide a nice simple and sure-fire plan to match the steadily increasing number of people available for jobs with the right number of good jobs. Unhappily, however, there is no simple and easy way of doing it. It is an extremely complicated piece of business. I can, however, indicate what I am reasonably confident are a few of the main lines of attack.

Tax Revision Needed

One of them, I am sure, is a drastic revision of the Federal income tax structure that will produce much more capacity to invest in new and risky business enterprises, and much more inclination to invest.

In such a revision I would personally include, among other things, elimination of the taxation of corporate dividends both as corporate income and personal income, reduction in the corporate tax rate and provision for corporations to average their losses over a much wider span of years than is now permitted.

I am perfectly aware that in advocating reduction of the Federal income tax structure I do two things that I don't enjoy doing. One is that I start most effectively to put you to sleep. The other is that I identify myself in the minds of many, and perhaps even most people as a champion of what are vulgarly known as the fat cats.

It has been my unhappy observation over several years that there is no more certain method of inducing slumber in an audience of American business men than to talk about Federal taxes. At the same time I have noted that by all odds the easiest way to rouse such a group is to talk about labor problems, and particularly some of the more flamboyant manifestations of organized labor. I am sure, however, that what happens to taxes over the next few years will be vastly more important in shaping your future than anything that is likely to happen in the labor field.

It has become almost a part of the American credo that the way to "soak the rich" is to raise personal and corporate income taxes, and that therefore anyone who advocates lower rates is a foe of the common man. That's not a pleasant posture. However, the key economic fact is that the kind of Federal tax structure we now have hits the rich at most a glancing blow. The fellow it really hits, and will hit much harder in the future if it is not changed, is this same common man. That's because it dries up both the sources of venture capital and the inclination to use it. It blights the creation of jobs which must be created if our expanding labor force is to be matched by jobs. As you well know, it takes an average of about $10,000 of investment in plant and equipment to set an American industrial worker up in business. It takes considerably more than that to equip the average corn belt farm workers—a fact which is reflected in the remarkable productivity of the farms in that area.

As matters stand, our Federal income tax system simply is not geared to provide the investment needed to expand job opportunities at the required rate.

A few favored companies and industries seem to have all the capital they need, or if not they can readily get it. I can't imagine that the officers of General Motors Corp., with profits of $656 million after taxes in 1949, and $212 million in the first quarter of this year, are losing much sleep about how to meet their immediate capital requirements. But that stands in dazzling contrast to the record of much of industry, and particularly that of smaller companies. Many of them right now are confronted by a serious shortage of venture capital.

Employment and Capital Investment

There are those, of course, who think that the way to solve our employment problem is to slow up on capital investment. They cite cases where new and more efficient machines have replaced workers, and argue that if we stopped this sort of thing the employment problem would be simpler. These are some of the things that are apparently overlooked in this simple line of argument:

(1) The workers who produce and install new machinery would lose their jobs.

As I have indicated, they are about a third of the population of industrial workers and the most highly skilled part.

That would hardly solve the employment problem.

(2) The increase in our standard of living would be halted.

That increase is the direct result of the use of more and better machinery.

(3) The capacity to carry a heavier load of social services, which a great majority of people seem to want, would be largely eliminated.

That capacity depends on greater output per hour or day from our work force, and that greater output directly depends in turn on more and more better equipment.

(4) The Russians would be set to win the struggle for world supremacy hands down. They would

not need to worry about the cold war. The would win by default.

No, the poorest possible answer to our employment problem is that of calling a holiday on the installation of more and better equipment. Our economic salvation, as well as our salvation as a free people, lies in having high and steady level of capital investment.

It is true, of course, that the installation of new and better equipment often displaces workers. I heard only the other day of a new calculating machine which will replace about 36 skilled human calculators at an installation. Where competition prevails, as it does pretty generally, the new and better equipment also is reflected in lower prices. The net result may be some combination of displaced workers looking for jobs and consumers, with money saved, to spend on something new. For these displaced workers an adequate system of unemployment benefits which we not have at present seems to me an essential of your future prosperity.

That—the combination of displaced workers and consumers with more money in hand—brings me to what I am sure is another key requirement if we are going to handle our employment problem and keep the business outlook bright over the years. That of a very vigorous search for opportunities for new business enterprise, and an equally vigorous utilization of these opportunities.

I personally don't believe that we are going to get nearly as far in the search for new opportunities for business enterprise as we should, and probably must, if the process of industry-wide and nation-wide collective bargaining continues to enjoy the success it has in promoting uniform wage rates. The tendency toward scarcely less than a continental uniformity of wage rates seems to me to throw a heavy wet blanket over the expansion of industry into new areas which do not have the advantage of accumulated know-how.

I am equally convinced, however—and there is more point in talking about it to a group of this kind—that we also must have a lot more vigor and imagination on the part of management and adventurers in seeking new opportunities for business than has characterized this lush postwar period.

Many Things to Be Done

It takes no imagination whatsoever to think of a tremendous range of things that need to be done to put our country and our people in anything like first class shape—slums to be cleaned out, streams filthy with sewage to be cleaned up, millions to be properly clothed and fed. It seems to me that right out of my window on the 29th floor of the McGraw-Hill Building in New York City I can see enough needing to be cleaned out and cleaned up to keep a small army in business for a long time. On my way back and forth from work I rub shoulders with armies of other people needing almost everything. I look out on docks that hook up with countries which still have to make a start toward establishing a modern standard of living.

I find, however, that most discussion of what is going to be done about such things as slum clearance, low-cost housing, foreign economic development quickly tends to gravitate to what the government is going to do about it. The idea that there are business opportunities, in the sense of opportunities to make a profit, seems to get pushed into the background almost immediately as hardly world exploring.

It is possible, of course, that that is where the idea belongs. I am convinced personally that vigorous and imaginative businessmen could find good opportunities in the fields I have mentioned which are not now being exploited. But I could be wrong about that.

However, I am sure that I am not wrong in the expectation that if private business does not take up the accumulating slack in unemployment, the government will undertake to do it.

Personally, I hope very much that private enterprise will do the job. It can do it with far greater technical efficiency than the government, I am sure. Also that way of handling the employment problem would avoid a whole array of tax complications with large potentialities to wreck the national prosperity.

But—far more important from my point of view than anything else—private provision of the job opportunities which must be created would, I believe, leave us with a lot more personal freedom than we are likely to have otherwise. In these days of heated discussion of trends toward socialism and possible communist infiltration of the government, I find a great many people with whom I talk tending to proceed on the assumption that the typical Federal functionary is a low and sly fellow. That has not been my observation, and my observation has been considerable. I have worked for the Federal Government during every national emergency of my adult life, and there have been enough of them to take over five years. In addition to that I spent some years in the army. I have also put in a few years as a Washington newspaper correspondent. On those assignments it has been my observation that the typical Federal Government worker, at least in the upper echelons, is a person of high purpose and integrity. But in the nature of the governmental process and the Washington scene he is also engaged in an endless scramble for more power, with which to direct the rest of us along some particular road to paradise.

Up to Business Enterprise

Personally I have no doubt that if you and I are going to check further and perhaps final inroads on our ancient liberties the only way to do is to prevent more and more from flowing to Washington and its eager power seekers. By all odds the best single way to do that in the months and years immediately ahead is for business enterprise to cure the creeping cancer of unemployment. If you do that you will do by all odds the most important single thing to keep the business outlook bright not for months ahead, as it clearly is now, but to keep it bright for years. And of vastly more abiding consequence, you will prove yourselves worthy of your heritage as free men.

Pan American Airways Capital Stock Offered

Lehman Brothers and Emanuel, Deetjen & Co., headed a group of underwriters, who on May 23, made a public offering of 366,954 shares of capital stock of Pan American World Airways, Inc., at a price of $9.375 per share. The shares being offered represent the entire holdings of Avco Manufacturing Corp. in Pan American. The offering was oversubscribed.

Victor Emanuel, President of Avco, said this sale is in line with Avco's general policy in that proceeds will be used further to broaden Avco's position in those fields in which it has manufacturing operations.

Pan American World Airways, Inc. had outstanding on Dec. 31, 1949, 6,136,115 shares of capital stock out of an authorized issue of 10,000,000 shares.

Colliers Featuring Bawl St. Journal

Wall Street receives recognition in an unusual way this week when Collier's magazine, in its June 3 issue, on the stands May 26, will run a feature story about "The Bawl Street Journal."

Entitled "Wall Street Has a Sense of Humor," the article tells something about the history of the widely known burlesque newspaper and quotes some of the funniest items from past editions. Also, it reproduces some of the drawings which have appeared.

Stating that some 26,000 copies of the "Bawl" are sold each year, Collier's says that "the largest purchasers are always the banks, brokerage houses and investment concerns which have been most grossly insulted in that particular issue," adding that "some of the insultees buy hundreds of copies which they mail with shy pride to their branches and clients all over the country."

John A. Straley, Vice-President of Hugh W. Long & Co., who has edited the "Bawl" since 1931, is quoted on where the material for the paper comes from and what its policies and taboos are.

Brooklyn Union Gas Bonds Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. headed a group of investment bankers which on May 19 publicly offered $8,000,000 The Brooklyn-Union Gas Co. first mortgage bonds, 3% series due 1980, at 103% plus accrued interest. The group was awarded the issue at competitive sale on May 17 on a bid of 102.-3991%.

Proceeds from the financing, together with funds obtained from the sale of 186,341 shares of 5%, $40 par value cumulative convertible preferred stock, will be used by the company to retire its outstanding bank loans totaling $14,625,000, and for construction.

The bonds are redeemable at the option of the company at prices ranging from 106% to 100%. For the sinking fund the bonds are redeemable at prices varying from 103% to 100%.

The principal business of Brooklyn Union Gas consists of the manufacture, distribution and sale of gas for residential, commercial, industrial and other purposes. Late in 1950 the company expects to obtain natural gas from Transcontinental Gas Pipe Line Corp. at which time Brooklyn Union will distribute mixed gas.

Halsey, Stuart Offers Pittsb. & L. E. Equips.

A group headed by Halsey, Stuart & Co. Inc. on May 19 publicly offered $10,000,000 Pittsburgh & Lake Erie RR. Co. 1⅞% equipment trust certificates, series of 1950, to mature annually June 1, 1951 to 1960, inclusive. The certificates, offered subject to authorization by the Interstate Commerce Commission, were priced to yield from 1.35% to 2.15%, according to maturity.

Proceeds from the sale of the certificates, which will be issued under the Philadelphia Plan, will be used to finance the purchase of 1,500 new gondola cars and 1,000 new box cars, estimated to cost a total of $13,100,500.

Henry P. Warren, Jr.

Henry P. Warren, Jr., associated with W. C. Langley & Co., New York City, was killed when his automobile overturned May 22 at Greenwich, Conn.

Some Questions!

"While the primary responsibilty of a businessman is to operate his business profitably—because without profits he cannot long provide employment—he, along with other groups, must participate and really help in the developing of national policies which will preserve and strengthen our political and economic freedom.

M. B. Folsom

"Working with others, businessmen must attempt to correct imperfections in our system. Businessmen cannot afford to take a negative or hands-off attitude on governmental programs. They should assist in developing a positive program to stabilize the economy, to preserve incentive, to increase productivity and to increase opportunity for all the people."—Marion B. Folsom, Chairman of the CED.

Mr. Folsom further said that the goal of stable, productive employment at a high level depended on "an objective approach by businessmen, workers, farmers, consumers and the Government as to what is good for the economy as a whole rather than the special interest of any one group."

A question or two:

Why is a businessman under obligation to "give employment"?

Is there not someone who should feel in duty bound to permit the businessman in good faith to take part in the formulation of public policies?

Must we depend upon "objective," collective "approaches" for our future welfare?

How about hard work and intelligent concern with one's own affairs in a spirit of enlightened self-interest?

Continued from page 3

The Outlook for Prices And the Cost of Living

ated by the very rapid price rise of 1946. For a short time it appeared as though we might be reaching that plateau of stability that we were all looking for, but in the summer of that year our corn crop and the crops of bread grains abroad were seriously damaged by drought, which created a world-wide shortage of grains both for food and for feed. This stimulated a new spurt in prices of farm products and foods. At the same time increases in costs and prices in coal mining and steel-making, and a sharp rise in petroleum prices, led a corresponding up-surge of nonfarm prices. The rise through 1947 was very steep, though not so steep as the rise through 1946.

These developments in the latter half of 1947 set in motion a chain of reactions which dominated the price movement of 1948. The most immediate was the liquidation of livestock in the winter of 1947-48, because of the short supplies and higher prices of feed grains. This caused a temporary decline in prices of livestock and meats, which appeared in the very early months of 1948. About the same time—just two years ago—the grain traders suddenly woke up to the fact that they were holding up a price structure based on very short supplies of grain, in the face of prospects for at least normally good crops in 1948. Apparently they all "came to" at once, because the prices of grain fell precipitously in the first two weeks of February 1948 at such a rate as to cause one of the sharpest single month's decline that ever occurred in the Wholesale Price Index.

In a period of 10 days spot prices of winter wheat fell from $2.93 to $2.37 a bushel, and the spot price of corn from $2.60 to $2. At that time a lot of us stopped to ask ourselves the awesome question, "Is this it?"

Decline Did Not Materialize

In retrospect, we might say that if a general decline had been in the offing, this violent price drop might well have provided the push that would have started it rolling down. It was particularly significant that nothing of the sort happened. Cotton dropped three cents; steers dropped $3; hogs dropped $3.50. But if you look at the prices of such commodities as copper, scrap steel, sugar, tin, wool, lead, and cotton print cloth during those two weeks, you would never have suspected that anything unusual was at work on the commodity markets. In other words, the drop was localized, primarily in grains and secondly in livestock, which are affected by grains; and it was specific to certain market conditions as we passed from a price level bid up by shortages to one "sold off" in recognition of good crop prospects.

The adjustment in farm prices was the dominant characteristic of the price movements of 1948, but toward the end of the year other adjustments, which turned out to be equally significant, began to appear. The first of these was in cotton textiles. As far back as January 1948 the spot price of print cloth as recorded in the Bureau's index began to decline from the extraordinary levels it had reached in the postwar buying rush. From a high of 28 cents in early January, the price of print cloth fell to less than 16 cents by the year-end. As is so often the case with the prices of basic commodities, this proved to be the forerunner of a general weakening in cotton textiles. This also was an overdue recognition of an accomplished economic fact. With the end of the war and the return of 12 million men from the armed services, there was a rush to buy cotton clothing and cotton household textiles which bid up the prices and margins to phenomenal levels. Once the stocking, by consumers and retailers, was completed, textile markets began to take on a more nearly normal aspect. This return to normal required, among other things, very substantial declines in prices. Since consumers were no longer avid to buy at high prices, this readjustment culminated in the first half of 1949 in widespread (if not so very sharp) price declines of many cotton products.

The other major characteristic of 1948 prices was the steady and comparatively large increase in metals prices—about 15% over the year. Prices of various iron and steel products were repeatedly increased and were on the average 18% higher at the end of the year than at the beginning. The increases in nonferrous metals were even greater: more than 20% on the average. Aluminum prices, after 11 years of absolute price stability, were increased twice in four months; and lead went from 15 cents to 21.5 cents, and zinc from 11 cents to 18 cents over the year. These were the result of the heavy demands and persistent shortages of nearly all metals throughout the year.

1949

The same broad forces which were acting on our markets in 1948 carried over into the first half of 1949—the movement of agricultural prices was dominated by fluctuations in supply, while the nonagricultural area reflected more nearly changes in the demand situation. During the first quarter of the year, many industrial consumers almost simultaneously decided that they were overstocked and a downturn in the prices of basic industrial commodities became a powerful factor in the economy. Between the end of March and the end of June, copper dropped from 23½ to 16 cents a pound, lead from 17 to 12 cents, zinc from 17 to 10 cents, steel scrap from $31.50 to $19.50 a ton and cottonseed oil from 13½ to 12 cents a pound; print cloth continued to decline to reach its postwar low of 12½ cents. Unemployment rose sharply during this period and we were in what has since been called "the inventory recession or readjustment period." This was a most drastic test of the strength of our economy, but by summer it was clear that we had weathered the storm. After dropping nearly 10% between August, 1948 and June, 1949, the prices of all commodities other than farm products leveled off very sharply, and have since moved almost horizontally.

As was the case in 1948, when prices began to decline in the first half of 1949, many people kept asking whether or not we were starting into another 1920-1921 collapse. Our answer was "no" and subsequent history proved us correct. If there are some points of similarity, there are more points of difference between 1949 and 1920. In the first place: price supports. It would be a mistake to think that support prices set a firm floor below which prices cannot fall. Indeed, we are seeing many quotations at less than support prices. This is possible (among other reasons) because the Department of Agriculture has certain standards for products which they will buy, and on which they will make support loans. If the corn has too high a moisture content (and much of it does), or if the wheat is not properly stored, farmers must sell it in the open market. Nevertheless, there is no doubt that the existence of the support program offers strong resistance to a broad and prolonged decline of farm prices.

An even more important difference is that the economy now is supported by a volume of purchasing power from many sources, which was conspicuously lacking in 1920. For one thing, consumers' purchasing power is vastly greater. The real weekly earnings of factory workers in 1949 were about 50% higher than in 1920. Employment is very high, and loss of purchasing power from unemployment is partially offset through unemployment compensation. Government expenditures for exports and for the military establishment are important and assured sources of demand. In contrast to the heavy speculative inventories accumulated after the first World War, inventories today are prudently and conservatively managed. And the stock market! Surely no one could suggest that share prices offer much room for price collapse.

One of the encouraging things about the price adjustments that are going on is that they are not indiscriminate (as they would be in the case of a general liquidation). They are selective and specific to certain commodity and market situations. Shortages, such as those we are still facing in many metals, provide a market basis for high prices. Where shortages have been overcome, industry-by-industry adjustments have been made in recognition of a new supply-demand relationship. Far from being alarming, this is healthy.

Raw Materials More Sensitive

The farther back we go from finished goods to raw materials markets, the more sensitive and more extreme are the price fluctuations we find. In the highly organized commodity markets, the risk-taking functions make prices very sensitive to changes in supply and demand and much less dependent on costs. Conversely, as goods pass through successive stages of processing and fabrication, with more and more labor and overhead costs invested in them, the price movements tend to become more sluggish. It is partly for this reason and partly because of the more sluggish movements of rent and consumer services that the Consumers' Price Index has risen less, both since prewar and since decontrol, than the Wholesale Price Index. Whereas primary market prices, as measured by the Wholesale Price Index, at their peak last summer were more than twice as high as they were just before the war, and half again as high as they were under price control, the Consumers' Price Index at its peak had risen by three-quarters from the prewar level and by less than one-third from mid-1946.

Except for these differences in amplitude, the chart of the Consumers' Price Index for the past 35 years closely resembles that for the Wholesale Price Index. There are the same two wartime peaks and the same intermediate troughs. The movement of the Consumers' Price Index since the outbreak of the war reflects four distinct phases of economic conditions. There was first the long rise from the outbreak of the war to the middle of 1943, when the wartime economic stabilization program began in earnest with the "Hold-the-Line" Order. In those 45 months, the index rose by about one-fourth, or about 7% per year. Then there was the period of tight price control from the middle of 1943 to the middle of 1946. In these three years, the index rose less than 7%, or a little over 2% per year. Then followed the "decontrol year" in which the index rose 18% in the first postwar price boom; only to be followed by another rise of 11% in the second boom, which was touched off by the short corn crop of 1947 and carried the index to its peak in the late summer of 1948.

If we look at the components of the Consumers' Price Index, we find, as we might expect, that food prices have risen further and faster than any others. This is more than anything also a reflection of the enormous purchasing power of our consumers during the war and since. Our studies of consumption habits in the United States over the past 50 years have demonstrated quite clearly that the American people when they have money will buy food, and good food. The high levels of consumers' incomes in recent years have generated unprecedented demands for the high quality foods—meats, dairy products, fresh fruits and vegetables. This has expressed itself as a steady and vigorous demand for foodstuffs, broken only now and then by resistance to peak prices. Thus, food prices have much more than doubled since before the war and increased by nearly one-half from the time controls were lifted to the peak in the summer of 1948. Since then, they have declined significantly. The average retail prices of foods in American cities was about 10% lower in January 1950 than at the peak in August 1948.

Prices of apparel and housefurnishings are not quite double what they were before the war and about one-fifth higher than they were under price control. These increases reflected the great restocking boom that occurred when goods that had been scarce or absent during the war returned in increasing volume. How far this increased demand may carry over on a permanent stable basis is one of the big questions now confronting us. Even though consumers on the average are well stocked today, there is always a vast reservoir of unfilled wants which are translated into demand as long as purchasing power is available to sustain it. It is particularly for this reason that the price adjustments now going on in some clothing and housefurnishings lines are especially significant, since they may be decisive in determining whether we can find a price level which will permit a steady volume of buying. Since their peak in October 1948, apparel and housefurnishings prices have declined more than 8%.

The importance of the so-called "miscellaneous" segment of the index is often overlooked because

Railroad Securities

Central of Georgia

Central of Georgia presents a somewhat unique situation of a railroad undergoing a drastic, yet uncompleted, reorganization. For, like the New Haven reorganization, with which it can be compared, the company emerged in mid-summer 1948, with allocations still incomplete due to litigation with respect to claims involving both creditors and tax refunds. Accordingly, despite almost unbelievably bad operating statistics for the past several years, recent developments of a legal and financial nature should prove favorable to holders of the company's income B 4½s, selling currently at 48, and currently carrying 13½ points of arrears.

These developments include:

(1) *Prospects for an early tax refund of $2,713,000 from the Federal Government*—Of this amount approximately $1.4 million, or $70 per $1,000 bond, will probably be distributed to bondholders before July 1. It is even possible for a larger payment to be made should the Court authorize directors to allocate a somewhat larger percentage of the refund for bondholders.

(2) *Southwestern Railroad Suit*—Minority stockholders of this formerly leased line appealed to the U. S. Supreme Court to set aside distribution of securities authorized in the reorganization by the I.C.C. and later confirmed by the Courts. Case was remanded to the Supreme Court of Georgia. Minority stockholders won and assuming no further successful appeal (by the majority stockholders) or a possible compromise between the litigants, Central of Georgia, as the operator of the Southwestern Railroad by order of the Courts, will receive payment from the latter road for operating deficits of recent years. For the fiscal year ending June 30, 1949, a loss of $123,000 was suffered and for the first quarter of the 1949-50 fiscal year, a loss of $168,500 was sustained. No late operating figures are available. If the Southwestern Railroad problem is "resolved" prior to the end of 1950, the company will have to pay all deficits to the parent company. This it is able to do, having some $1 million of liquid funds in its treasury.

(3) *Savannah & Atlanta Railroad*—Application for acquisition of this railroad, purchased in late December, 1949, has been made to the I.C.C. Hearings are to begin next month. Cost to Central of Georgia was $3.5 million, in part financed by a $2.5 million ten-year loan from the R.F.C. Through economies, Central of Georgia expects the Savannah & Atlanta to contribute $500,000 or more annual earnings. However, no dividends are to be paid to the parent company while the R.F.C. loan is outstanding, management anticipating that both principal and interest can be taken care of out of earnings and liquidated within a period of five years. Ultimately Central of Georgia will benefit to the extent of additional earnings, estimated as sufficient to cover contingent interest requirements of $600,000 annually.

These considerations do not take into account the marked increase in the company's earning power this year. March earnings, best in several years, were sufficient to cover fixed and contingent interest requirements almost three times, and at the same time more than make up overall interest requirements for the first quarter. April earnings, while not as yet available at this writing, should prove excellent, although not as good as March, and from preliminary indications May is also expected to be excellent. It would not be surprising if earnings for 1950 would equal 10% or more on the income bonds. In that event, payments of nine points or more, on May 1, 1951 (to cover accruals for both 1950 and for previous years) would supplement near-term payments to follow early receipt of the company's tax refund.

of its nondescript name, but it carries a very heavy weight in the index—its relative importance is about 25%—and it contains many of the most important items in the consumer's budget. All transportation is in this group: street-car and bus fares as well as automobiles, tires and gasoline. It also includes most personal services (such as beauty and barber shops) and medical services (including doctor, dentist, and hospital fees) as well as many items of household operation (such as laundry and dry cleaning services, and telephones). The relatively slow rise of those prices on the average is in marked contrast to the price changes for food, apparel, and house furnishings. Because most of these miscellaneous commodities and services are only indirectly affected by changes in the commodity markets, and because they include many regulated and institutionalized prices, they tend to move more slowly on the average. This group advances more slowly than the index as a whole, but, by the same taken, this is a group which tends to keep on rising after other prices may have turned down. Where food and clothing prices have dropped, since the summer of 1948, the prices of automobiles and other transportation, and the rates for medical and hospital care have continued up under a momentum that may carry them higher long after other prices have dropped. This, you will notice, was the case after the first World War.

Rents a Unique Case

Rents present a unique case because, alone among prices, rents are still under control. Up until the revision of the Rent Control Act of 1947 rents had risen less than 5% since the beginning of the war. In the past 2½ years they have risen more than twice as much. Although our rent index includes over-ceiling rents as they are reported by tenants, they do not reflect the full effect of the higher rents for dwellings built during the war and since. If these were taken into account, the rent index might be 2 or 3% higher than it is shown, but it still would be much the most stable of living costs.

These charts show the marked contrast between what happened in the years following the end of the first World War and the 3½ that have followed the end of the second. Here again we encounter the question: Will consumers' prices be deflated as they were in 1920? Again I must answer, "I think not," and for very much the same reasons.

The question is particularly pertinent today because during the past year we have seen waves of price reductions, not only in foods but in various items of apparel and housefurnishings as well. The drop in food prices, which we look upon as a result of the fine crops of 1948 and 1949, has been largely responsible for the declines that have occurred in the index up to now. The reductions in apparel and housefurnishings prices, though in some instances they have been spectacular and have attracted wide attention, have affected a relatively small number of commodities, concentrated in a relatively small number of price lines.

But if you will go through any of our great stores or thumb through the pages of the most recent mail order catalogs, you will realize that the prices that have come down are greatly outnumbered by those that have remained the same or even risen. This is particularly true of the items which we price for the Consumers' Price Index. We have for many years had detailed specifications and explicit instructions for the guidance of our price agents, so that they would be pricing the same items from month to month and under the same conditions. The items we price are those customarily purchased by moderate-income families in large cities. The specifications are drawn in terms of the physical charactersitics by which an agent may identify the items. Our pricing practices require that we record the prices of merchandise available to moderate-income consumers generally. Price reductions are quickly reflected in the index if they apply to items of standard quality on sale long enough and in a full enough assortment to be available to moderate-income consumers generally. That is, we record and use in the index reduced prices of, say, bed sheets if the sheets fall within our specifications, if they are of standard quality and if the prices are in effect two weeks or longer. On the other hand, if the sheets are of "off quality" or irregulars, or if the reduced price is in effect only a day or two, the price is not used in the index. This is important to bear in mind when you try to use the newspaper advertisements or store windows to foretell the general movement of retail prices.

What may we expect from here on? I am no prophet and prophecy is not one of the functions of my Bureau, but we can draw on common sense and common knowledge to foresee something of what lies ahead. In the first place, we have observed seasonal changes in food prices. Typically, these prices reach their seasonal low point in March and begin a slow rise which carries them to a seasonal plateau in the fall. If there were no other factors affecting food prices, we might expect an increase of about 2 to 3% between now and September. But of course we must never forget the fact that the weather can have a tremendous effect on food prices. A crop failure this summer could send food prices higher; bumper crops could push them down further.

It is a little more difficult to foresee what may happen in the next few months to prices of apparel and housefurnishings. On one hand there are many signs of healthy conditions: inventories are low, demand is still high, and both retailers and manufacturers are very sensitive to the need for meeting consumers' demands for acceptable quality at lower prices. On the other hand, costs and break-even points are high, setting limits on the amount of price reductions. There is the inevitable temptation to hold prices and reduce production to reach an equilibrium point, even though it may be at a lower level. This, of course, is the greatest danger that we face, because it is precisely this course which will lead to a downward spiral of contracting production, employment, purchasing power, and demand.

Prices Can Be Lowered

I think our experience in the past shows that engineers and sales managers can be very ingenious in redesigning production to maintain essential quality and still meet the demands for lower price tags. These changes may not always lead to lower prices in the economic sense—that is, price reductions on identical quality. In many cases such true reductions are possible through closer controls on costs and the economies that arise from availability of materials and stability of prices. In many other cases prices will be engineered and merchandised to meet consumers' ideas of what they can and will pay.

It is characteristic of such adjustments as these that they are no longer dominated by broad sweeps of economic changes such as those of 1919-20 and those of 1946-48. On the contrary, they are specific and selective in response to the market conditions of individual commodities. It is the characteristic of such a market that some prices will be going up while others are going down, while we grope toward that elusive goal, "the balanced price structure."

There are some kinds of prices which are more likely to move up than down. Rents, of course, can only rise. How fast and how far they rise will depend on the kind of rent control we have, but over a period of years, as the housing shortage is gradually eliminated and as controls are taken off, we may expect to see rents rising toward a more economic level. Note that even without rent control, rents, after the first war, continued to rise through 1923.

Many of the miscellaneous goods and services have probably not run the course of their rise—for example, hospital bills and the rates of many utilities. The rise in these laggard prices must always be kept in mind when we assess the effects of the declines that may be in prospect in some commodities and services.

When we look at these charts, the most striking thing about them (aside from the similarities between them) is how many of the last 35 years have been years of rapid price change and how few have been years of that kind of stability which we like to think of as "normal." If we pace off the years on the charts of the Consumers' Price Index, there are a total of about 14—about two-fifths of the total—when there was something approximating stability. There is the first postwar plateau from 1923 through 1929, when the fluctuations were comparatively minor; then there is the post-depression plateau from 1935 to 1940. For the rest of the time prices were moving either very rapidly up or very rapidly down—certainly more than are required to satisfy the functions of a dynamic economy. Considering that the years of stability were so few and that the two plateaus are separated by a difference of about 25% in level, it is no wonder that there is so much preoccupation with prices and their effects on the economy.

We are often asked: At what level will we find stability in the price structure and a stable relationship between prices and incomes? Personally, I do not think anyone can tell. Even when it is comparatively stable, our price structure is dynamic, with prices constantly moving in response to demand and supply, with costs and competition. Certainly a stable postwar price level would be well above the level of 1939, and we should hope somewhat below the peak levels of 1947-48. What is more important than the level itself is the economic environment in which we may expect to find it. I think we will recognize the approach of price stability because it will be neither clearly a buyers' market nor clearly a sellers' market; it will be a market with neither a shortage nor a glut of goods. It will be characterized by full and steadily expanding production and vigorous competition. It will reward efficient enterprise with healthy profits, and by the same token it will produce its crop of failures among the inefficient and the marginal enterprises.

Equally important is the relationship between prices and incomes. No price level can long remain stable unless it results in a healthy distribution of the national product between consumption and investment. This requires, on the one hand, consumer income sufficient to provide a steadily rising level of living; and, on the other hand, investment income sufficient to expand capacity and raise productivity. I think we have learned by now that if consumers' real incomes rise too fast and too far, in relation to increases in production and productivity, inflation will follow. But if profits and investment outstrip real incomes, we accumulate capacity and production in excess of purchasing power and deflation will follow. Historically, our productivity has increased at the rate of 3% per year, and there is every reason to believe that it will continue to increase. There is no reason why our level of living, too, cannot continue to increase, provided that we find the means to share it.

Girl Softball Champs To Play at Field Day

The sports program of the Bond Club Field Day on June 2 will be enlivened by a baseball game between two championship girls' softball terms, it was announced by Joshua A. Davis, Reynolds & Co., Chairman of the Field Day Baseball Committee.

The Raybestos Brakettes of Stratford, Conn., national champions in 1949, will play an exhibition game with the Arians of Linden, N. J., 1948 champions and last year's runner-up for the title.

Pitching for the Brakettes will be 20-year-old Barbara "Rusty" Abernethy whose 1949 record of 18 wins vs. two defeats included four no-hit, no-run games. "Chammy" Chamberlin, described as the most promising girl pitcher in the East, will be on the mound for the Arians.

Continued from first page

Our Hodge-Podge of Anti-Trust Laws

in terms of money—of financial aids, or subsidies. These are governmental crutches which may serve well enough to support an economic invalid, but—of themselves — they can do nothing to cure his basic affliction. Unless the government contemplates going into the crutch business permanently, therefore, the day must come when these businesses will be able to stand squarely on their own feet. So I can't help wondering if the President, in his program, has really probed down to the roots of the trouble.

Jobs in America for All

Certainly we must recognize the fact that for more than 300 years, our American economic system has provided employment for our people as our Nation has grown. Of course, there have been temporary periods of depression and famine — the "lean years" that have always beset both the agricultural and industrial advances of mankind since the days of Joseph and the Pharaohs. But over the centuries, generally, there have been jobs in America for all.

Now if what the President says is true—if our system is no longer fulfilling our employment needs in this day and hour when we are enjoying a relatively high peak of prosperity—then, somewhere, there is a monkey-wrench in the machinery. And since all of us here in this room are intimately acquainted with the working parts of our industrial economy, it seems to me that it's up to us to find the monkey-wrench before it is too late.

Let's look around. Here we are in Boston, the birthplace of American manufacturing and one of the Nation's great centers of investment capital.

More than 125 new manufacturing enterprises are established here in Greater Boston every year. So, clearly, we do have new businesses. Moreover Massachusetts has more investors in proportion to its population than any other State in the Union, and the savings deposits in Boston's banks are nearly three times the national average on a per capita basis. Clearly, therefore, there is available capital for business here.

Why is it then that we do not have more new businesses? Why are investors unwilling to risk more of their savings? Or, why are our people unwilling to seek more of this capital and to set themselves up in business?

As a mechanic who has had some slight experience with this great industrial machine of ours, it is my professional opinion that we will do well to look for that misplaced monkey-wrench in the Washington gear box. In fact it would not surprise me if we were to find several monkey-wrenches there.

Laws Discourage Investment

We shall certainly find tax laws that discourage investment and that encourage small businessmen to sell out, and to cash in on their capital gains.

We shall find widespread antagonism towards profits and a reluctance to recognize the facts of inflation. Everybody realizes that a worker who earned $30 a week in 1939 now has to get $51 in order to have the same amount of purchasing power. Yet few people seem to understand that the stockholder who got a $6 dividend in 1939, now has to get $10.20 on that same investment, just to break even in terms of our present-day, sixty-cent greenbacks.

We shall find other laws and attitudes that will certainly tend to discourage even the most venturesome newcomer to the field of business, but the biggest monkey-wrench of all—the greatest single drawback to the effective operation of our modern economic system—is the amazing but undeniable fact that the minute any man successfully establishes himself in any business nowadays, he automatically becomes a potential jailbird.

A Complete Hodge-Podge of Anti-Trust Laws

Yes, the truth is that we have on our Federal statute books today a complete hodge-podge of so-called "anti-trust" laws which have been allowed to grow, like Topsy, for 60 years, and which cannot be reconciled even with each other. And the only way a businessman can be sure of obeying them all is just to go broke.

Now gentlemen, I am not a lawyer and I'm not going to ask you to take my word for that. I shall merely read you a comment written by Supreme Court Justice Jackson when he was the head of the Anti-Trust Division in the Department of Justice. He said:

"It is impossible for a lawyer to determine what business conduct will be pronounced lawful by the Courts. This situation is embarrassing to businessmen wishing to obey the law and to Government officials attempting to enforce it."

In other words, gentlemen, nobody in business, in government, or anywhere else knows what the law is except the Supreme Court of the United States, and sometimes even the members of the Court don't seem to be too sure about it. In fact, the present judicial attitude towards our antimonopoly laws reminds me of a quotation from Ralph Waldo Emerson which is carved in large letters on the side of the new Hunter College building in New York, but which might be equally appropriate if chiseled on the marble walls of the Supreme Court building in Washington. It says:

"We are of different opinions at different hours; but we always may be said to be, at heart, on the side of truth."

Now that is a very commendable philosophy. An enlightened willingness to change one's mind from hour to hour may be a fine thing in the academic atmosphere of any College or of any Court, but speaking as a practical businessman, I can only say, "It's a helluva way to run a railroad."

Court Made Laws

So we come face to face with the fact that laws governing business are not really written in Congress, but in the Courts, and what five members of the Supreme Court say the law is, may be something vastly different from what Congress intended the law to be.

Again I do not ask you to take my word for it. I refer you to a quotation cited by United States Supreme Court Justice Burton in his dissenting opinion in the Cement Case. There it was pointed out that the basing point system had been in use by industry for half a century, and that Congress — after repeated study — had steadfastly refused to pass any of the bills proposing to outlaw it. Then it was said:

"We know of no criticism so often and so forcibly directed at the Courts—particularly the Federal Courts—as their propensity for usurping of Congress. If this pricing system which Congress, over the years, has steadfastly refused to declare illegal, is now to be outlawed by the Courts, it will mark the high tide in judicial usurpation."

Yet the Court as you know, did outlaw the selling methods used in the cement industry. The result was that the heads of more than 100,000 American businesses—men who had been conducting their affairs in a perfectly law-abiding manner — were suddenly confronted by the possibility of being classed as criminals.

Gentlemen, I don't have to tell you that if we persist in that kind of a system of law—and if we enforce it impartially against all offenders — virtually every business in America, big and small, is going to have to be run from Atlanta, Sing Sing, Leavenworth, or Alcatraz.

And that is no mere personal opinion on my part either. One of the severest critics of this legalistic merry-go-round we live on is Chairman Lowell Mason of the Federal Trade Commission, whose duty it is to enforce many of these laws, and who can therefore be regarded as one of the Nation's outstanding authorities on the subject.

He says:

"American business is being harassed, bled and even blackjacked under a preposterous crazyquilt system of laws, many of which are unintelligible, unenforceable and unfair. There is such a welter of laws governing interstate commerce that the government literally can find some charge to bring against any concern it chooses to prosecute. I say that this system is an outrage, and that it's time the government did something sensible about bringing its own operations up to the same standard of ethics that it expects of business."

Now those are strong words, coming from a member of the Federal Trade Commission and from a man who was appointed to that office by President Truman. Unfortunately, they are also true words.

"Everything Business Does Is Wrong"

The unhappy fact is that once a man goes into business, anything he does is wrong. We don't need a lawyer to tell us that. Most of us know it from our own personal experience. Let's take the question of competition, for example:

To a practical businessman — and stripped of a lot of legalistic gobbledygook — competition is a very simple thing. It exists when two or more companies are trying to sell similar products to the same customer. But when the businessman of today tries to compete in the open market, what happens?

If his product is of approximately the same quality as that of his competitor, if each competitor provides the same service, and if both enjoy equally good reputations for dependability and integrity, it is perfectly obvious that both are going to have to offer their wares at the same price in order to keep in the running.

But if both quote the same price, that fact alone is construed to be evidence of collusion and a violation of the Sherman Anti-Trust Law.

So our businessman cuts his price, tries to undersell his competitor, and thinks he's staying safely on the right side of the Sherman Act. Don't ever try that, my friends, because then you're in **real** trouble under the Robinson-Patman Act. Look what happened to Minneapolis-Honeywell, and to Standard Oil of Indiana when they tried to **cut their** prices to meet their competition. The A & P has been accused—among other things — of consistently **underselling** its competitors. And one of the charges in the suit that the Department of Justice has brought against Du Pont is that the company **lowered** the price of cellophane 21 times.

So if our businessman obeys the Sherman Law he is probably violating the Robinson-Patman Act, and if he obeys the Robinson-Patman Act he is almost sure to be violating the Sherman Anti-Trust Law. He can't lower his price safely, and he can't leave it where it is; so the only thing left for him to do is to **raise** it. There's no law against that, of course, except the law of supply and demand.

If he raises his price, and his competitors don't, he goes out of business. If his competitors do follow his lead and raise their prices too, he can stay in business, but he's right back where he started so far as the anti-trust laws are concerned, and in addition to that he is almost certain to get an "invitation"—or a subpoena—from Senator O'Mahoney and Congressman Celler. Whatever he does, he's sunk.

It's no wonder people are reluctant to rush in and start new businesses today. The only mystery to me is that any new businesses are started at all.

But that is only a part of the story. The laws governing competition and prices have been changed frequently. Mr. Mason puts it this way:

"In 1932," he says, "we put a pants presser in jail if he conspired to fix prices. In 1933 we put him in jail if he didn't. Next year, vice versa again.

"Later on, if he went into the coal business we assessed a heavy penalty against him if he didn't charge a fixed price. That is, of course, if the coal was soft. If it was hard—vice versa.

"Then take the meat packers. We made them get out of the retail chain store business in 1920. But now there are half a dozen big retail chains in the meat packing business. I guess the meat packers just went into the wrong business first."

Business Gets Discouraged

It is any wonder, gentlemen, that a businessman gets discouraged these days when not even his lawyer can figure out which end is up?

But that's not the end of his troubles either. In 1941, in the Rigid Conduit Case, the Federal Trade Commission's staff came up with a wonderful new theory. It decided that it didn't even have to go to the trouble of finding a businessman guilty of any transgression of the law. His personal guilt—or lack of it—didn't matter. If the Commission felt that there was a social danger involved, it could issue an order against him anyway.

Lowell Mason, in a recent speech before the American Steel Warehouse Association in Texas, pointed out that this interesting theory of justice—whereby a man could be penalized without being found guilty of anything — was introduced in Russia by Commissar Krylenko.

"It is not clear," he says, "whether the Federal Trade Commission got the idea from Krylenko, or whether Krylenko got it from the Commission."

In any event, he observes, Krylenko has since been liquidated; but the American authors of the same philosophy within the Commission have not.

These, then, are a few of the hurdles that confront the intrepid soul who would venture into the business world today—but they are only a few. A compilation of the orders already issued by the Federal Trade Commission shows that there are more than 2,200 different business practices that have been held to be illegal. So our newcomer in the field would, of course, do well to memorize this list with painstaking care before he even unlocks the door of his own office.

I shall not belabor the point further. I merely submit that when every businessman in America can be found guilty of violating the law, then there is something wrong with the law—and not with the businessman. From our theorists in Washington today, we hear a great deal about "tightening the loopholes" in our anti-monopoly legislation.

In heaven's name, gentlemen, what loopholes?

What we need is not a tightening of the laws, or a loosening of them, but a complete redefinition of lawful business conduct. To quote one final thought-provoking sentence from Lowell Mason: "The Comintern loves it when the men of America who govern, pit themselves against the men of America who produce, and it's time the government and business stopped playing cops and robbers with each other."

To that, I think all of us here will utter a profound "Amen."

It takes a man of real courage to go into business today, knowing that he must satisfy the conflicting demands of his workers, his stockholders, and his customers. Any man who can do that deserves to succeed for he is performing a great public service. And if he is willing to take such risks, it seems to me that he is entitled to look to his government for aid—not in the form of loans, or grants, or subsidies—but in the form of clean-cut, understandable rules which clearly mark the boundaries of good and lawful business practice.

The defining of those boundaries should not be left to those who hate business, to those who seek personal or poiltical power over it, nor to theorists who want to experiment with it. It is not a job for irresponsible underlings in Federal bureaus. It is a job which requires the highest skills of government officials who understand the problems of business, and of businessmen who understand the problems of government. It is a job—in short—for men who have a mutual respect for the rights of each other, and a common devotion to the welfare of America.

If the realistic and informed men of government will ever sit down with reasonable and experienced men of busniess and make up their collective mind as to what monopoly really is, what competition is, what business conduct is ethical and proper, and what business conduct is injurious and wrong, I think we will find fewer monkey-wrenches in the machinery, and the government will be able to get out of the crutch business in short order. I believe we need then have no fears about our economic system. It will continue —as it has for these past 330 years —to provide us with the jobs we need and the abundance of goods and services that has made America the wealthiest, happiest, and most secure nation in the world.

But all this is not just going to happen of its own accord. It is not going to happen at all unless we do something about it. As Americans we take pride in this historic city and in this historic State—in Faneuil Hall, the cradle of our precious liberties, and in the Bill of Rights which was forever to protect us from the petty tyrannies of thoughtless and indifferent government.

I can think of no more appropriate surroundings therefore in which to dedicate ourselves here and now to the task of winning from our Congress at Washington the one remaining right that today is unjustly denied to every businessman in America and to every man in America who may wish to go into business.

That is the right to be right!

Continued from page 5

In Defense of Formula Plans

were some day to rise to 600, spurred by inflation and fear of the dollar, it is true that investment accounts based on conventional formula plans would accrue but little appreciation and would suffer a serious loss of purchasing power.

There are plans, however, with sufficient flexibility to provide necessary inflation protection. For example, such a plan was worked out by a New England group a few years ago. Discussed at length by Garfield A. Drew in his (1948) book, "New Methods for Profit in the Stock Market," this investment method is known as the New England Plan. This plan is comprehensive in that it not only employs sufficient flexibility to cope with a permanently higher price plateau for stock prices, but it also employs two of the recognized precepts for successful investment results: (1) Let profits run and (2) never let a fair profit become a loss.

The New England Plan differs from conventional formula plans in a number of respects. The stocks used as mediums for the employment of the New England Plan are carefully selected on the basis of certain criteria. The best mediums are issues which are not subject to erratic market fluctuations. Dividend paying stocks in the "blue chip" class are generally used. As the plan is applied to individual stocks, it is particularly geared to needs of the individual investor.

How the Plan Operates

The first step in the operation of the New England Plan is the determination of the "expectable possible high" and the "expectable possible low" for the stock to be used. These may be defined as the extreme prices which the stock might be expected to reach in bull or bear markets of major proportions. To determine these extreme prices, a median line is first calculated by a moving average of ten years of price fluctuations. The "possible low" is then determined by the relationship of previous cyclical low points to that line. Hence, if the stock being used is definitely in a long-term uptrend, the "possible low" would be higher than the last major bottom. Conversely, it would become lower in the event of a secular downtrend developing in the stock. The "possible high" is computed in the same manner. A recalculation is made at the end of each year.

Zones Are Employed to Govern Amounts of Unit Purchases

Employing the same median line which, adjusted to other points, determines the "possible low," three zones are calculated from its relationship to previous cyclical highs and lows. The upper sixth of the range between the "possible high" and the "possible low" is then designated as an above-normal price area and the lower sixth as below-normal. The area between the upper and lower sixths is designated as the normal zone. If a start were made in the middle zone, scale-up or scale-down purchases of 25% are used. If a start were made in the below-normal zone, the initial commitment is 40%, followed by scale-up or scale-down purchases of 30%, 20% and 10%. In the very unlikely chance of a start being made when the price was even lower than the "possible low," a 100% invested position would be taken at once. If a start were made in the above-normal zone, the amounts purchased on a scale-down are reversed, i.e., 10% initially followed by 20%, 30% and finally 40% at the possible low. On the other hand, should the price rise even higher, all purchase units under the scale-up purchase provisions would remain at 10%.

Determination of Purchase Scales

Obviously, operations are conducted mostly in the normal zone where equal 25% commitments are used. The first tangible step in plan operation, therefore, is to purchase at the market the number of shares allowed by one-fourth of the fund allocated to operations in that particular issue. If the fund is $4,000, then $1,000 is used to buy the shares this amount allows, such as 20 shares of a $50 stock, 25 shares of a $40 stock, etc.

Now the purchase scale must be determined. Let it be assumed that the first market purchase resulted in 16 shares bought at 60. The "possible low" has been calculated to be 30¾. A table of logarithms shows that if purchases are made at 20% down intervals from 60, the fourth purchase will be at 30¾ (60 less 20% is 48; 48 less 20% is 38⅜; 38⅜ less 20% is 30¾).

Therefore, after the initial purchase of 16 shares at 60, an order is entered to buy 20 shares at 48. If the price drops to that point, more shares will have been bought at the lower price for the same amount of dollars. It is recognized, however, that the price may rise instead of declining. Thus, scale-up buying is employed; scale-up buying orders are placed at 60% of the downside interval. Therefore, an order to buy "on stop" is also entered above the market at 60% of the downside interval. The latter was 12 points, 60% of which is approximately 7¼ points. Hence, the other order is to buy 14 shares at 67¼ "on stop," meaning that it becomes an order to buy at the market when and if that price is reached.

Clearly, one or the other of these orders will be executed sooner or later. Let it be assumed that the price declines, giving the fund 20 shares at 48 in addition to the original 16 at 60. The buy-stop order at 67¼ is now cancelled, and another order is entered to buy 26 shares at 38⅜ (20% below 48) to take care of a further decline.

Clinching Profits

But the price may rise. In that event, a profit will accrue on the shares already held, costing an average of 53⅜ for 36 shares. Nothing is done here until a 12½% gain occurs, meaning in this case a price rise to the starting point of 60.

Rules for selling provide that when scale-down purchases show a 12½% gain from average cost, a stop-loss sell order shall be entered and progressively raised as the price rises. In the foregoing example, when the price rises to 60, thus showing a 12½% gain, a profit protecting order to sell on stop is entered half-way between the average cost and the point of 12½% gain, or 56¾. Should another 12½% gain accrue from 60 (to 67½) the stop order is moved to 60. Similarly, on another 12½% gain from 67½ (to 76) it would be moved up to 67½ and so on until an execution took place. Scale-up purchases are protected at 40% of the distance from cost to the next scale-up point whenever the latter is reached.

More Capital Growth from Growth Stocks

By thus taking advantage of the price fluctuations, it is possible with this plan to multiply and compound the capital appreciation that can be expected to accrue from growth equities, or from issues lacking growth, for that matter. Indeed, in certain types of declining markets the plan can actually achieve appreciation and, by its use, capital appreciation can be greatly enhanced compared with simply a "buy-and-hold" program. For example, during the decade of the '40's, Westinghouse Electric common stock showed only a 14% appreciation for the buy-and-hold investor, while this plan enabled a 75% appreciation thus increasing the buy-and-hold appreciation five-fold. Over the dozen years ending Dec. 31, 1949, the buy-and-hold investor in General Motors common stock saw his investment appreciate 12.7%. Had the buy-and-hold investor applied this plan to General Motors over this period, he would have secured an appreciation of 116%, over nine times better than his buy-and-hold result.

The Formula Principle With Inflation Protection Added

Through the use of profit-protecting stop-loss orders and provisions for scale-up buying, the New England Plan is geared to cope with a rise in the Dow-Jones Industrial Average to any height, and it is not subject to the criticisms which have been aimed at formula plans generally. This plan retains the basic formula plan principle that the same amount of money will buy more shares of stock at lower prices, but, at the same time, affords the inflation protection which conventional formula plans lack.

Amer. Cyanamid Stk. Underwritten by Over 100 Investment Firms

American Cyanamid Co. is offering to the holders of its common stock rights to subscribe at $102 per share for 498,849 shares of 3½% cumulative convertible preferred stock, series B (par $100) at the rate of one share for each seven shares of common stock held of record on May 16, 1950. The subscription rights will expire at 3 p.m. (EDT) June 2, 1950. The offering is being underwritten by a nationwide group of over 100 investment firms headed by White, Weld & Co.

The new preferred stock is convertible at any time prior to July 1, 1960 into common stock at the conversion price of $72 per share of common stock, taking the preferred stock at $100 per share.

Proceeds from the sale will be available for general corporate purposes, including capital expenditures for new plants and facilities. Among projects now contemplated are further expansion of facilities for the development and production of pharmaceutical products (including extensions to its plants for the production of aureomycin and animal protein factor) and the construction of additional capacity for manufacturing oil cracking catalysts, acrylonitrile and other chemicals.

The company and its subsidiaries are engaged primarily in the manufacture, purchase and sale of a widely diversified line of chemical, pharmaceutical and other allied products.

H. M. Gere Co.

SYRACUSE, N. Y.—H. Munro Gere has formed H. M. Gere Co. with offices at 205 Harrison Street to engage in a securities business.

J. B. Gundel & Co.

J. B. Gundel & Co., Inc., is engaging in a securities business from offices at 209 West 125th Street, New York City.

Public Utility Securities

By OWEN ELY

Electric Bond & Share Co.

Electric Bond and Share at one time was a "super" holding company with five great systems under its control—American Gas and Electric, American Power & Light, Electric Power & Light, National Power & Light and American & Foreign Power. American Gas and Electric was, of course, only partially controlled and later became a separate system "on its own." Electric Power & Light was dissolved last year and American distributed the greater part of its holdings early this year; National is only a shell awaiting distribution of remaining small assets.

Out of the Electric Power & Light dissolution Electric Bond received a 27% interest in United Gas, which the company hopes to retain. However, certain stockholder interests are anxious to have this distributed and the question is now being considered by the SEC.

The company also owns approximately 6 to 8% of the common stocks distributed by American. The company is under order to dispose of these by February, 1951. Thus only the American & Foreign Power holdings remain of the former Electric Bond utility holding company system. Foreign Power continues to grow but needs streamlining; a recap plan was approved sometime ago but failed of consummation. A new plan is now in preparation and may be presented to the SEC this summer; assuming that this does not differ too materially from the old plan, it will leave EBS with majority control, and since Foreign Power operates outside the United States it need not be dissolved.

Electric Bond and Share in recent years has also been building up its 100%-owned Ebasco Services into a huge construction and service company, extending its operations far outside the utility industry both at home and abroad. Ebasco now earns about $2,000,000 and has a huge backlog of orders.

Electric Bond does not plan to dissolve but has filed with SEC a plan to permit it to continue in business as a special investment company, with a pool of venture capital from sale of miscellaneous holdings of about $25 million. It would retain whatever it receives in a recapped Foreign Power, its United Gas interest and Ebasco Services. It would also utilize Ebasco Services to assist it in supplying venture capital in special situations.

The approximate net asset value of Electric Bond and Share is estimated as follows:

	Millions of Dollars	Per Share (5,250,000 shs.)
United Gas—2,871,000 shares at 18¼	$52.4	$10.00
Cash and Miscellaneous Stocks at recent market prices less $3.9 million bank loan	35.5	6.77
Ebasco Services—Earns about $2 million—value estimated at 5 times earnings	10.0	1.92
American & Foreign Power—various securities, which under the old recap plan would be exchangeable for—		
$8.1 million new Deb., valued at par	8.1	1.54
3.3 million shares new common stock—est. value 16, based on 5 times 1949 (preliminary) pro forma earnings of $3.20 a share	52.8	10.06
Total	$158.8	$30.29
Less reserve for possible required payment on preferred stocks stubs	12.3	2.35
	$146.5	$27.94

If Electric Bond and Share is forced to distribute United Gas this will about cut the market price in half—in other words, the stock would then sell around 10 with net assets estimated at about 18-20, depending on the amount of any payment against the preferred stubs (this question is also before the SEC awaiting decision). When the three cases to be decided by the SEC—the United Gas distribution, treatment of the stubs and the recapitalization of Foreign Power—are decided, it will, of course, be possible to make a much more accurate analysis of net asset value than the above.

In any event the stock may have some interest for wealthy investors because of the possible future tax-free dividends. The company has potential tax losses on its books said to approximate $200 million, largely from its big holdings in Foreign Power securities. Even after the recap plan of Foreign Power is consummated, it is understood that these losses will continue on the books. There are other losses on miscellaneous holdings which can probably be realized as these are sold from time to time. When miscellaneous tax losses ar used up it would, of course, be necessary to sell some small amounts of Foreign Power stock in order to continue tax-free dividend payments, but this could probably be done for some years.

It is estimated that with United Gas retained and some flow of dividends from Foreign Power (after recapitalization) the company might be able to pay, within a relatively short time, $1 or more a share, which (based on the recent price around 20) would afford a yield of about 5% on a tax-free basis. In 1949 the dividend (in Middle South Utilities stock) had a value of about 50¢ a share. In the past three years the value of dividends, plus rights offered to stockholders, aggregated more than $3.50 per share at the time received by stockholders.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership L. V. Butler of F. M. Crump & Co., Memphis, Tenn., and William F. Martin of W. F. Martin, Inc., Elkhart, Ind.

E. D. Jones, Jr. on Trip

Edward D. Jones, Jr., who represents Edward D. Jones & Co., 300 North Fourth Street, St. Louis, Mo., in Missouri and Illinois, is sailing May 29 on the S. S. Volendam for a two-months' vacation in France, Switzerland, Spain and Italy.

Continued from first page

As We See It

party has put in an appearance. It is, perhaps, more or less inevitable in the existing circumstances that this be true. Our system does not normally, or at all events not necessarily, give rise to an opposition leader such as Mr. Churchill in England. Our general system is not conducive to a closely knit, fully responsible party system, such as is found in Britain. The Republican National Committee, which might be expected to function in some such fashion, actually does not do so. Indeed there is an evident lack of assurance that it commands either the support or the admiration of influential elements within the party. Of course, there is a corresponding division (or should we say divisions) within the Democratic party, but a President in office with strong popular support such as that shown by Mr. Truman in 1948 can in large measure dictate broad party campaign strategy—even if much of it is not in full accord with the personal record or beliefs of prominent officeholders.

Much of all this was well illustrated last week when Senator Taft undertook a reply to some of the things that the President had been saying across the country. Senator Taft is one of the ablest men in the Congress of the United States. Along with less than a half dozen others he could be said to be the very ablest of the lot. His views carry great weight among large elements within his party. While we shall be obliged in the course of this discussion to find certain faults in what he had to say last week, we are more than glad to assert quite bluntly that we should welcome many, many more like him in both the Senate and the House of Representatives, and to add very emphatically that we should be deeply disappointed if any of his opponents in his State of Ohio should succeed in unseating him this autumn.

But of course the fact is, as all informed citizens know, there are important elements in the Republican party which are not ready to follow Senator Taft—at least not at present—and indeed who have ideas and, in some instances plans, which are definitely not consistent with those of the Senator. We are unable to find much support for the idea in the record, but it is nonetheless a fact that the Senator is rather widely believed to be a sort of spokesman for what are popularly termed the "reactionaries" or the "mossbacks" in the party. There are accordingly those, some of them in Congress, who by reason of possible misunderstandings "back home" are not over-eager to have themselves regarded as close followers or associates of Senator Taft. For our part, we should find most of them much more worthy of admiration if they exhibited more of the independence of mind and general intelligence characteristic of the Senator from Ohio. The point we are making, however, has for the moment nothing to do with such questions. It is merely that the Senator clearly does not speak with authority for his party or for a clear majority of his party.

His Words Important

The outstanding ability of the Senator and his influence do, however, render his recent thrusts at the President of more than passing interest. They are more rather than less important by reason of the fact that they illustrate at points the weakness of the opposition even when the opposing views are from the brain and the lips of Senator Taft. Much the larger part of the Senator's address was devoted to demolition of the President's arguments during the tour which the Chief Executive had just concluded. Here the Senator had no difficulty. The President was wide open, as they say, at least so far as intelligent, well-informed citizens are the judges, and the Senator is a keen, intelligent and formidable debater.

But with what would the Senator replace the Truman policies? The answers found in some of the Senator's sentences are certainly heartening—or would be if one did not study other sections of the address. One could scarcely ask for more heartening promises than these:

"A Republican Congress will return to the principles of thrift and sound fiscal policy on which this nation was built up. That's the best method of providing a foundation on which the economic machine can be kept running at a high rate of speed with full employment. It will readjust the tax system to reduce taxes on incentive, and create the channels through which the earnings of all income groups may flow into the productive enterprises which alone can make jobs."

Without commitment as to detail the thoughtful citizen would, we believe, be inclined to applaud the following sentences:

"Finally, a Republican Congress will be interested, as every man concerned in government must be interested, in promoting better education, better health, better housing, better security for our people, and better equality of opportunity for our children. The Federal Government can aid by research and education. It can give financial assistance where it is absolutely necessary, and where it can be done without destroying incentive or placing too great a drain on the Treasury. We believe that hardship and poverty can be eliminated in America without extending government welfare service and regimentation to the entire population, for such universal free service can bankrupt the government while it destroys the freedom and the character of the peple to whom it is extended."

But the Senator also says:

"It [the Republican Party] will not hesitate to use the power of government to prevent the abuses and excesses of a laissez-faire economic system, to protect a proper minimum wage, to protect farm prices in the market place, that will maintain agricultural purchasing power in reasonable relation to other groups in the population, and prevent any destruction of that purchasing power which could bring about another depression."

If these ideas are wholly free of Fair Deal notions, or are fully consistent with "sound fiscal policy" and much of the rest which the Senator so ably championed, then we do not understand what the gentleman is trying to say. We hope as time passes these apparent contradictions will be resolved in a way satisfactory to thoughtful men and women.

Continued from page 4

Unfavorable Contingencies In the Business Outlook

wartime scales of taxation into peacetime we are running the risk of drying up the sources of funds without which business expansion is limited, and of deadening the incentive for business to provide new jobs for the annual increment of from 700,000 to 1,000,000 in our labor force. We may find we can have enduring prosperity with our present scale of taxation, but the risk is great that we cannot. Of one thing we can be sure, however. If we were to reduce taxes over the years ahead we could be assured of a long period of expansion, prosperity, full employment and a rising standard of living.

Under the present conditions it may well be that the only economic stimulant powerful enough to provide insurance against a serious business relapse and to give assurance of a period of great business expansion is tax reduction. No other device can lower costs and prices enough to widen our markets, free a wider margin of consumer income for use in enlarging consumption and stimulate both saving and productive investment in new or expanded enterprise.

Taxes Can Be Reduced

The need for lower taxes is unmistakably imperative. And while tax reduction will not be easy to accomplish, the measures necessary should not be impossible of attainment.

Obviously we can no longer afford to forego the several hundred million dollars of economies per annum which could be realized by putting into effect the recommendations of the Hoover Commission. Moreover, it should be equally clear that all new spending programs by the Federal Government should be deferred until the level of expenditures required by a cold—but very expensive—war can be reduced materially.

Even in this fabulous country there is reason to doubt that we can support an adequate military establishment, maintain investment in new enterprise at indispensably high levels and embark on the socialistic extravagances which have been urged on Congress. It would be courting financial ruin to attempt to do all these things. And it is clear that this nation can forego further adventures in social welfare, since our citizens now have the highest standard of living and the highest real scale of social protection in the world.

There are in addition three major areas in which it would be possible to make substantial reductions in revenue requirements in the next few years:

(1) By allowing budgeted outlays in the Foreign Aid and the Veteran's Education Programs to run off according to original schedules, total expenditures would be gradually reduced to a point $6-7 billion per annum less than at present.

(2) A drain on the U. S. Treasury of about $2-3 billion a year could be avoided by restricting the outlays of Federal loan agencies to more conservative limits and requiring them to raise such funds as are necessary to their operations by sale of their own obligations — guaranteed by the Federal Government—in the open market.

(3) Substantial charges to the Federal budget could be eliminated by deferring public works projects until periods of slack private business, by placing more of them (when undertaken) on a revenue producing basis and by having these managed and financed by agencies which would raise the necessary funds through sale of their securities to the public instead of by drafts on the U. S. Treasury. The result would be a reduction of from $3-4 billion in annual revenue requirements.

The placing of Federal loan and public works agencies on a self-financing basis is admittedly a device which can be justified only when the overriding necessity is for tax reduction. It could—but need not necessarily — lead to abuses in operation and, in any event, it should be used only to reduce the tax burden—not to provide the government with easy access to funds for additional outlays.

Such an arrangement, moreover, is not as unconventional as it might at first appear; it would, in fact, be in line with the common practice of states and other political bodies in issuing securities to finance long-range investment or revenue-producing projects. It need not be inflationary if the Federal Reserve authorities were to hold a tight enough rein on the bank reserve position so that the organizations seeking funds in the open market would be forced to price them so that they would be attractive to non-bank investors.

Such measures as those listed above would enable Congress ultimately to bring the tax load to considerably less constrictive levels. And—as proved to be the case in the decade of the '20s—the stimulative effect of tax reduction might turn out to be so great as to produce higher dollar totals of revenue at the lower rates than we are likely to obtain if tax rates are not reduced.

"Let the People Do It Themselves"

While a change in financing techniques would facilitate a reduction in the tax load, the outlook would be much more propitious if the Federal Government could be induced to stop setting up and pouring billions of tax receipts or deficit funds into a complex network of politically administered loaning and investing organizations, to which are granted powers denied to private enterprise, and were instead to grant to privately organized, financed and managed organizations the powers they would need to handle such operations as may be done more effectively and efficiently outside the government.

If large amounts of funds are, in fact, needed for "venture capital" to develop new technological advances, for credit or capital for small businesses, for agriculture, for foreign investment, for mortgage investment, for rural electrification, for river valley, and for highway or airport development, should they not be supplied by privately organized, managed and financed organizations in which private investors and investment institutions could pool their resources and share the risks in such enterprises?

Many of the governmental agencies presently engaged in such activities are managed in a businesslike manner, but that cannot be said of all of them. The essential point, however, is that if their functions were assumed by private organizations, the revenue requirements of the Federal Government would be reduced enough so as to permit an absolutely essential reduction in taxes.

Private management of such undertakings would be in keeping with our traditions, for since early colonial days our people and their institutions have joined their resources of energy and funds and talent for socially worthy projects and for socially desirable philanthropies without taint of political or other interest.

A "let the people do it themselves" attitude on the part of Congress, coupled with a determination by our citizens to "do it themselves" will help us to retain our economic freedom, maintain our economic strength and alleviate the crushing burden of taxation.

Continued from page 6

Are Common Stocks Respectable? New Philosophy of Trustee Duties

that income from common stocks varies to a degree that makes generalization an impossibility, there are many common stocks that have paid regular dividends for decades, while others have averaged good returns over a period of years. In other words, it would be a relatively simple matter to sit down and work out a portfolio of perhaps 50 common stocks with an uninterrupted dividend record of a quarter of a century and which would be so diversified as to represent a fairly good cross-section of American industry. It would also be of more than passing interest to trace the pattern of income distribution on stocks of such relatively mature and conservative companies as for instance American Can, Union Carbide, duPont, F. W. Woolworth, etc. For example, we would find that in the case of American Can, one share bought back in the early 1920s would now be the equivalent of 4½ shares, now paying $4 per share, or total dividend distributions on an adjusted basis of $18 per share. American Can reached a low of around 21¾ in the 1920-21 period.

In the case of duPont, this stock has multiplied roughly 28 times since 1926 so that with current dividends at the rate of $3 annually, the 1926 buyer would now be receiving dividends at the rate of $84 yearly on his original $360 investment made 24 years ago. This is a more or less typical example of what we have in mind when we talk about growth stocks, and certainly the Chemical Industry has all of the characteristics of a growth industry.

Diversification by industry is essential and is aimed at protection against errors in judgment and unexpected turns in the development of industry. It is impossible for even the most able student to pick out a certain industry and say "this is it!" It is possible, on the other hand, to say with reasonable assurance that industries A, B and C have relatively better prospects today than industries X, Y and Z. Frequently, it is posible to pick out several industries and say that on the average they have good prospects of growth.

Naturally, the conservative approach to trust investing precludes any attempt to participate in the growth of new, although promising industries, because of the speculative risk involved. For instance, we hear a great deal today about the potentialities in the television field and profits to be gained if you select the right company. The same general story was more or less true years ago in the field of automobile manufacture. The individual who, for instance, chose General Motors or Chrysler Corporation has been generously rewarded but most of us can recall names of many cars which long since have disappeared from the highways. What happened to the Star? Or the Auburn, the Jordan, the Cole, the Stanley Steamer, etc.?

Speaking of growth potentialities, it has been said that the automobile, as a new way of transportation took the American family out of the home and started the trend toward suburban living and decentralization of industry. The airplane, another new way of transportation took the isolationism out of our international relations. The refrigerator, a new way of food preservation, took the ice man out of the home. Radio, a new way of communication, took the Republicans out of the White House. Possibly the Republicans will call upon television to bring them back into the White House.

The "Blue Chip" Stocks

Common stock investment selections by the average trustee will undoubtedly be confined to what are so frequently referred to as "blue chips." Of course, the reason these are blue chips is that over a period of time they have met the tests of sound management and financial strength, have given at least average market performance and the individual companies are regarded as among the leaders in their respective fields. Gambles would not be justified nor could they be explained.

Where emphasis is on principal protection, but with better yields than can be obtained on highest grade bonds, consideration may be given to bank and insurance company stocks. Bank stocks are accorded high investment standing and dividend records over a period of years, in good and bad times, have been satisfactory. While not a growth industry in the strict sense of the word the outlook on the whole is fair. Average yields in the neighborhood of 4% coupled with relative market stability would seem to qualify this group as a conservative trust investment.

Insurance stocks, particularly fire and casualty companies, command good investment rating. Financial strength, diversification and limited cyclical characteristics are among the industry's outstanding factors. Yields are satisfactory, quality considered, and increases in return are foreseen over the intermediate term. The important investment portfolios of these companies provide in themselves a conservative general investment.

High on the list of preferred industries would probably be public utilities with their record of stability of earnings and dividend distributions coupled with slow but steady growth. In this connection individual selections should place emphasis on the nature of the territory served and the attitude of regulatory bodies in the area. Consumer groups generally are, as a rule, less sensitive to the industrial cycle and in this category food and food chain equities have much to recommend them. Tobacco stocks, particularly leading cigarette companies, have proven satisfactory holdings over a period of time.

Stocks of companies in basic industries such as petroleum, automobile manufacture and electrical equipment are cyclical by nature and therefore require more emphasis on timing, but under proper conditions they deserve a place in any well diversified stock portfolio. Steel company shares, even more volatile, have little to recommend them from a strictly investment standpoint.

Diversification Principles

It was mentioned earlier that diversification as to industry is of great importance. Just what percentages of the total stock portfolio should be allocated to specific industry groups would vary in accordance with the outlook and position of these industries at a given time. All of this leads to the fact that common stock investing makes for more work, involves additional responsibilities for the trustee. Many of the smaller banks may feel that the expense involved is out of proportion to the remuneration received but in spite of this it is my opinion that this is a definite trend of the times and that steps must be taken to meet the competition. Some help in this direction is available from correspondent banks in larger cities, and certain investment firms with fully staffed Research Departments are continually publishing material which should be of great value to the average trust officer. For small trusts, and where trust indentures permit we would strongly recommend the common trust fund which banks in Pennsylvania have operated with success over a period of years. This common trust fund idea appears to be spreading rapidly in New York State as a result of more practicable legislation but Pennsylvania continues to set the pace in this direction.

What About Stock Prices?

Now to the $64 question, "What would you do with common stock money at these market levels?" As a result of a practically uninterrupted 11-months advance, average industrial stock prices are at historically high levels—highest in about 20 years. Certainly this fact in itself invites caution and a close study of each situation. Furthermore, every point advance in the averages from here means that we should be that much more conservative in our approach. As a trustee yours is not, and cannot be, the short-term viewpoint. Intermediate market swings must be disregarded. I would like to tell you of my experience with a fund with which I have been identified as financial advisor for the past several years. I believe the handling of this fund and results obtained may serve to bring out a number of basic points which definitely apply to trust investing today.

This is a charitable fund which during the war years accumulated some $15 million and which quite properly during that time was invested in U. S. Government bonds. Current returns was not a factor and, of course, there was no tax problem. The beneficiaries of this fund are deserving individuals in temporary financial straits. At the end of the war the trustees were confronted with various alternatives Demands on the fund were increasing day-by-day while the rate of return was fixed, and at a comparatively low rate. There were no investment restrictions but the nature of the trust and its objectives precluded other than conservative investment practice. Should the trustees invade principal, which they had the right to do? Should they restrict their activities to a minimum, or should they attempt to increase the overall investment return through diversifying their portfolio? After considerable thought and deliberation it was decided to take steps in the latter direction.

The problem is particularly interesting at this time because of the fact that by the time this decision had been reached, market averages were very close to current levels, historically high — in the general vicinity of 200 for the Dow-Jones Industrial Averages. At that time we pointed out to the trustees that we believed that if faced with this problem a conservative corporate trustee might be inclined to suggest maintaining a ratio of 65% in U. S. Government obligations and placing the balance, or 35%, in sound investment-type common stocks. This 35%, however, would be a goal and not necessarily an immediate objective.

We pointed out that "timing" should be a primary consideration in the purchase of common stocks for investment and similarly that no security could be "bought and forgotten." For that reason we suggested putting only 15% of the total value of the fund in common stocks at the time. The individual issues which were selected represented the best stocks we knew how to buy and purchases were made on a long-term basis. This meant that having satisfied ourselves as to their intrinsic merit we would be inclined to continue with them, unless these were basic changes in that industry, or in the position of the individual company within that industry. Subsequently when the market declined in the Fall of 1946 we added another 5% in carefully selected stocks.

Under careful supervision and constant review we have in the interim added to the common stock portfolio until today it represents 35% of the total fund. Naturally there have been times during these years when market quotations for many of the stocks held were below cost prices, but this was relatively unimportant since the main objective, that of increasing income with good quality stocks, was being realized. As a matter of fact, it is interesting to note that today the 35% invested in common stocks is currently producing considerably more income for the fund than the 65% in U. S. Government obligations. Since this is a particularly good time to look at a common stock portfolio from a market standpoint it is also pleasant to record that the entire portfolio now represents an increase in dollar value. Not only has the fund been able to meet its demands without invading principal but the trustees have been able to broaden their activities beyond the scope of their original expectation.

Cautious Approach Needed

A lesson which might be drawn from the above would be the necessity of cautious approach in the matter of common stock purchases at these high market levels. Where income is of paramount importance, where money must be put to work, it would seem that some attempt should be made to average costs over a period of time. For instance the fact that trustees under the New York laws may purchase common stocks up to 35% of the value of the fund as of July 1 does not necessarily mean that on that date all trustees will immediately step into the market to that extent. In other words, this is a permit and not a directive. It also means that these purchases would be made only in such securities and under such conditions as prudent men of discretion and intelligence in such matters, bent on securing a reasonable income and the preservation of their capital, would make for their personal funds.

Effect of Trust Buying of Common Stock

The extent of this trust buying and its influence on high-grade common stock quotations cannot be estimated at this time but unquestionably it will be at least a supporting factor. Further than that, the law may not only unfreeze "legal trusts" but it may provide official encouragement to others, who up to now may have been proceeding with "due care."

Other reasons for continued buying support of investment-type common stocks include the growth of the pension fund idea and the substantial funds being invested by open-end investment trusts. Particularly as regards pension funds there is not only the matter of funds recently set up but it has come to our attention that a number of funds which have been in operation for a period of years and have previously confined their purchases to bonds and high-grade preferred stocks, have recently changed their policy to include a diversified list of good quality common stocks.

The earnings and dividend outlook for the year appears fairly satisfactory. While certain industries may report lower earnings for 1950 than were reported for 1949 this may not result in a reduction in the total amount of dividends distributed. Many companies are now in a position to distribute a larger percentage of earnings than was the case in the immediate postwar years when expansion programs necessitated the retention of substantial funds for that program. Thus with the average yield on 200 stocks currently estimated at roughly 6¼%, as compared with an average yield of 2.58% on AAA rated bonds, it seems reasonable to expect a continuation of the demand for sound dividend-paying stocks on the part of trustees and institutional investors.

It is usually a good policy to look for possible flaws in a picture which seems so favorable at the present time. Looking back, the inventory readjustment of 1949 was mild and its duration was cut short by the unsatiated demand from the heavy industries, such as motors, building, electrical equipment, pipe-lines and steel. Due in part to strikes, there are still some shortages in heavy industries but these are rapidly being satisfied. Other problems, which are stories by themselves, include our declining exports and increasing competition in foreign markets; declining farm income from high levels and farm surpluses which may become more unmanageable during each good crop year.

The foreign situation is daily headline news. Continued ECA spending, and perhaps later on aid for Southeastern Asia, and further upward revision of defense expenditures seem to be reasonable expectations. While taxes may not be increased in an election year this might not be the case in 1951 if the deficit continues to widen. In view of all of this we feel that selectivity is of the utmost importance and that portfolios should be well-balanced and ready for any possible surprises.

In conclusion, in those trusts where the trustee is free from legal or indenture restrictions, he should not feel that he has completely fulfilled his obligations when he has been satisfied with using his best efforts to conserve the principal value of the assets turned over to him. His investment policy should be elastic so that it can be readily adjusted to meet changing conditions in this changing world, and he should make every attempt to take full advantage of the maze of material, statistical data and reports which are available to him through ordinary channels. You owe it to your trust customers, to your individual institutions, and to the trust fraternity in general to do this important job to the best interests of all concerned.

Interstate Pow. Com. Stock Offered by Blyth

Public offering of 275,000 additional shares of common stock of Interstate Power Co. was made on May 23 by Blyth & Co., Inc. The stock is priced at $9.25 per share and was awarded to the investment firm at competitive sale on May 22 when the utility also sold issues of first mortgage bonds and preferred stock.

Proceeds from the three sales will be used for the redemption of $5,000,000 outstanding first mortgage bonds, 4½% series due 1978, and to pay off a $2,400,000 promissory note. Balance of the proceeds will be used to finance the company's construction program, under which approximately $12,-300,000 will be spent in 1950 and 1951.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Clarence M. Blair and H. Pearl McBeth are associated with Waddell & Reed, Inc., of Kansas City.

Continued from page 10

After Marshall Plan Aid

She has been able to export large amounts of sterling capital and to improve her international position; but this was largely done by building up rather than reducing the barriers against dollar trade. The British commercial or financial position stands or falls with the soft currency system; the scarcity of dollars in almost two-thirds of the world in effect provides Britain with a deficit area in which to operate.

The sharp decline of American exports has greatly reduced the foreign demand for dollars. Most ECA countries and especially Great Britain, have sharply reduced the dollar gap. Thus the further flow of Marshall aid and Government credit is largely used to finance an international flight of capital.

Last year's U. S. surplus in the balance of payment amounted to $6.1 billion, of which U. S. Government aid (grants and loans) amounted to $5.7 billion. American investments amounted to $500 million and private donations to another $500 million. International Monetary Fund and World Bank supplied $100 million. In addition, the U. S. bought gold for $200 million. Thus foreign countries had a dollar supply of about $7 billion, while $6.1 billion were needed in order to pay for the U. S. export surplus of goods, services and investment income.

Thus there was an oversupply of dollars, in spite of a dollar shortage in a number of countries and increased difficulties for American exporters.

This year's balance of payments will supply even a greater dollar surplus to the foreign world.

Some Basic Changes

What is the reason for these failures of ECA and for some of the failures of foreign policy?

In my opinion, these failures are due partly to lack of realism. For example, certain goals were set for restoration of European production. It seems to me that these failed to recognize the economic changes that have taken place.

First of all, European sources of invisible dollar income had either disappeared during the war or had become decidedly limited. European powers have either lost control of former colonies, or maintain control only by the use of armed forces at great cost.

These colonial areas are not producing the revenue that they used to. Moreover, a dilemma is posed for both the U. S. and foreign Governments. Private capital from the U. S. will avoid these areas, if they are to remain under the political control of the old Imperial systems. Foreign governments, however, badly as capital is needed, are unwilling to write these areas off. Consequently, areas that were previously an important source of dollar income are now piling up deficits for Western Europe.

A second factor that was ignored is the extent to which Western Europe used to depend on trade with Eastern Europe. ECA help has been given at a time when the cold war has been developing and when many fears of a hot war have been expressed. As a result, the trade between Eastern and Western Europe has declined to such low levels that the original estimates for the reconstruction of Western Europe, which were based on a revival of East-West trade, are completely outdated.

No one knows how far this development can be reversed and how permanent it can be, but it is certain that the economic balance of Western Europe has been thoroughly upset by the shrinkage of East-West trade. This applies especially to Germany, but also to other Western European countries.

The desperate attempt of Western Europe to balance its economies would mean an intensified effort to conquer additional markets in the Western world, in competition with American and also Japanese manufactures. Western Europe would also need a restoration of its colonial empires, with American military or financial aid, for any return to the status quo. But this kind of compensation to Western Europe, for the losses they suffered in Eastern and Central Europe, is not possible.

As a result, these countries will remain as deficit economies, relying on American financial aid. Whenever this kind of deficit balancing becomes too difficult, they will have to seek their own agreements with Eastern Europe — that means Russia — and this would mean a cancellation of the plans on which the Atlantic Pact and America's defense are based.

This is the conclusion we must draw if we are realistic about the successes and failures of the ECA program. There may be other factors which will change the course of developments—an early war, or changes in the Eastern sphere which will start an open disintegration of the Russian Empire. But these are a matter of speculation and the timetable for such developments cannot be accurately estimated.

Britain's Special Position

Another mistake of planning officials was to ignore the special position of Great Britain. That country's refusal to join the type of inter-European clearing system sponsored by Mr. Hoffman reflects that country's determination to extend the sterling sphere. Dollar trade, if this formula is carried out, would be more or less excluded, and Britain would make itself the center of a European clearing system. France, on the other hand, wants itself to become the clearing center for Europe.

Britain has been quite successful in rebuilding her sterling position, which threatened to collapse right after the war. It is now estimated that about half of the world's trade is being conducted on a sterling basis. Signing of new bilateral agreements and multilateral agreements, which would provide for transfers of sterling accounts within the sterling area, would probably boost this figure to about 66%.

However, this triumph of sterling trade does not mean a restoration of London's prewar position. Britain and Western Europe have always had a large deficit in trade with the U. S. Before the war, however, they obtained large dollar surpluses in three-cornered trade with colonial countries, particularly in Southeast Asia.

A European clearing system without Great Britain would solve no problems. If Great Britain can participate on her terms, however, it means further limitations on dollar trade. Furthermore, a clearing system under any conditions would not imply a solution of present problems, since there would still be various types of controls and restrictions which would nullify its effects.

What Britain would really risk in such a setup is the creation of a European foreign exchange system which would be independent of the City of London, and which would compete with the sterling system. Then clearing and other monetary funds would not be held in London.

Britain is trying to solve her own financial problems by attracting again the monetary surplus funds of the world, and thus direct the outflow of capital. This hope cannot be realized. But the attempt will be made. It has dangerous implications. For Britain would have to borrow short-term and to lend long-term or in high-risk areas. The danger of a new collapse of the financial system could be minimized only through a system of drastic controls and curbs, which would be directed especially against the outflow of capital into the dollar areas and against dollar imports.

Meanwhile, Great Britain is putting on an intensive export drive. Hopes are expressed that the volume of exports to the U. S. in 1950-51 can be increased 42% above the 1948-49 level, and that this can be followed by a further gain of 60% in the following year. This estimate, however, assumes a high and rising level of prosperity in the U. S. If this fails to develop, the estimate is entirely unrealistic. It is easy to draw up such a balance sheet, on a highly favorable basis.

All it implies, however, is that the U. S. is made responsible for expansion of world trade and production. The U. S. is supposed to finance not only a high level of prosperity in the U. S. but also in the sterling area. Otherwise, the U. S. itself will be held responsible for the failure of ECA.

There is another contradiction which should be pointed out. The American task to finance prosperity conditions and deficits and the balance of payments in the entire Western world, and especially in the sterling area, requires large scale deficit spending in the U. S. One of the goals of ECA—balanced budgets in ECA countries—can be achieved only by unbalancing the American budget. The ultimate result of continuous deficit spending and financing is an undermining of currency values.

Conclusions

I'm afraid I can't be optimistic about what will happen after ECA ends. Barring a new war by that time, our exports will drop sharply.

This involves more than a question of dollar supplies. I am not too optimistic about the success of a European clearing system or about progress toward the elimination of exchange restrictions and trade controls.

On the contrary, we already get reports that evidence of depression in Europe is accumulating. Surpluses are developing in such basic industries as coal and steel. At the same time, Germany will have to have more of a market, or we will find our political problems impossible. This means greater competition on world markets. It also means that most European countries will protect themselves in any way they can by tighter controls and discriminatory measures aimed at hard currency areas.

As I have pointed out, the U. S. has been expected to finance its own deficits and those of Western Europe. Now a new phase is beginning. The U. S. will be expected to finance its own defense and greatly increase its share in financing European defense.

What we do about questions of this sort has a direct bearing on relations with Western Europe and on world trade. ECA originally assumed that East-West trade in Europe would revive. The cold war, however, prevented this. As long as the U. S. had the atom bomb and Russia didn't, Western Europe was inclined to follow our lead in both political and economic policies. Thus the original Marshall plan gave us the initiative in foreign affairs.

Now, however, this situation has changed. Western Europe sees itself, not as being allied with the only nation having the atom bomb, but as being in the difficult position of being caught between two nations, each of which has the atom bomb. Much more is heard now about neutrality in case of another war, and less about cooperation with U. S. policies.

In short, the U. S. lost a great deal of initiative in foreign affairs, both political and economic, when it lost its monopoly in the atomic field. I think we may draw the practical conclusion that the end of ECA will intensify the search of Western European countries for new markets. In the coming phase of developments, Russia will be able to make trade offers, restoring the East-West interchange of goods on which Western Europe depended before the war, if these countries will declare their neutrality in any new conflict. Thus the economic problem of Europe is tied up directly with the defense problem of the United States.

Securities Salesman's Corner

By JOHN DUTTON

A wise man once said, "Be Yourself." He could have well added, "But make the most of what you have." The reason I am prefacing this week's idea on selling with these remarks, is that I want to tell you about a man who has developed a reputation for knowing his business. But he does it his way. If you feel that the one point which I want to emphasize is worth trying in your work, you will of course, suit the shoe to the foot. You won't try to do it his way. Nothing is more self-defeating in sales work than to try something that belongs to someone else and as a result it is transparently artificial to the other fellow.

For many years this man has been selling real estate and general insurance. Today people from all around his community come to his office for advice. Before they buy a piece of income property, or a home, or send their sons to college, or go into a business, they ask his opinion. He knows his business which is to be expected; but many people know their business and never achieve a reputation for the sort of judgment and wisdom to which we are referring here. I have observed several instances, both in this man's home and in his office, when some of his friends or clients have come to ask advice. One thing stands out. He is **definite.** He answers categorically; it's either yes or no. He doesn't hedge, hem, or haw. If a thing is good he says so. If it is best for the client, and may even mean a lost commission for him, he says so. And he says so **more definitely** in these cases than at other times. In one case where he was asked if he thought the value of a certain residential property would be a good investment for people who were considering its purchase as a home in which to live, he replied, "Don't expect your home to be an investment upon which you may make money. Homes are not investments except in happiness and as a place to live. If you want a good investment don't buy any home on that basis. Buy something else for an investment and buy on an investment basis. If you like the home and you can afford it, **buy it.** It all depends upon whether you want to live there now, that is what you should consider."

So his first point is that he is **definite.** The second point is that he has facts to back him up. I've heard him discuss insurance with friends while we were sitting in his study at home. Not to sell them, mind you, but as an interesting conversational topic. He had them all at rapt attention. He illustrated his points with cases, with knowledge of the pitfalls in contracts, of undercoverage and holes in programs, of new fields of risk that he had helped cover, even to the extent of rewriting certain clauses in policies with the assistance of his home office legal and statistical departments. He knows a lot more about his business and many other things, than most people who are constantly searching for everything but knowledge these days. He has read for an hour or more almost every night of his life—and he has been doing this ever since he was a young man out of college.

So he is **definite.** And he has a background of information and knowledge. But there is one more thing. He is **honest.** He is honest with himself, with his friends and with his clients. Why do people come to him about all sorts of things? They can trust his **motives** as well as his judgment.

Almost every community has its seer. Everywhere you go, in practically every line of business based upon service, such as real estate, insurance, etc., there are men who have developed a sound repeat business based upon a reputation for integrity. The investment securities business can be developed in the same way. It may be a bit more difficult at times to control the public's desire for speculations and unsound investment but eventually a business based upon **knowledge of what is sound, plus no compromise with expediency, while being definite in your recommendations,** will bring results.

Halsey, Stuart Group Offers MOP Equip. Ctfs.

A group headed by Halsey, Stuart & Co., Inc., on May 19 publicly offered $4,125,000 Missouri Pacific RR. Co. 2⅜% serial equipment trust certificates, series OO, maturing annually June 1, 1951 to June 1, 1965, inclusive, at prices to yield from 1.50% to 2.65%, according to maturity. Issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

Proceeds from the sale will be used by the railroad to finance, in part, the purchase of 30 new Diesel-Electric locomotives which will cost not less than $5,175,553.

Crooks Vice-Chairman Of NYSE Board

Richard M. Crooks, a partner of Thomson & McKinnon and a member of the Exchange since 1941, was elected Vice-Chairman of the Board of Governors. Mr. Crooks has been a Governor of the Exchange for the past four years. He succeeds as Vice-Chairman William K. Beckers, whose term as a Governor expired on May 15.

Mr. Crooks entered the securities business in August, 1928, as an employee of Jacquelin & DeCoppet. He became associated with his present firm, as an employee, in November, 1928. He resides in Jersey City, N. J.

Continued from page 11

World Trade and Point IV Program

approval and advice of the International Bank.

Its aim is to encourage the investment of private long-term capital in the balanced development of the Turkish economy. The Turkish government is cooperating by guaranteeing a minimum dividend of 6% to stockholders, and the stockholders have agreed to accept no more than 12% on their investment, which is less than private capital normally expects to earn in Turkey.

The formation of this new bank is of great interest as an example of the way in which private capital, government, and a United Nations agency can combine their skills and their money to encourage private investment and to create a climate conducive to large-scale private investment later on.

The bank will be staffed with technical advisers who will guide loan capital into enterprises contributing to the balanced economic development of Turkey.

Of special interest to American investors is the help which this bank plans to make available to those in other countries who wish to invest in Turkey. The bank will have available a wide range of information on local conditions and investment opportunities, and will be in a position to bring Turkish capital and capital from other nations together.

The Chilean Development Corporation

The mixing of private and public capital for economic development in underdeveloped countries is not new. It has gone on for centuries. In the Twentieth Century, we are devising new variations on the old theme. One of the most interesting of these modern mixtures of public and private money has been devised in Chile, where the Chilean Development Corporation has been operating with marked success since 1939. This Corporation was created as the result of the disastrous earthquake in 1939, which virtually destroyed many small towns and villages and seriously damaged some larger cities. The Development Corporation is a government agency responsible for encouraging the balanced economic growth of Chile. Some enterprises are operated directly by the Corporation, but its most important achievement has been the encouragement of new enterprises which are financed jointly by the Chilean Government and by private business and managed by businessmen themselves. The United States General Tire Co. was invited to set up a factory in Chile. The factory is now in operation and is making its contribution to the Chilean economy. It is also making money for itself. Another plan established by the Corporation imports refrigerator motors and other parts from the United States; then builds cases and makes the final assembly in Chile. The Corporation has participated, directly or indirectly, in dozens of new projects covering a wide range of industries, including lumbering, textiles, mining, copper products, irrigation, and many others.

Partly as a result of the encouragement given by the Development Corporation, many U. S. firms have entered into agreements with Chilean businessmen by means of which new industries of many kinds have been established. Sometimes these agreements consist of licensing arrangements, which permit the Chilean firm to use processes and techniques developed by the U. S. firm. Sometimes the stock in the new industries is controlled by the U. S. firm and sometimes by the Chilean firm. Though most of the new private capital investment is being made by the United States, businessmen in other countries are also participating.

What has happened in Chile has happened in other countries of South America. Venezuela has its development corporation, established in 1946 to diversify the economy of a country which had become rich though somewhat unbalanced through the development of its vast reserves of petroleum by American and British oil companies. Similar corporations have been established in other parts of the world.

I have described two relatively new patterns of mixed investment; but there is another type which is by now almost standard practice in many parts of the world. For many years American firms have sought affiliates in foreign countries for the manufacture or assembly of their products. Since the end of the war, however, the number and kinds of these arrangements have increased rapidly. Sometimes American participation in these firms consists of providing drawings and specifications of the products to be produced and undertaking to train and supervise local employees in the principles of modern plant layout, operation, merchandising, research and management. Sometimes the American firm holds a majority, sometimes a minority, of the stock. It may require that products and methods of operation will be subject to its approval. Joint arrangements of this kind have flourished in many Latin American countries; they are probably most numerous in Mexico and in Brazil. The result is that American manufacturers operating in foreign countries enjoy increased markets for their products—markets which might otherwise not exist in face of the dollar shortage. On the other hand, the firm can pay employees in local currency and the foreign country gains access to modern research and manufacturing techniques far beyond its financial ability to provide for itself.

Many U. S. businessmen are reluctant to venture their capital in foreign investments unless they can operate with the same rights they would enjoy within the United States. We should try to gain these rights for American investors. At the same time we must realize that customs and ways of doing business in other countries are different from our own.

It is of the greatest importance to repeat that the United States covets no territory and has no intention of interfering with the political structure or political affairs of any other nation. Neither do we covet for ourselves any economic power which could be broadened so as to constitute a control—either in whole or in part—of the government of any independent state. This is our official policy. It is also our rule of practice.

Through strengthening the economics of other countries we can raise the levels of trade. We must go about the task of strengthening these economies in many ways. There is no magic formula, no simple solution, for achieving this objective.

In our enthusiasm for far places we should not forget our good neighbors in this hemisphere. We need their resources, and their skills as much as they need our experience and a knowledge of our business methods. The future of the world depends upon the strength of America. The strength of America is the strength of all the Americas.

Above all, we must cherish hope. We have seen hope disappear in nations which rely upon the force of fear. The hope which free and progressive peoples enjoy must be held out to those who are now without hope. We have the material resources and the experience with which we can bring hope to some less fortunate peoples. We must move ahead step by step, building a world in which hope is nourished by constant and tangible progress.

* * *

Means of Closing Dollar Gap

Speaking at the World Trade Week-Stephen Girard Day Dinner of the Philadelphia Chamber of Commerce on May 24, Secretary Sawyer outlined the chances and means of closing the current "dollar gap" in the following remarks:

What are the chances of closing the gap by raising the imports of finished manufactures and manufactured foodstuffs? Such imports have not been, and are not now, the biggest dollar earners for the rest of the world, although they may be extremely important to some nations. Before the war, these two classes of imports together amounted to 35% of all imports, and in 1949 they accounted for 30%.

The big dollar earners were, and continue to be, crude materials, semi-manufactures, and crude foodstuffs. Zinc, tin, nickel and copper and petroleum are growing imports. As the rich Mesabi range is depleted, our imports of iron ore from Venezuela, Labrador and Liberia will increase. Imports of paper keep going up. Coffee, cane sugar, and spices are growing imports.

Despite the postwar consumption of synthetic rubber, our imports of natural rubber in the period 1947-49 were about 40% larger in quantity and over 55% greater in value than in the prewar period.

All this means that as our economy continues to expand, the possibilities for sales to us expand also. As we keep the United States economy strong, we can increase our imports.

Foreign nations have other ways of earning dollars. They earn dollars from their investments in the United States; they earn dollars carrying cargoes; they earn dollars by selling marine and other insurance; they earn dollars supplying American tourists with enriching experience as well as selling them transportation, food, drink and presents for friends back home. Sometimes people in the old countries receive dollars sent by relatives in America. These dollar-earning sources remain. Estimates of American tourist expenditures in 1950 indicate $800 million—an increase of $100 million over 1949.

We will, of course, try the well-known ways of increasing the capacities of other nations to earn dollars from the United States. However, I believe that other approaches also hold promise of success if worked at hard and boldly enough by private businessmen with some help, if necessary, from their governments.

We must seek to restore the multilateral pattern of trade among nations. Healthy international trade cannot be just a series of two-way streets radiating out from the United States, or from any other single nation. It is, or should be, an intricate web of interlocking roads and highways. At present there are too many "road closed," "detour" and "private, no trespassing" signs.

Increased trade between dollar-short and dollar-long nations will help restore a healthy balance. The United States pays out dollars to nations like Brazil and other countries in Latin America, to Persia in the Middle East, and to Malaya in the Far East. The coffee, oil, tin, and rubber we buy from these nations are worth more dollars than the goods we sell to them. These nations are "dollar-long." England, which is dollar-short, can sell bicycles, cloth and cutlery to the dollar-long nations. In Japan a rice thresher has been developed; it might be sold in Siam. If payments for these and similar sales are made in dollars, England and Japan will be able to earn, through trade, some of the dollars needed to balance their trade accounts with the United States.

If this process is stimulated, it is clear that it will affect our own export trade, part of which at least is a windfall from the war's destruction of the producing and trading capacities of other nations. This illustrates the point made earlier that any program to correct the imbalance will involve a variety of factors and that no simple formula will suffice.

On the other hand, I do feel that by an increase in the total volume of world trade it will be possible to do the things we have suggested without any drastic reduction—and perhaps even with an increase of our present export business. It is encouraging to see that the nations of the world are exchanging 10% more goods than before the war. This is an increase in the actual physical volume.

One contribution to an upward trend of physical volume will be a full, frank and friendly discussion among the nations. Last fall representatives of the Argentine Government and of the United States Government held meetings over a period of three months. The meetings were informal, fact-finding sessions. Without authority to make binding commitments the representatives of the two governments sought ways, on a problem by problem, commodity by commodity basis, to increase the amount of Argentine goods imported into this country. As a result of increased mutual understanding, and as a result of actions taken by the Argentine Government and by Argentine businessmen following these discussions, exports from Argentina to this country are expected to increase substantially. One hundred seventy-five million dollars is a conservative estimate of our imports from Argentina during 1950—an increase of $75 million over 1949.

A second promising approach is for us to help other nations to become bigger and better participants in international trade. There is nothing startlingly new about this suggestion. Wealthy nations have financed underdeveloped ones throughout history. We ourselves accepted help in times past. The entire stock of this nation's first railroad, the Baltimore and Ohio, was bought up by London investment houses, as were most of the bonds that financed the Erie Canal.

A third hope of creating a world in which traders can do healthy business with each other—and do it more easily—is the ingenuity of American businessmen. Many businessmen have improvised ingenious methods of getting around the dollar shortage. Many of you have read about the success of the Sears, Roebuck stores in Rio de Janeiro and in Sao Paulo. What you may not know is that in the spring of 1949, these newly-established stores were threatened with disaster. Brazil was running dangerously low on dollars. To meet this danger the government required all businessmen, including Sears, Roebuck, to cut down drastically on imports of goods that cost dollars. At that time, 70% of the merchandise of the Sears stores was scheduled to be imported from the United States. What the company did in the face of catastrophe is an exciting chapter in the history of American business. Buyers were sent to every city and to many towns throughout Brazil to find local sources of goods to replace those that could no longer be brought in from the United States. They traveled in planes, in buggies, in taxis and barges, from the edge of the Amazon jungle to the borders of Uruguay, Paraguay, and Argentina to find local sources of the goods they needed. They found them. Today 70 to 80% of the goods that are sold in the Sears, Roebuck stores of Brazil come from 1,400 sources within Brazil.

The same ingenuity has been displayed by other firms. You are all familiar with the way in which our motion picture companies have gone to other countries to make pictures and in this way to spend productively the money they have earned in other countries—money which cannot be exchanged for dollars.

A large U. S. manufacturer of electrical goods and equipment has an established policy of helping other countries create new industries which will earn dollars, to furnish free surveys and practical advice to other countries on the development of their economic resources, and to find sales outlets in the United States for goods produced in those countries.

These activities, and hundreds of others like them, are proof that Yankee ingenuity is alive and vigorous, proof that American businessmen refuse to get downhearted over an obstacle, even when it is as big and tough as the dollar shortage.

These brilliant improvisations of American businessmen hold promise of doing more than help close the dollar gap. They show how businessmen of many nations are learning to work together for peace and prosperity so that the countries of the world can exchange their materials, skills, goods and cultural values and thus add to the wealth of nations.

Philip Morris Stock Offered Stockholders

Philip Morris & Co. Ltd., is offering its common stockholders of record May 19, 1950, the right to subscribe to 130,610 shares of cumulative preferred stock, 3.90% series (par $100 per share) and to 333,077 additional shares of common stock. Subscription warrants will expire at 3 p.m. (EDT) on June 5, 1950.

Holders of common stock are given the right to subscribe for the new preferred stock at $100.75 a share in the ratio of one share of preferred stock for each 15 shares of common stock held, and to subscribe for the additional shares of common stock at $48 a share in the ratio of one share for each six shares of common stock held.

The offerings have been underwritten by a group of 67 investment bankers headed jointly by Lehman Brothers and Glore, Forgan & Co. The group has agreed to purchase from the company any shares of stock not subscribed for by warrant holders. Prior to expiration of the warrants the underwriters may offer shares of common or preferred stock, either subject or not subject to prior subscription by warrant holders.

Net proceeds from the financing will be added to the general funds of the company. An amount substantially equivalent to the net proceeds will be applied to reduction of bank loans which aggregated $49,750,000 on May 17, 1950.

With Harris Upham

(Special to The Financial Chronicle)

EVANSVILLE, Ind.—Robert O. Geiss is with Harris, Upham & Co., Old National Bank Building.

Continued from page 7

Business, Banking and Government in 1950

ica's productive and financial power.

The Treasury has been wise in recommending to Congress measures to reduce certain excise taxes imposed during the war. This is a sound method of encouraging a number of lines of business and employment. If this tax relief were to be equalled or exceeded by a reduction in Federal expenditures, the long-range effect would be far better.

The general public probably has an impression that our increased Federal expenditures during the coming year are due to our "cold war" with communism. But the fact is the increase in the debt during the coming fiscal year is not due to increased outlays for defense, veterans' services, or the Marshall Plan. It will result instead from increased expenditures for welfare and other domestic programs.

Upon the shoulders of the Secretary of the Treasury falls the burden of managing the public debt after funds have been appropriated. He must do the hard work of debt management after public expenditures which increase the debt have been authorized. A moment ago I pointed out that our present Federal debt is being managed ably and well. The competence with which Secretary Snyder is carrying out his duties in managing the government's financial liability is remarkable. American banking is fully aware of the ability with which he is serving the nation and the public. No Secretary of the Treasury in the history of the country has had so large a debt to manage, or one more complicated by difficult problems of refunding and interest rates. At its recent annual meeting in French Lick, Indiana, the Executive Council of the American Bankers Association dispatched to the Secretary of the Treasury the following telegram:

"Sound management of the public debt is essential to the nation's economic health. This is particularly true now, because the country is faced with a debt that is fraught with intricate problems of management. Decisions regarding interest rates, maturities, and the investment needs of various groups affect directly the business life of the country. As Secretary of the Treasury, you have managed the debt with competence. The Executive Council of the American Bankers Association expresses appreciation of the effective way in which you are performing this task."

I, as one who was present when the ABA's Executive Council took this action, attest the unanimous approval with which the Council forwarded this message to Secretary Snyder.

The Independence Savings Bond Drive

As you know, the Treasury has just begun its Independence Drive for United States Savings Bonds. The Drive will continue through the Fourth of July. Secretary Snyder has asked the banks to give the same wholehearted support to the Independence Drive they have always given the Savings Bond program since the early days of the war. It seems to me very important for the banks to continue their support of the program. It is true that there is an apparent inconsistency in the government's campaign for thrift on the part of the public at a time when the government is engaging in deficit-financing and increasing its debt. Yet we as bankers must look at the problems of debt management realistically.

I know of no better way to interest the public in the government's financial housekeeping than by encouraging the people to own a very large part of the government's debt. The Savings Bond program is an excellent way to carry sound economics to millions of American citizens. It not only induces them to take a personal interest in good financial management, but also has tremendous educational value. It alerts people to realize the importance of sound budgetary, fiscal and financial management by the government.

The ABA's Committee on Treasury Savings Bonds has recently forwarded a message to all of its state chairmen throughout the country. The Committee points out that the same reasons why bankers have always supported the Savings Bond program still carry, and will continue to carry, great importance. First, the program helps to spread the national debt among non-bank investors. This provides a safeguard against the inflationary pressure of the large national debt. Second, it helps in the maturity distribution of the debt. This is one of the vital points in debt management today, because a large portion of the debt presently is in short-term securities. Third, the Savings Bond program creates a large body of holders of Treasury Bonds. As owners of fixed income securities, they will have a natural interest in government economy, sound fiscal management, and in preserving the purchasing power of the dollar. Fourth, the program helps to teach the general public the basic need for thrift, security, self-reliance and financial independence. These are the opinions voiced by the ABA's Treasury Savings Bond Committee.

May I add that I believe no one will challenge this fact: when the government engages in deficit-financing, the soundest method of financing that deficit, with the least risk to the economy as a whole, is through the sale of Savings Bonds to the public. I urge every bank in the country to give full support to the Independence Drive and to the Savings Bond program of which the drive is a part.

President's New Credit Proposals

I should like to turn now to an exceedingly important current development in the area of Federal legislation and bank credit. As you know, the President has recently sent a message to Congress dealing with credit and capital for small business. The message recommends that Congress enact legislation to bring about five things: first, to provide government-sponsored insurance of bank loans up to $25,000; second, to create new "national investment companies" to provide equity capital for small business; third, to broaden the lending powers of the Reconstruction Finance Corporation and increase to fifteen years the present ten-year limitation on the maximum maturities of the corporation's loans; fourth, to provide small business with technical and managerial advice through a research organization within the Department of Commerce; and fifth, to transfer the control of the RFC to the Commerce Department.

At the time the President sent his message to Congress, a number of bills had already been introduced, several months earlier, to provide more loans and capital for small business. We are very concerned about any legislation that would put the government even more deeply into the lending business than it is now. At the present time, more than a score of government credit agencies have made loans; commitments to make loans; or loan guaranties for business, industry, farmers, railroads and home owners in excess of $26 billion. To this total, the Administration now proposes to add still many more billions of dollars of business loan insurance, and equity capital. Already, the government is the biggest banker and guarantor of credit in the world. Its loans, loan guaranties, and loan insurance for business, individuals, and other borrowers have expanded by more than $6 billion during the past two years.

The whole concept of government lending and loan guaranty began during the dark days of the Great Depression in the early 1930s. At that time, some types of government participation in the credit field were justified by the emergency which then faced the nation. Today, adequate credit is available for large and small borrowers. A recent survey by the American Bankers Association in which 3,200 banks, or one out of every five banks in the country, participated shows that only one-fifth of all the banks had made more than 5,500,000 loans. The average amount of these loans is a little less than $2,500 each. This is convincing evidence that the credit needs of small business are being adequately met by the banks.

Certainly there is no national emergency in the form of a business depression to justify a further plunge by government into the lending business. In another great national emergency, Word War II, government lending received its second great impetus. Through government guaranties under the V-loan program, credit was made available on the security of government contracts for many industries producing vital war material in tremendous quantities. Today, we have no national emergency or war, either. Yet government lending and loan guaranties continue now, as an instrument of the Welfare State.

Dangers of Government Insurance Of Business Loans

What is still more alarming is this: to the lending program has been added the new concept of government insurance for business loans. We are particularly apprehensive of this business loan insurance proposal. We believe that it would have an even more subtle influence than government guaranty of loans now has on bank credit and the enterprise system. This is a slow, weakening, debilitating effect on the risk alertness and the credit-granting competence of private lenders. It also undermines the long-run soundness of the total credit structure. Government-sponsored insurance of business loans would tend to cripple the real risk-taking function of commercial banking. Wise risk-taking by the banks protects the whole economy against loss, and not just the banks alone. This function is the heart and economic justification for chartered banking and it is part and parcel of the enterprise system.

Insurance of loans to induce a superabundance of business credit is wholly unwarranted. The figures I have just cited speak eloquently of the ability of small business to obtain credit from the banks. More than five and a half million loans, which average less than $2,500 each, by only one-fifth of the banks, attest the willingness of the banks to lend to small business. Government-sponsored insurance of loans at a time when the volume of credit provided by both the banks and government credit agencies is already high tends to overexpand credit. A number of attempts have been made in recent years to enact Federal legislation with the intention of curbing the expansion of bank loans. Even the President urged Congress to enact some of this legislation. Two years ago, the banks were asked by the government to dampen their lending to aid in holding down what has become a long-term trend toward inflation. The government's action was ill-timed. It was on the eve of a minor business recession in 1948. Now government loan insurance is being urged with equally poor timing. It can produce an expansion of bank credit at a time when business is strong and the inflationary forces seem to be mounting again.

Not a Calculable Risk

Insurance of business loans is not a calculable risk. There is no pool of experience to guide a government or other insuring agency in determining small business loan losses or in fixing premiums. No business loan insurance premium that a small businessman could afford to pay could be devised to take care of the losses that may occur in some future depression. Presumably the government would underwrite these losses. This is socialized credit. The taxpayers ultimately pay for it.

The situation would be made particularly acute by the fact that most of the insured loans would be marginal loans. They are subject to much higher risk of loss than the average loan outstanding. Marginal loans, of course, are loans that are made to marginal business and industrial producers. They are borrowers whose equity, production costs, managerial ability, and chances for survival in a competitive business world are highly questionable. Giving them insured credit would in effect be a subsidy for them. It would enable them, for a time, to carry on business in competition with their competent, healthy, small business competitors who can stand on their own feet. This would weaken other small businessmen who are able to get credit on their own merits. It would impair the chances for survival and growth of these able and hard-working, competent, small businessmen.

It has been pointed out that the government now insures home loan mortgages. An effort has been made to draw a parallel between home mortgage insurance and small business loan insurance. They are completely dissimilar. There is no justification whatever for assuming that the principle of home loan mortgage guaranty would work equally well if it is applied to small business loans. A loan to a home owner is secured by the property on which the loan is made. The owner must have a substantial and growing equity in the property. In the event a home mortgage loan is a bad one, the long life and usefulness of the property, and the long-range cycle of real estate prices, almost guarantee ultimate liquidation of the loan. In small business loans, however, the principal of the loans goes into raw materials, inventories, wages, and other expenditures. The principal is spent quickly. The assets behind the debt are often promptly dissipated, and the chances for eventual repayment are far less.

The owner of a business that is failing is prompt to seek out other employment, or he tries to start another enterprise quickly. He abandons his failing business. On the other hand, the average home owner will try strenuously to hold on to his home and repay his loan. His home is usually the most important personal possession he and his family have. There is little similarity between home loan insurance and small business loan insurance. There is no reason whatever to assume that because the insurance principle works well in one field, it will automatically succeed in the other.

The proposal for government-sponsored insurance of small business loans sinks the roots of the government's financial influence even more deeply still into the vitals of the enterprise system. One of the basic tenets of total state control is that government should have control of, and directly influence, the capital and credit which industry uses. There is no surer road to nationalization of banking, and eventually to nationalization of business and industry than this. Here at home, the subtle fingers of government direction and control of the capital and credit which business and industry must have to live, can jeopardize the way of life America is trying to preserve against communist and socialist encroachment from abroad.

For more than a century, the commercial banks, chartered and supervised by national and state governments, have administered credit carefully. Their credit policies have helped the nation develop and grow. Their sound credit practices help safeguard our economic strength. But today, the banks have another responsibility. We must encourage wise credit policies and practices by the government. We must discourage government credit policies and practices which we believe are unsound. Our success in fulfilling all of these responsibilities, I shall always believe, will be the ultimate test of our real competence as bankers. It is the best guaranty of our future as administrators of credit.

New Orleans Bond Club Annual Field Day

NEW ORLEANS, La.—The Bond Club of New Orleans will hold its annual field day on May 30 at the Lakewood Country Club, 6800 Pontchartrain Boulevard, New Orleans. Sports planned for the day are golf, horseshoes, and swimming. A buffet lunch will be held from 1 to 2:30 p.m. and a banquet dinner at 6:30 p.m.

Chairmen of the various committees are: Golf, Charles Manion, Merrill Lynch, Pierce, Fenner & Beane; Horseshoes, Arthur Keenan, St. Denis J. Villere & Co.; Swimming, Frank Williams, National Bank of Commerce in New Orleans; Drinks, Jackson Hawley, Equitable Securities Corp. John Zollinger, Jr., Scharff & Jones, Inc., is Chairman of the Field Day Committee. Leon Adams, Hibernia Building, is in charge of reservations.

Jack Eagle Opens

OKLAHOMA CITY, Okla. — Jack Eagle is engaging in a securities business from offices in the City National Building.

Joins A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Gene W. Wilberg is with A. C. Allyn & Co., Inc., First Wisconsin National Bank Building.

Joins Investors Corp.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Harold A. Leonard has joined the staff of Investors Corporation of Florida, 111 Northeast Second Avenue.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Donald H. Black has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Continued from page 17

To Spend or Not to Spend—A Question of Government Policy

stock will pay 10%; mortgages, 8% to 9%; bank loans, 7% to 8%; bank deposits, from 4 to 5%; government bonds, from 5% to 6%, for obviously government cannot borrow at below the rate which the banks pay for deposits.)

Now, when there is danger abroad or war is a possibility, business and other activities cease and the funds that were to be used for such activities are idle and rates go down. It is at such times that government generally can step in and sell bonds very cheaply. Why?

Not because the government in the long run can control rates but because it so happens that government generally needs money for war or support purposes at the very time that rates are low, owing to disturbed conditions in the economy as a whole. Such rates can be kept low as long as the disturbed conditions last. In the long run, however, they cannot be kept down except through government interference or unless conditions the world over are temporarily chaotic.

As soon as world conditions inspired confidence, billions of dollars would pour forth and further develop not alone the domestic field, but also newer countries, such as Brazil, Africa, etc., etc., at much higher rates.

Granted that there was world peace and confidence, the time predicted by economists when there would be no scarcity of capital would be a long way off, namely, not until the whole world had been developed, unless the freedom of the individual to do what he wishes with his savings were taken away from him.

In a free society government can in the long run control the interest rates no more than they can control the tides of the oceans.

(5) Must we not understand "interest rates" in order to take a sane view of monetary policy and debt management?

As you know, monetary policy is a finer and more delicate instrument than fiscal policy. It can be of assistance in smoothing out the ups-and-downs in the trade cycle. When there is danger of a boom, there should be contraction, with less money available for the banks and the public, which is brought about by raising the interest rate and by selling government bonds. Conversely, if there is a recession to be nipped in the bud, interest rates should be lowered and government bonds purchased.

As long as the Federal Reserve System has no commitments other than to wisely handle the money market, this can be a useful factor, but when the Federal Reserve Bank has to keep the government bonds as a certain level so that the government can issue new bonds, then it finds itself between Scylla and Charybdis. If it has to raise money rates and contract credit, which normally should reduce the price of government bonds, the banks that hold these bonds can re-establish their reserves by selling their governments to the bank at the minimum price which the Federal Reserve Bank is morally committed to pay.

Here we face the ill effects of being forced, during the war emergency, to place a large part of the government bonds, which cold not be absorbed by private investors, with the banking system.

This raises havoc with our monetary system, because such bonds in the hands of the banks form a basis for credit to the extent of many times the amount. The result is that we have an unhealthy condition in the money market.

We must first try to avoid having this condition become worse. To this end, the Joint Congressional Committee on the Presidential Report made the following statement on interest rates: "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 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.

Whereas over the last few years the Federal Reserve seemed to have been hamstrung, we have at any rate gone so far that in the opinion of the Congressional Committee it is a lesser evil to have government bonds go down—that is, to have government cost of borrowing greater—than to let money rates stay low if it is deemed necessary to raise them in order to avoid inflation.

Let us hope that the authorities will live up to this recommendation and thus take care of the future. As regards past sins, they can be rectified only if we are prepared to show enough courage to allow government bonds to seek that market level—be it 20 to 25% below today's prices—at which private investors will buy these bonds and relieve tne banking system of them.

This, naturally, could not be done overnight, but it could, with skill and courage, be accomplished over a period of from five to fifteen years, during which the Federal Reserve Bank gradually would allow the bonds to sink to their natural level and meanwhile make advances to banks against their government bonds, first at par and then reduce the advances by 1 or 2% each year.

If this were accomplished, the dollar would not be quoted at a discount in terms of gold, for it would be the modern equivalent of a country in the old days, after suspending gold payments during the war, going back on a gold basis. The strength of England in the old days was that she did just that as soon as possible, with an idea of then being ready for the next emergency. (Just as an athlete, after he has participated in an exhausting game, ought to rest and get himself in shape for the next contingency.)

From a monetary point of view we must recognize first that we have not brought our house in order since the last war; and secondly, that we must be prepared for higher interest rates; hence, the care with which we must contemplate the consequences and cost of an additional, large government debt.

Summing up these deliberations on governmental fiscal policy and debt management: We must recognize that there are certain periods of bad times when a deficit is not only permissible but helpful. That does not mean that deficit financing is justified at all times and in all countries. Should it result in reckless spending, it may be a lesser evil to demand an annual balanced budget.

We may well favor deficits occasionally in a well-managed democracy, but not in a country with an administration, let us say, of the type of a Chiang Kai-shek

The underlying idea of deficit financing is to keep industry going during such periods when people refuse to invest or spend their savings. It follows that there should be no necessity for government, over the years, to show deficits larger than their own spent savings.

Our middle group workers, of approximately 70 million, support the remaining 80 million. Hence, it is essential that this group—the backbone of our country—be kept vigorous and free from excessive taxes that stifle initiative.

Our inquiry into monetary policy leads us to the conclusion that we cannot keep our money sound, and at the same time keep taxes within reasonable bounds, if our debts are increased at a rapid rate over the years.

We must, therefore, make every effort to accumulate in good times surpluses large enough to keep government debt over the years within reasonable bounds. Any increase in the debt should certainly be limited to an amount that can be absorbed by new savings. We should aim to gradually reduce the amount of Federal government bonds in the banking system. To increase that amount and, in effect, create a condition that may result in violent inflation, is permissible only in extreme emergencies.

Public opinion should be mobilized to urge government to work to this end. As private citizens we must be on the alert and not fall for the theoretical argument of the so-called "spenders." One of their arguments is, for instance, that the huge national debt has a stabilizing influence on the economy—oh, yes, so has a rope around your neck, but that is not the kind of stabilizing we are looking for!

We must try to solve as many problems as possible ourselves, for we are inclined to load them on the government in the same way as members of the board of an institution, when they do not know what to do, form a sub-committee. The people behind the government are, after all, human beings like you and me, and often less able to cope with the problems than we are. It is often easier to work with theoretical schemes than to carry them out in practice. When practise and theory combine, you are apt to get the most satisfactory result.

Continued from page 13

The Corporate Secretary And the Proxy Rules

an automatic test of permissibility. But there is no such test. Resort to state law and often speculation about the law in untried fields is necessary as an aid in solution of these problems.

There is a constant temptation to color one's conclusions with subjective notions of the merits of the proposal to which objection has been taken. It is not an easy temptation to forego, but I have never permitted myself—either as a staff member or as Commissioner—to yield to it, nor have I been tolerant of any manifestations of that tendency in others. The President did not appoint me to sit in judgment on the merits of stockholder proposals. As I see it, my job is done when I have decided whether or not a proposal falls within the realm of stockholder action and otherwise complies with the rules.

Management Disclosures

Some of the most difficult problems we face in proxy clearance arise in connection with the disclosure of management profits in short-term trading. As you know, Section 16 (b) of the Securities Exchange Act provides for return to the corporation, in suit by or on behalf of the corporation, of all profits realized by an officer or director in buying and selling (or vice versa) the company's equity securities within a period of six months. Not many of you have had the experience of dealing with such profits as a proxy problem. But it does raise serious issues of proxy disclosure and occurs frequently enough to warrant some discussion of underlying principles.

First: Why is an officer's or director's short-term trading profit a subject for proxy disclosure? Section 16 (b) is not administered by the SEC but by the courts in suits on behalf of the corporation. But the proxy rules provide that a proxy relating to the election of directors or remuneration of management must disclose information about the indebtedness of officers, directors and others. And the liability of an officer or director to return profits arising from short-term trading in his company's equity securities comes within this provision.

The simple case of profit realized from a matched purchase and sale or sale and purchase for cash presents few problems. But not all transactions are as simple as this. And out of the two words of Section 16 (b) "profits realized" we must extract the wisdom we need for most of the tough cases.

The earliest judicial decision in this field disposed of the question of pairing transactions in cases where there were purchases adding to and sales diminishing existing holdings. The court (in Smolowe v. Delendo) emphasized that the statute was intended to prevent possible conflict between duty and selfish interest. To accomplish the purpose of the statute the court held that it was necessary "to squeeze all possible profit out of stock transactions" within the prohibited period. It subtracted the lowest purchases within any six months' period from the highest sales in the period.

The court recognized that this method was different from that used for income tax purposes and that under this method "profits" might be returnable even though, if all purchases and sales within six months were considered, there would have been a loss. But only this method, in the court's opinion, would comport with the aims of the section.

Compensation Through Options

It has been fashionable recently to compensate managements through options. Where the option is sold within six months it has been contended that the entire proceeds of the sale should be considered profit. But in a recent case the Commission expressed to the court the view that under the exact facts of that case if the options were issued under a bona fide employment contract and the recipients had no control over the timing, it would be proper to consider as the cost basis of the options their value at the time of issuance.

Complications arise if the options are exercised, stock acquired, and the stock sold. What is the "cost" of the stock in such a case? Some have argued that the market value of the stock at the time of exercise is the cost and that the profit must be computed on this basis. These people contend that to get the stock the option holder gave up the option plus cash for the exercise price and that the option is worth the difference between market value and exercise price. Others insist that the option is not "given up" as though in a sale, but is extinguished in the exercise. They say that if you exercise a contract to buy a $100 ring for $50 and then sell the ring for $100 you have made a $50 profit. But on the theory that you "gave up" your contract to buy the ring you would have no profit. For you would have spent $50 plus a contract worth $50 to buy a $100 ring.

Neither the courts nor the SEC have resolved this problem. We recognize that in some cases a refusal to accord value to the option may work a hardship. If a person holds an option for a long time during which value has accrued to it, exercises it and then sells the stock, he may be returning long-term accretions in value if he is forced to return profits calculated as though the option had no value.

On the other hand, assuming a value for the option may open up areas of evasion. The history on which this law is based is full of illustrations of flagrant abuses by insiders by means of the option device.

Liability Under Long-Term Options

Several years ago we asked for comment on a rule designed to assure that long-term option holders would not, by exercising the options and selling the stock required, have to account to the corporation for any increments in stock values beyond a six-month period. The rule would have measured the profit in such a case by the difference between sale price and the lowest market value within a short period before and after sale. There were mixed reactions to the rule and, at that time, there was some prospect that the courts would answer the problem in pending litigation. The litigation has been settled without decision. At the present time the Commission under these circumstances merely requires statement of the facts without conclusion as to liability under Section 16 (b).

In other cases the Commission has, of course, exercised its rule-making power to exempt transactions within the literal meaning of the section but not within its purposes. The most recent rule adopted involved a number of companies which had stock bonus plans under which the officers received a bonus in the form of stock in the company each year. It was pointed out to the Commission that the provisions of Section 16 (b) deprived the officers of some of the benefits of such plans, for any sale of stock made by an officer would be within six months of the receipt of such stock. Accordingly, he could not sell stock without running the risk that he would be required to return a portion of the proceeds of that sale to the corporation if the stock were issued to him at a cost basis less than that of the stock which he sold. The rule adopted by the Commission provides that any purchase made pusuant to a bonus or profit sharing plan is to be exempted from the section if certain safeguards for security holders are observed. However, any purchase, other than that expressly exempted, when accompanied by a sale within six months destroys the exemption for the bonus stock as well, and stocks acquired as bonus may be matched against the sales.

Section 16 (b) establishes standards of fiduciary relationship which, I am glad to say, almost all corporate management now observes. It is no longer possible to observe that profits from insider trading are one of the usual emoluments of corporate office.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I just finished reading a ream of financial news, statements, market letters and the like and the thought occurred to me that because I became bullish last week, I now disagreed with all the pessimistic news I just waded through and blithely agreed with all the bullish interpretations.

* * *

I suppose this is natural. Whenever one goes long of a stock one digs for all the confirmation of his original position, if for no other reason than to bolster his stand. The same thing applies in reverse. If one sells or goes short from then on all the bad news one can lay his hands on is read voraciously. While I recognize this as a desire for company and as a reflection of mob psychology, I also see in such a stand a danger. But so far there's little in the market to warrant any switch so the advice give last week is repeated.

* * *

Last week I recommended the purchase of several building stocks. These were Certain-teed at 18 with a stop at 15; Flintkote at 33 with a stop at 29, and Timken Detroit Axle at 17 with a stop at 14. The first came in at 18 or so, the low during the week was 18¼. The second was available most of the week at 31, so from here on we'll carry the stock at the latter figure. The last, Timken Detroit, was available at 17. That brings us back into the bullish picture, though this doesn't mean that because I suggested buying that everything's going to be wonderful.

* * *

For the past few weeks I, in common with thousands of other people interested in markets, was aware that a change in the New York State law would make common stocks available for legal investments. There's been a lot of talk about how this new participant in the market would make common stocks rise. I hope all this materializes though I fear that all this talk is likely to be a lot of moonshine. Nobody with the intelligence that fiduciaries are supposed to have is going to jump in merely because an invitation has been made. There'll be many investigations before any real amount of money is invested in new mediums. And even then it is presumptious to assume that managers of large sums of money will buy any or all stocks at the market.

* * *

What is in the immediate future is something I can't foresee. I think stocks are going higher, subject to various interruptions here and there. But until the picture again changes we'll stay long.

* * *

[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.]

H. E. Work & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Harold E. Work and George I. Long, Jr., have formed H. E. Work & Co. with offices at 100 Bush Street to engage in a securities business. Mr. Work was formerly Manager of the Trading Department for the Wells Fargo Bank & Union Trust Co.

Mallen, McMicking & Long

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Mallen, McMicking & Long is engaging in a securities business from offices at 100 Bush Street. Partners are T. Kevin Mallen, Henry A. McMicking and George I. Long. Mr. McMicking was formerly with Irving Lundborg & Co., and Dean Witter & Co.

With Waddell & Reed

(Special to The Financial Chronicle)

OMAHA, Neb. — Clarence J. Parrott is with Waddell & Reed, Inc. of Kansas City, Mo.

Business Man's Bookshelf

Balance of Payments Manual—International Monetary Fund, Washington 25, D. C.—Paper.

Cyclical Diversities in the Fortunes of Industrial Corporations—Thor Hultgren, National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—Paper—50¢.

How Much Social Security Can We Afford?—Leonard J. Calhoun—American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—Paper—50¢.

Forbes 1950 Annual Guide to Investment Companies—A Manual on Mutual Funds—B. C. Forbes & Sons Publishing Co., Inc., 80 Fifth Avenue, New York 11, N. Y.—Paper—$15.00.

Impact of Estate and Gift Taxes on Property Disposition, The—Charles Looker, Proskauer, Rose, Goetz & Mendelsohn, 11 Broadway, New York City—Paper (reprinted from California Law Review).

Inside Story of the Stock Exchange, The—Humphrey B. Neill—B. C. Forbes & Sons Publishing Co., Inc., 80 Fifth Avenue, New York 11, N. Y.—Cloth—$6.00.

Lower Prices Coming—William J. Baxter—International Economic Research Bureau, 76 William Street, New York 5, N. Y.—Paper—$1.

On the Accuracy of Economic Observations—Oskar Morgenstern—Princeton University Press, Princeton, N. J.—Paper—$2.00.

Organic Nature of Human Enterprise, The—J. O. Hopwood—The William-Frederick Press, 313 West 35th Street, New York 1, N. Y.—Paper—$1.00.

Stock Market Top?—Current bulletin offering an analysis of probable stock market reversal—and also 33 special hedge selections—Current bulletin plus next four weekly issues on special trial offer—$1.00—Department 32, Bondex Incorporated, 654 Madison Avenue, New York 21, N. Y.

Students of Liberty—Leonard E. Read—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—Paper—50¢.

Ettleson in L. A. Office Of Francis I. du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Geoffrey C. Ettleson is now with the Los Angeles office of Francis I. du Pont & Co., 634 South Spring Street. He was formerly with the firm in New York City.

Continued from page 14

Economic Expansion: Promise vs. Performance

deficits in times of prosperity. I believe that is a very real threat to the soundness of the Treasury and the dollar, and without such soundness the chances of sustained economic expansion go glimmering. But I have also been pointing out that we are living in a prosperity that is based upon the inflationary stimulus of large government spending. If this stimulus were withdrawn, we should have to face the problem of supplying jobs in private industry to offset those dropped from the public payroll or employed on government contracts. Even if full employment were attained, passing out of an inflationary situation would mean keener market competition and living with lower prices.

Whether this will come in 1951 or 1955 or later, I do not know. But whenever it does come, management and labor will be put to the first real test of our private enterprise system we have had to face since the '30s. I sincerely trust that it may be more successfully met—which means more intelligently—than was the test of that decade. But if so, it will require true economic adjustments through collective bargaining in good faith and on verified facts. It will not do to rely on forced or compromised settlements based on the strength and ruthlessness of either party to the so-called "bargains."

Since the war, it has been possible over most of our business field to avoid any real showdown on wage-price adjustments which would be truly stabilizing in their effect and thus pave the way for sustained economic growth. The inflationary potential created by a swollen war debt and our central banking machinery for monetizing it have made it possible to raise prices and then for labor to claim a share in the tempting profits. Or it was possible for strong and aggressive labor groups to push up wages and for employers to pass the added costs on in higher prices. But as full inventories and well-stocked larders, living-rooms, and garages cause buyers' lassitude and then resistance, it will become necessary to check cost advances or effect declines, to step up productivity, or to reduce volume. The latter, of course, sounds the knell of economic expansion by private enterprise.

I cannot accept the view that government can meet this problem by pouring out more monetary purchasing power indefinitely. There are times when a shot in the arm helps, but undermining the dollar is not the way to assure long-run economic growth and progress. Management and organized labor will have to hammer out a workable answer between themselves or hand over the job of economic expansion to a government of fast-growing and soon of all-inclusive powers. The time to face this need of mutual adjustment is now while the general economic situation is still reasonably good. Fix the roof before the rains come.

You will note that I have harped on collective bargaining in good faith on both sides. I am not unaware of the difficulties in trying to bring that ideal condition to pass. But I believe the chance to make facts speak and scientific methods prevail is better today than ever before. Hence, I think employers should reexamine their opposition to "opening their books." If they have nothing to hide, if they want to see the condition most beneficial for the economy brought about, they should force the showing of the whole economic picture, not cover it, so that both parties may face the economic facts of life together in the interest of keeping the business healthy and the economy expanding.

Industrial Peace and Fiscal Soundness the Twin Engines of Economic Progress

In closing, then, I believe that market balance through collective economic adjustment of price-income relations is one of the twin engines to power the car of economic progress. The other, I need hardly repeat, is sound national finances. On this point, our present national position repeats the famous case of the hare and the tortoise. The "eager beavers" say we cannot forego expenditures for the development of the country even though deficits mount. They say we cannot let employment drop even a little during the transition from deficit to balanced conditions. We need not be called upon to face "austerity," but if we won't even slow down the joy ride, we shall probably end in the ditch.

It is easy to say that our unsatisfactory and dangerous national economic performance is that of a wicked "They" in Washington. In fact, it is the bad economic performance of an easy-going, greedy, and reckless "We" all over the country. It includes those who want to write parity formulas at levels even higher than the emergency rates used in the war to stimulate production and who want the inevitable surplus bought and carried out of deficit funds—that is, as an addition to the already gigantic national debt. It includes labor groups who think that when you put in labor-saving devices, the freed workers should be "free riders" on the industry; who think that if you make employers guarantee 50 weeks of work a year and $200 a month pension after 60, that will cause such economic expansion that everybody will be able to pay these wages and pensions. It includes manufacturers who want to "featherbed" their market with subsidies not merely to silver producers but to those of any metal that looks like a promising candidate for a military stockpile. It includes contractors who lean on procurers and "five percenters" and "pork barrel" Congressmen who run up government expenditures or impede cuts because a wasted dollar carries a margin of profit just as much as a productive dollar. It includes all those who clamor for tax relief in prosperous years when every million of lowered taxes means a million in increased national debt to spur inflation and cloud business confidence.

In a final word, our present performance with reference to economic progress seems to me to put the horse before the cart. It says inflationary processes will buy true and solid expansion. In fact, only honest work and sound investment will bring the enlarged productivity that will enable us all to write larger real wage tickets and profit figures and property values, genuinely expanded national income accounts and balance sheets. In my youth, I learned the Scripture text, "Seek ye first the Kingdom of God and all these things will be added unto you." I suggest as America's formula for economic expansion: Seek first a solvent government, a sound dollar, a day's labor as sincere as if one were working for himself, a management that runs its enterprise to create job opportunities for everyone by putting goods within the reach of buyers' incomes. If we honestly seek this kingdom of economic efficiency, we shall find that all the blessings of economic expansion or progress have been added unto us.

C. G. McDonald Co. Detroit Exch. Member

DETROIT, Mich. — The Detroit Stock Exchange announces the admission of C. G. McDonald as a member of the Exchange and the registration of the firm of C. G. McDonald & Co. with offices in the Penobscot Bldg.

In addition to Mr. McDonald, who will serve as President of the new firm, R. Ward Richardson will be Secretary and Treasurer and James G. Riddell and H. Allen Campbell will be directors.

Barret, Fitch Co. New Representatives

KANSAS CITY, Mo.—Barret, Fitch & Co., Inc., have opened three new representative offices. Frank Oberg is representing the firm in Clay Center, Kans.; George Hedrick in Lawrence, Kans.; and J. Robert Wilson in Manhattan, Kansas.

O'Hara With Bartlett

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — John J. O'Hara has become associated with Benj. D. Bartlett & Co., 313 Vine Street, members of the New York and Cincinnati Stock Exchanges. Mr. O'Hara, who has been in the investment business in Cincinnati for many years, was formerly with Hill & Co. Prior thereto he was Cincinnati manager for Granberry & Co. and was with W. E. Hutton & Co.

With J. B. Hanauer

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William H. Byrens has become associated with J. B. Hanauer & Co, 639 South Spring Street. He was formerly with Daniel Reeves & Co.

Brown With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Stuart L. Brown has become affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Holton, Hull & Co., and prior thereto was Long Beach Manager for Palmer, Miller & Co.

Joins Lamson Bros. Staff

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Alonzo H. Ellis is now with Lamson Bros. & Co., Stuart Building. He was previously with B. C. Christopher & Co.

A. C. Allyn Co. Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Robert F. Hall has become connected with A. C. Allyn & Co., Inc., First National Bank Building.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Oscar Gavrilovich is with Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive.

Richard Levy Opens

RIDGEFIELD PARK, N. J.—Richard S. Levy is engaging in a securities business from offices at 38 Garden Street.

Continued from page 5

The State of Trade and Industry

catch up with it overnight. It will be many weeks before quick delivery can be obtained on most steel items.

Some consumers are convinced that they face a long-term problem in procurement of cold-rolled sheets. Hence they are trying to make conversion deals into the first quarter of 1951, and thus far without success.

Orders for nearly aill major products are still pouring in faster than the mills can turn them out, adding to the tremendous backlog. By the end of the summer the mills are expected to be a full month behind on deliveries. This may cause them to drop a month out of their allotment schedules so they can catch up with deliveries and start all over.

No other group is putting more pressure on the steel market than the auto mokers, states this trade paper. In spite of this, one auto company was facing an immediate shutdown for lack of sheets last week, but was bailed out at the last minute by a stop-gap shipment from one of its competitors. Appliance makers are also continuing their torrid pace, using the steel as fast as they get it. And their products aren't resting on distributors' shelves or in warehouses. They are being sold.

Warehouse prices have been increased by $2 to $4 a ton on a number of steel products. Although the increases are fairly general, prices have not been raised in all areas, declared "The Iron Age."

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 101.8% of capacity for the week beginning May 22, 1950. This is one-half point above last week's rate of 101.3%.

This will be the sixth consecutive week of steel production at 100% of capacity or better, and, according to the Institute, the largest in the history of the industry.

This week's operating rate is equivalent to 1,940,600 tons of steel ingots and castings for the entire industry compared to 1,931,-000 tons one week ago. A month ago the rate was 100.3% and production amounted to 1,912,000 tons; a year ago it stood at 94.1% and 1,734,700 tons.

Electric Output Continues Downtrend

The amount of electrical energy distributed by the electric light and power industry for the week ended May 20 was estimated at 5,844,561,000 kwh., according to the Edison Electric Institute.

It was 19,765,000 kwh. lower than the figure reported for the previous week, 589,289,000 kwh., or 11.2%, above the total output for the week ended May 21, 1949, and 759,149,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Cut by Rail Strike

Loading of revenue freight for the week ended May 13, 1950, totaled 716,650 cars, according to the Association of American Railroads. This was a decrease of 27,390 cars, or 3.7% below the preceding week.

Loadings were reduced during the week by a strike of firemen on four large railroads.

The week's total represented a decrease of 55,088 cars or 7.1% below the corresponding week in 1949 and a decrease of 130,295 cars, or 15.4% below the comparable period in 1948.

Auto Output Declines Due to Rail Strike

According to "Ward's Automotive Report" for the past week, motor vehicle production in the United States and Canada declined to an estimated total of 174,020 units, compared with the previous week's total of 174,480 (revised) units.

The drop in United States car production from the previous week was accounted for by a decline of 6,000 units in Chevrolet's output as a result of the rail strike, "Ward's" said.

The total output for the current week was made up of 133,325 cars and 29,120 trucks built in the United States and a total of 6,295 cars and 2,280 trucks built in Canada.

The week's total compares with 117,188 units produced in the like 1949 week.

Business Failures Ease Slightly

Commercial and industrial failures in the week ended May 18 declined to 199 from 217 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this decrease, casualties were above a year ago when 172 occurred and were more than twice as numerous as the 92 in the comparable week of 1948. Failures were 31% below the total of 289 reported in the similar week of prewar 1939.

All industry and trade groups except wholesaling had a decline in mortality during the week. The decline was more noticeable in retail trade where casualties fell to 99 from 113. Retailing faliures, however, were appreciably above a year ago when 69 were reported. Commercial service was the only other group having more casualties than in 1949.

The week's decline was concentrated in the Pacific, Middle Atlantic, West North Central and the East North Central states. Slight increases prevailed in four other regions while casualties were unchanged in one area.

Food Price Index Holds Unchanged at 15-Month Peak

Holding unchanged at $5.89, the Dun & Bradstreet wholesale food price index for May 16 continued at the highest level since Jan. 25, 1949, when it stood at $5.91. The latest figure represents a rise of 4.1% over the $5.66 of a year ago, but it shows a drop of 14.8% from the $6.91 recorded on the corresponding date two years ago.

Commodity Price Index Rises to 15-Month High

Continuing its gradual upward trend, the Dun & Bradstreet daily wholesale commodity price index last week advanced to the highest level in the past fifteen months. The May 16 figure at 260.66 compared with 259.85 a week ago, and with 248.92 on the like date last year.

Grain markets developed an irregular trend with most grains reacting lower after reaching new highs for the crop year to date earlier in the week. The easiness was largely influenced by the advent of more favorable weather in the Central West and Northwest, which permitted a resumption of planting and field work, and improved prospects for winter wheat due to scattered rains in the Southwest.

Liquidation induced by a sharp break in soybeans also contributed to the decline.

The Department of Agriculture estimated the probable winter wheat yield as of May 1 at 690,000,000 bushels, a drop of 74,000,000 bushels compared with the April 1 forecast, and 210,000,000 bushels short of last year's production.

Market receipts of corn were somewhat larger with prices holding firm under good demand for current offerings. Trading in grain futures on the Chicago Board of Trade slackened off considerably to a daily average of 42,700,000 bushels, as compared with 55,200,000 bushels the previous week.

Domestic flour business continued to lag although some mills reported a moderate expansion in shipping directions. Export demand for flour was fairly active. Trading in cocoa futures was active; prices advanced to new highs for the season reflecting improved demand at gradually rising prices for actual cocoa. The coffee market developed a slightly easier tone at the close. The lard market was unsettled with trading volume below a week ago. Prices were slightly easier in sympathy with weakness in vegetable oils.

The dressed beef market showed further strength as cattle prices turned upward to recover all of last week's losses.

Hogs continued to advance with current values at the highest since October, 1949.

Domestic cotton prices moved irregularly during the week with final quotations little changed from a week ago. Easiness in early trading was influenced by profit-taking and hedge selling induced by the recent advance in values, reports of generally favorable weather conditions for the new crop and continued heavy repossessions of 1949-crop loan cotton.

Supporting factors included mill and export price-fixing, the bright outlook for export trade and an improved demand for print cloths.

Sales volume in print cloths and broadcloths was the largest since last fall.

Exports of cotton for the crop season through May 13, as reported by the New York Cotton Exchange Service Bureau, totaled 4,305,332 bales, compared with 3,324,237 in the same period last year. The Bureau also reported a slight gain in the daily average rate of cotton consumption during April to 36,200 bales, from 35,900 in March and 29,300 during April a year ago.

Retail and Wholesale Trade Shows Moderate Gains

With the last-minute Mother's Day buying in part of the period ended on Wednesday of last week, over-all retail volume rose slightly; dollar volume remained slightly below the level of the similar 1949 week. Sales were also partly aided by the return of seasonal weather to many areas of the country, Dun & Bradstreet, Inc., reported in its latest summary of trade.

In the purchasing of women's wear, accessories were noticeably popular in scattered localities; ready-to-wear dresses and lingerie were eagerly sought by many shoppers. The interest in coats and suits was largely limited. The demand for men's apparel, except for haberdashery, declined moderately. An increase in sportswear buying for both men and women reflected the approach of the summer season.

While the total demand for food increased slightly last week, less expensive retail prices of some basic foodstuffs helped to maintain dollar volume at a level slightly below a year ago.

The over-all consumer demand for house-furnishings increased very slightly in the past week. The rise was less noticeable than in past weeks.

Furniture customers were increasingly plentiful with outdoor furniture, bedroom and dining room sets especially popular.

There was a seasonal demand for gardening tools in some sections. Interest in chinaware and similar small household goods dipped contraseasonally. Appliance buying continued at last week's level.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1% above to 3% below the level of a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England, East, and Pacific Coast +1 to —3; South 0 to —4; Midwest +3 to —1; Northwest —1 to —5 and Southwest 0 to +4.

Following renewed activity in the gray cloth market and a spate of apparel reordering, wholesale volume rose moderately last week. Total dollar volume was very slightly above that for the corresponding 1949 period. The number of buyers attending various wholesale centers increased moderately and was slightly above the figure of 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 13, 1950, advanced *8% from the like period of last year. A decrease of 10% was recorded in the previous week from that of a year ago. For the four weeks ended May 13, 1950, sales reflected no change from the corresponding period a year ago, but for the year to date show a drop of 3%.

Retail trade here in New York last week was subject to the whims of the weather and sales volume, as a consequence, continued below the level of the comparable period of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 13, 1950, rose *5% from the like period last year. In the preceding week a decrease of 14% was registered from the similar week of 1949. For the four weeks ended May 13, 1950, a decrease of 3% 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.**

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 28	101.8	101.3	100.3	94.1
Equivalent to—					
Steel ingots and castings (net tons)	May 28	1,940,600	1,931,000	1,912,000	1,734,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 13	5,113,150	5,058,450	4,998,800	4,955,300
Crude runs to stills—daily average (bbls.)	May 13	¶5,427,000	5,399,000	5,116,000	5,216,000
Gasoline output (bbls.)	May 13	18,264,000	18,270,000	16,820,000	17,506,000
Kerosene output (bbls.)	May 13	2,047,000	2,056,000	2,044,000	1,706,000
Gas oil, and distillate fuel oil output (bbls.)	May 13	7,177,000	7,162,000	6,767,000	5,821,000
Residual fuel oil output (bbls.)	May 13	7,707,000	7,178,000	7,541,000	8,519,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 13	125,851,000	127,431,000	133,458,000	121,596,000
Kerosene (bbls.) at	May 13	13,916,000	13,364,000	12,686,000	19,750,000
Gas oil, and distillate fuel oil (bbls.) at	May 13	38,139,000	37,466,000	37,499,000	52,545,000
Residual fuel oil (bbls.) at	May 13	39,255,000	38,766,000	39,881,000	61,797,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 13	716,650	744,040	707,272	771,738
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 18	$206,029,000	$183,343,000	$185,708,000	$147,773,000
Private construction	May 18	101,956,000	90,214,000	105,753,000	49,023,000
Public construction	May 18	104,073,000	93,129,000	79,955,000	98,750,000
State and municipal	May 18	91,963,000	64,654,000	67,800,000	83,724,000
Federal	May 18	12,110,000	28,475,000	12,155,000	15,026,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 13	10,115,000	*10,820,000	11,360,000	11,141,000
Pennsylvania anthracite (tons)	May 13	999,000	953,000	778,000	997,000
Beehive coke (tons)	May 13	103,500	*125,600	115,600	149,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 13	308	*301	254	285
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 20	5,844,561	5,864,326	5,845,636	5,255,272
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	May 18	199	217	188	172
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 16	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	May 16	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	May 16	$32.42	$32.03	$28.92	$22.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 17	19.200c	19.200c	18.200c	17.700c
Export refinery at	May 17	19.600c	19.425c	18.425c	18.000c
Straits tin (New York) at	May 17	77.500c	77.250c	77.500c	103.000c
Lead (New York) at	May 17	12.000c	11.500c	10.500c	14.000c
Lead (St. Louis) at	May 17	11.800c	11.300c	10.300c	13.850c
Zinc (East St. Louis) at	May 17	12.000c	12.000c	10.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 23	102.57	102.59	102.70	101.65
Average corporate	May 23	115.82	115.82	116.22	113.31
Aaa	May 23	120.84	120.84	121.04	118.80
Aa	May 23	119.20	119.41	119.82	117.40
A	May 23	115.43	115.43	115.82	112.56
Baa	May 23	108.52	108.34	109.06	105.17
Railroad Group	May 23	111.07	110.88	111.62	108.34
Public Utilities Group	May 23	116.80	116.80	117.20	114.27
Industrials Group	May 23	120.02	120.22	120.22	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 23	2.31	2.31	2.30	2.38
Average corporate	May 23	2.86	2.86	2.84	2.99
Aaa	May 23	2.61	2.61	2.60	2.71
Aa	May 23	2.69	2.68	2.66	2.78
A	May 23	2.88	2.88	2.86	3.03
Baa	May 23	3.25	3.26	3.22	3.44
Railroad Group	May 23	3.11	3.12	3.08	3.26
Public Utilities Group	May 23	2.81	2.81	2.79	2.94
Industrials Group	May 23	2.65	2.64	2.64	2.78
MOODY'S COMMODITY INDEX	May 23	387.8	381.7	363.5	343.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 13	186,417	269,661	171,463	147,537
Production (tons)	May 13	211,915	207,307	193,925	166,639
Percentage of activity	May 13	93	92	88	79
Unfilled orders (tons) at	May 13	377,331	404,445	379,118	271,323
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	May 19	120.5	120.6	121.0	130.8
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	May 6	33,804	32,672	25,262	19,445
Number of shares	May 6	1,057,132	1,006,291	770,822	541,843
Dollar value	May 6	$42,327,446	$39,402,651	$30,239,610	$22,366,643
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 6	37,284	37,338	28,801	19,087
Customers' short sales	May 6	258	248	167	216
Customers' other sales	May 6	37,026	37,090	28,634	18,871
Number of shares—Customers' total sales	May 6	1,079,127	1,076,774	812,260	516,812
Customers' short sales	May 6	9,989	9,352	6,237	7,756
Customers' other sales	May 6	1,069,138	1,067,422	806,023	509,056
Dollar value	May 6	$39,598,777	$38,804,350	$28,677,102	$18,201,523
Round-lot sales by dealers—					
Number of shares—Total sales	May 6	343,520	373,930	261,850	168,310
Short sales	May 6	------	------	------	------
Other sales	May 6	343,520	373,930	261,850	168,310
Round-lot purchases by dealers—					
Number of shares	May 6	332,180	285,250	243,750	214,280
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 16	155.9	*155.1	152.2	155.5
Farm products	May 16	164.7	162.9	157.5	170.8
Grains	May 16	172.8	173.5	169.6	161.8
Livestock	May 16	220.3	216.7	194.4	204.8
Foods	May 16	160.5	*158.7	155.0	163.2
Meats	May 16	235.6	*232.0	212.2	221.9
All commodities other than farm and foods	May 16	147.5	*147.2	146.1	147.0
Textile products	May 16	135.4	135.3	135.6	141.3
Fuel and lighting materials	May 16	132.6	132.2	130.5	130.1
Metals and metal products	May 16	170.3	170.1	170.0	168.6
Building Materials	May 16	197.8	*197.0	193.8	193.6
Chemicals and allied products	May 16	116.5	116.9	117.2	118.5

*Revised figures ¶Includes 479,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:			
New England	$19,627,615	$23,255,763	$18,842,667
Middle Atlantic	98,742,832	87,859,715	65,937,616
South Atlantic	41,605,035	47,509,445	35,885,670
East Central	96,407,895	88,108,955	83,446,186
South Central	69,215,152	74,909,557	47,565,461
West Central	39,652,228	31,135,301	18,660,959
Mountain	13,188,647	12,141,135	12,723,982
Pacific	67,539,252	83,973,783	64,935,015
Total United States	$445,978,656	$448,893,654	$347,997,556
New York City	57,723,455	48,240,730	38,753,201
Outside of New York City	388,255,201	400,652,924	309,244,355
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:			
Manufacturing number	195	206	229
Wholesale number	93	116	98
Retail number	398	402	406
Construction number	76	86	68
Commercial service number	44	74	76
Total number	806	884	877
Manufacturing liabilities	$7,980,000	$12,241,000	$14,523,000
Wholesale liabilities	3,807,000	3,317,000	3,975,000
Retail liabilities	7,179,000	7,859,000	6,139,000
Construction liabilities	1,465,000	2,777,000	1,519,000
Commercial service liabilities	819,000	1,706,000	5,774,000
Total liabilities	$21,250,000	$27,900,000	$31,930,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of April:			
Total U. S. construction	$886,864,000	$993,453,000	$589,693,000
Private construction	551,681,000	623,415,000	274,021,000
Public construction	335,183,000	370,038,000	315,672,000
State and Municipal	279,442,000	294,178,000	266,003,000
Federal	55,741,000	75,860,000	49,669,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Feb. 31:			
Total consumer credit	$18,126	*$18,347	$15,325
Instalment credit	10,892	*10,839	8,339
Sale credit	6,207	*6,207	4,306
Automobile	3,258	*3,179	1,996
Other	2,949	*3,005	2,310
Loan credit	4,685	*4,665	4,033
Noninstalment credit	7,234	*7,505	6,986
Charge accounts	3,227	*3,506	3,169
Single payment loans	3,007	*3,082	2,865
Service credit	1,000	*997	952
COTTON ACREAGE AND PRODUCTION—U. S. DEPT. OF AGRICULTURE—Final:			
Acreage	27,230,000	------	22,821,000
Production 500-lb. gross bales	16,127,000	------	14,877,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of April	711,511	898,223	598,502
In consuming establishments as of April 30	1,759,305	1,881,498	1,449,180
In public storage as of April 30	7,369,348	8,302,175	5,869,427
Linters—Consumed month of April	131,056	155,824	119,394
In consuming establishments as of April 30	353,931	360,265	336,034
In public storage as of April 30	119,100	73,861	112,576
Cotton spindles active as of April 30	20,048,000	20,340,000	19,805,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on April 29	23,113,000	23,188,000	23,783,000
Spinning spindles active on April 29	20,048,000	20,340,000	19,801,000
Active spindle hours (000's omitted) April	8,764,000	11,130,000	7,442,000
Active spindle hrs. per spindle in place April	473	472	327
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE=100—Month of April:			
Sales (average monthly), unadjusted	221	*220	*243
Sales (average daily), unadjusted	225	*208	*239
Sales (average daily), seasonally adjusted	235	217	*244
Stocks, unadjusted	237	237	*239
Stocks seasonally adjusted	230	231	*232
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$152,034,000	$124,549,000	$143,484,000
Matured endowments	48,070,000	38,750,000	44,426,000
Disability payments	8,354,000	7,800,000	8,142,000
Annuity payments	21,704,000	19,434,000	20,500,000
Surrender values	63,116,000	51,007,000	50,587,000
Policy dividends	65,460,000	47,168,000	58,889,000
Total	$358,738,000	$288,708,000	$326,028,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of April (000's omitted):			
Ordinary	$1,352,000	$1,489,000	$1,268,000
Industrial	445,000	490,000	414,000
Group	374,000	434,000	170,000
Total	$2,171,000	$2,413,000	$1,852,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (millions of dollars):			
Inventories:			
Durable	$13,869	*$13,880	$16,629
Nondurable	17,271	*17,256	17,780
Total	$31,140	$31,136	$34,409
Sales	17,956	17,650	18,175
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION Month of March (000's omitted):			
Savings and Loan associations	$402,592	$312,161	$267,574
Insurance companies	108,954	89,962	79,446
Banks and Trust companies	245,970	204,269	193,944
Mutual Savings banks	60,738	57,104	51,479
Individuals	184,411	157,633	170,571
Miscellaneous lending institutions	218,979	181,961	133,776
Total	$1,221,644	$1,003,090	$896,790
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	------	------	------
Net purchases	$1,123,500	$6,316,900	$1,505,250

*Revised figure.

Continued from page 2

The Security I Like Best

ahead seems much smoother because they realize the need for foreign funds to develop their resources, and consequently give their people a much better life.

Congress is now working on a bill to insure foreign investors against confiscation of their capital so that these countries will be in a position to furnish the materials we so sorely need to build up our stockpiles, in the event the cold war should turn into a hot war.

Below I am listing a package of my favorite securities:

City of Rio de Janerio (Brazil) 2s, due 2012, currently quoted 35½-36½.

Brazil 3⅜s, due 1979, currently quoted 63½-64½.

Chile, 2-3s, due 1993, currently quoted 34¾-35¼.

Colombia Departmental 3s, due 1978, currently quoted 38-39.

Peru—1½-2½s, due 1997, currently quoted 23¾-24¼ (interest rising to 2% beginning Jan. 1, 1951).

*Mexican Treasury 6s, due 1963, currently quoted 13-13½ (present interest rate 13.75% per year).

*Mexican Treasury 4s, dated 1910, currently quoted 9-9¼ and paying about $9.50 a year.

*Mexican Railway issues yielding anywhere from 10% to 15%, depending on securities selected.

Bolivians 6s, 7s and 8s, currently quoted at 14⅜, which are expected to offer a plan in the very near future.

* Par now $200.

ROBERT N. TULLER
Partner, Tuller, Crary & Ferris
New York City
Members
New York Stock Exchange

(Chicago Transit Authority Bonds)

I am glad that the rules of this forum permit a classification indicating for which type of investor the security selected is suitable. With this qualification I would choose the term bonds of the Chicago Transit Authority as being the security I like best at this time for insurance companies and for investors qualified to hold a so-called businessman's risk bond.

Robt. N. Tuller

These term bonds are the 3¾s due July 1, 1978, and, at the time of this writing, are selling at a dollar price of 94 to yield approximately 4.10% to maturity. The interest is exempt from Federal income taxes under existing statutes, regulations and court decisions.

Since issuance in the fall of 1947, the obligations of the Chicago Transit Authority have been buffeted about considerably. While there exist valid reasons for these fluctuations, this period has served to bring out points of fundamental strength. The main problem of declining traffic (a national postwar trend) and increased wage and material costs has been largely met by the control of fare rates. Take note that this control lies with the Board of the Authority and nowhere else. The record of this period shows no hesitancy on the part of the board to be realistic on this policy of fare when the financial condition required action.

Other important problems were the assembling of the component parts of a multilateral system and making it function efficiently as a whole. This involved installation of proper cost accounting as well as careful control over all operating expense. The clue to success in this quarter lies in management. In my opinion, the CTA system has no peer in the managing ability shown by Walter J. McCarter, an able engineer and formerly General Manager of Cleveland's city-owned transportation system.

The purchaser of these bonds should believe in the following points as do I:

First—That a mass transportation system is an essential in the efficient fuctioning of an industrial and commercial city of the size of Chicago.

Second—That the people of Chicago own their own transportation system and will ask for and receive exactly the kind and type of transportation they are able and willing to pay for.

Third—That if the second condition be true and no overcapitalization exists, that the securities of the system are sound and that all contractual obligations will be met.

The word transit has certain bad historical connotations in the minds of old investors. I believe that the special factors cited above in the CTA picture make unwise the classification of these bonds with all other transit obligations. Their present market price suggests such a classification. I think that the combination of the law establishing this Authority, together with a sound management will slowly and surely enable these bonds to become properly appreciated in the market place. They are presently working their passage to a higher niche.

Dansker Company

BROOKLYN, N. Y.—Dansker Realty & Securities Corp. is conducting a securities business from offices at 106 Montague Street.

L. A. Bond Club Sets Annual Field Day

LOS ANGELES, Calif. — The annual field day of the Bond Club of Los Angeles will be held at the Bel-Air country Club, Friday, June 2, Ralph E. Phillips of Dean Witter & Co., Club President, announced.

More than 250 members and guests are expected to participate in the activities which will include lunch and dinner, golf, horseshoes, baseball, tennis and other sports, topped off by an entertainment program in the evening.

General Chairman of the field day is Stevens Manning of Paine, Webber, Jackson & Curtis.

Committee Chairman in charge of other events include Rufus Carter, Carter & Co., entertainment; Charles E. Driver, Capitol Records, dinner; Thomas Drummond, Paine, Webber, Jackson & Curtis, judges and trophies; Francis S. McComb, Blyth & Co., Inc., golf; Hamilton Keller, Paine, Webber, Jackson & Curtis, special event; Darwin H. Clark, publicity; Donald E. Summerell, Wagenseller & Durst, Inc., baseball; Arthur G. Kane, California Bank, horseshoes, and Frank Dyer, Jr., Wagenseller & Durst, Inc., tennis.

San Francisco Bond Club Elects Officers

SAN FRANCISCO, Calif.—The San Francisco Bond Club has elected H. Taylor Peery, Bank of America, President, to succeed Alexander McAndrew, McAndrew & Co., Incorporated. Ted Baker, Dean Witter & Co., was named Vice-President.

To Be Mol Partner

Lawrence J. Steinbugler will become a partner in Mol & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on June 1.

NSTA Notes

GEORGIA SECURITY DEALERS ASSOCIATION

Lex Jolly, Johnson, Lane, Space & Co., Atlanta, President, announces that the Annual Outing of the Georgia Security Dealers Association will be held at Savannah, Ga., on June 10 and 11 at the Hotel Tybee, Savannah Beach.

Sam Varnedoe of Varnedoe, Chisholm & Co. is in charge of arrangements.

BOND TRADERS CLUB OF KANSAS CITY

The Bond Traders Club of Kansas City on June 9th will hold its annual field day at the Quivera Country Club.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold their annual outing at the Nordic Country Club on June 24th.

AD LIBBING

It is with great pride we advance the name of Joseph H. Weil of Weil & Arnold, Canal Building, New Orleans, La., for your applause.

Joe has served before as Chairman of the New Orleans affiliate on our National Advertising Committee and obtained recognition due to his ability and cooperation in securing ads for our yearbook and convention issue of the "Chronicle."

When accepting participation on our committee he said: "Am still at my same post and willing to do what I can to help out." Fellow members will agree with me I'm sure that Joe's personality has gone a long way in making it all in our national organization his friends.

F. Y. I., his son is following a great example.

Joseph H. Weil

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York City

Continued from page 12

Our Confused Foreign Policy

so unless we immediately mobilize our resources on a scale far beyond that contemplated by the Administration.

The inadequacy of American foreign policy can be seen on any map. It was also revealed by the insolent Soviet action in shooting down the American plane in the Baltic with the loss of ten American lives.

It is an ironic fact that the United States at the peak of her power stands almost at bay before the assaults of a nation inferior to us spiritually, politically and industrially. The only fair way to judge a policy is by the results it obtains. The conduct of American policy since the end of the war is a tragic failure by this standard.

The primary weakness of our policy lies in the fact that it has never aimed at a clear cut, positive objective. It is absolutely essential to know where you're going in order to make any progress. The only aims ever announced for our policy have been those of containment and resistance. Except in a few areas, such as Greece, we have been on the political defensive. Even the Atlantic Pact, the most positive step undertaken by the Administration, is essentially defensive in character. It is time to move forward, for if we continue to hold only to negative objectives we will lose even them.

In war, whether hot or cold, the side which stays permanently on the defensive will lose. Moreover, even our negative policy of containment has been applied inconsistently. I for one cannot view our loss of China as a triumph of American diplomacy. Whatever the true causes of this debacle may be the American position in the Far East has been weakened. The present rulers of China once described as agrarian reformers by State Department policy makers are tied to Moscow with a rod of iron. This defeat—one of the most far-reaching in modern times—took place while our announced policy was to contain Communist aggression.

Things Might Be Worse

It is only fair to say, however, that things might be worse. Wallace and the appeasement he championed was given his walking papers. We have made the great decision to stop the retreat in Europe, and finally in Asia. But we have not yet taken the offensive, we have not yet seized the initiative. Moscow has called the main plays in world politics since 1945. I look forward to the day when decisions made in Washington will give the evil men in the Kremlin as many sleepless nights as their schemes have brought to millions of free men the world over.

This time of crisis calls for radical new decisions in our foreign policy. We need a brand of American leadership worthy of the name. The time we have to act in is very limited. It can be made to work for us if we strike out this moment on a new course. Unless we adopt a bold, new political program the Soviet Union will inevitably draw ahead.

We read the history of the Roman Empire today because their political leaders were more courageous and had greater vision than the leaders of Carthage.

Whether the future historians will write of our heroes and principles of freedom or of our national destruction depends on the type of leadership we receive during these crucial years before the Soviets can match our atomic stockpile.

Political objectives must be down to earth if they are going to influence action. The Soviets have never been squeamish in setting forth their avowed policy. "One or the other must conquer" has been the motto of the Kremlin. Since it is obvious that none of our spiritual beliefs, none of the principles which have inspired our nation since its foundation, could survive the Communist conquest, the first objective of American foreign policy must be equally as bold, equally direct. In plain words, our primary objective must be the separation of the world-wide Communist Party from power.

Peace Impossible with Communist Russia

I do not suggest the elimination of the Communist Party will solve all the ills of the world, but I do assert that a just peace is impossible as long as the Soviet Union is ruled by the Communist Party.

The only way to clear an area of rattlesnakes is to destroy their nests. The main nest of the Communists is in the Kremlin. As long as we continue to tackle communism only in places remote from the center, such as Greece or China or Iran, we can only gain indecisive results at the expense of great effort. We have poured millions of dollars into Greece, yet we have not solved the problem of communism there. It is obvious to anyone that the Communist campaign to conquer Greece will be renewed whenever it suits the Communist purpose to resume operations toward the Dardanelles. Our air lift to save Berlin from Communist domination also costs hundreds of millions of dollars. Yet today Berlin is no more secure than when the Soviets again permitted us to send food overland into this beleaguered city.

Lacking a real objective, the few victories we have won in the cold war have achieved limited results entirely out of proportion to their vast costs. The Soviets, on the other hand, have really lost nothing by these abortive forays.

I want to make it quite clear that our objective should be the destruction of the organism of the Communist Party and not the people it enslaves. Rather, we must declare all people who are laboring under the yoke of that monstrous tyranny to be our allies. The Russian people themselves must be encouraged to join us in the battle for freedom.

I submit that in the world of today we Americans are the real revolutionaries. Our wisest course is to push our revolutionary ideas of political and economic freedom under the rule of law to the furthest corners of the earth.

Just as our country could not exist half slave and half free, the world itself cannot endure divided as it is today. The time for making deals with Moscow has ended. Let those who say that a genuine peace can exist as long as the Communist leaders rule the Kremlin come forth and state the basis for their pipedream.

Modern technology has made the world one. That peace can be established as long as a permanent political schism exists between East and West is out of the question. Let us be as courageous as the Communist and recognize the life and death nature of the struggle.

Destruction of Communist Power Should Be Objective

Once we establish the destruction of Communist Power as our primary objective we can end the

Continued on page 38

Continued from page 37

Our Confused Foreign Policy

drift which still characterizes the conduct of our affairs. Practical political offensive campaigns can then be undertaken.

First, we must end our cowardly acquiesence to the status quo existing behind the Iron Curtain. We must publicly proclaim our sympathies with millions suffering under the iron heel of communism in Poland, Czechoslovakia, Bulgaria, Hungary, Romania and the smaller countries of Eastern Europe. We must hold open to them the hope of eventual liberation just as we did to the people of Europe when they were subjected to Nazi tyranny, and to the people of China and the Philippines when they lived under Japanese militarism. These people enslaved by Communism must be told that the dawn of liberty will follow their night.

That campaign is essential to all of our existing programs for unless the Soviets are forced to withdraw to their 1939 borders, there is no chance whatsoever of European recovery succeeding. The Iron Curtain stands as a barrier to the natural flow of trade between Eastern and Western Europe on which Europe's healthy economic life depends.

European Recovery also requires European Unity. Perhaps the most heartening omen on the entire world scene is the recent French offer to integrate their economy with that of Germany. Political and economic unity are inseparable and this concrete and enlightened action on the part of the French holds seeds of great promise. European unity has been one of the constructive aims of our foreign policy but one that has not been prosecuted with all the skill and influence we possess.

Much of our European aid program has been conducted like a vast international W. P. A. It has not furthered practical steps toward European unity. As the arsenal of democracy during World War II we properly insisted that our military equipment be used to gain the common objectives against the enemy. We are the arsenal of freedom in the Cold War and in the interest of our European friends we must exercise our right to promote European unity with every ship filled with American goods or arms. I believe Europeans will welcome this type of leadership.

German unity must be one of our goals within the larger framework of a European order. Rather than trying to suppress this basic instinct of the German people we must encourage it.

Germany Should Be in Atlantic Union

The Iron Curtain cuts squarely across Germany. At Yalta the Soviets detached large areas from Germany as part of a clever, long-range political swindle. This maneuver, which has become increasingly obvious, is to hold out the bait of these stolen territories as inducement for German unity within the Communist orbit. We must defeat this scheme. Germany is a vital member of the West, and must become unified as a Western nation and not as a Communist satellite. The unification of Germany as a member of the Atlantic Community will crack the Iron Curtain at its weakest point. It will do more than any other single thing to destroy the base of Communist Power.

Our natural preoccupation with Europe must not make us forget the vast problems of Asia. We have a policy for China — announced over 50 years ago by Secretary of State John Hays — the Open Door Policy. That policy was our guide in World War II when much of China was overrun by the Japanese and must continue to be ours during the Cold War when all of China has been enslaved by the Communist puppets of Moscow.

Nor can we forget Japan. Under present policies Japan will be supported by an American dole for generations to come. A program must be found to harness the skill and industry of the Japanese people so that they can support themselves and contribute to the mutual wellbeing of the millions of people in Asia and the Oceanic Islands.

Each specific step I have advocated is a positive part of the overall offensive to destroy the Communist power. Success achieved on any front will help crack the Iron Curtain and force the Communist power to disgorge its conquests. We cannot allow the Communists time to consolidate their gains to prepare new springboards for further advances. Nor can we suffer the world-wide appendages of the Kremlin — the Communist Parties of France, of Italy, of Japan, of Latin America and even of the United States— to sabotage our offensive. We must cut the spinal cord of these Fifth Columns by severing their connection with Moscow. We must initiate a worldwide campaign to smash the apparatus by which the professional agents of Moscow sow the seeds of treason and disunity through the camp of the free world.

Let us not permit the necessity for this essential campaign to be obscured by false cries for civil liberty by maudlin totalitarian liberals. Treason is not one of the civil liberties defined by our constitution. I can see no harm in any native Communist Party, but only the greatest peril in Moscow-directed Fifth Columns.

The United Nations must become our battleground for freedom. When the aims of the Charter of the United Nations are realized the Cold War will be ended. When the aims of the United Nations are practiced in Eastern Europe the Iron Curtain will melt away. The United Nations is a ready-made instrument through which the free peoples of the world can press their offensive for peace and survival.

Perhaps the Soviet Union will not choose to remain in a revitalized United Nations. Today their participation in the United Nations is extremely limited. Of the 34 separate bodies, commissions or agencies of the United Nations the Soviet Union has never joined or is boycotting 22. We can no longer permit Soviet obstructionism to block the real work the UN can accomplish.

I realize that the measures I advocate to you today are far in advance of those officially sponsored by the administration, but the crisis we face will not be solved either by half-way policies or procrastination.

Does Not Imply War

A freedom offensive does not imply war. There are many means at our disposal to force back the frontiers of Communism short of war. We have great power and joined with our friends we must use this power to destroy tyranny.

The dangers of a strong policy are infinitely less than those of a weak one. Suppose for example we remain on the political defensive and continue to spend $20 billion annually in national defense and foreign aid. Twenty years from now, after spending $400 billion on a fruitless policy, we will be worse off than we are today—and the Soviet Union will be immeasurably stronger.

A unified command under the Atlantic Pact means little unless the democracies of Western Europe are prepared to back it up with the integration of their economic as well as military measures. There is, of course, the risk that an offensive policy will provoke the men in the Kremlin to strike before their base system is utterly destroyed by the forces of freedom. This risk we must courageously accept as the lesser of two evils.

There is a stronger chance that an accelerated offensive policy will generate sufficient power for the Western democracies to prevent World War III. Consequently, I can see no better path toward peace than to energetically push forward the frontiers of freedom. The shackles of tyranny will be our fate if we blindly refuse to make this choice in time.

The Time Is Now!

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 June 1.

American Cyanamid Co., New York
April 26 filed 498,849 shares of series B 3½% cumulative prefererd stock (par $100), which is convertible before July 1, 1960. They have been 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**—$102 per share. **Proceeds**—For working capital and general funds.

American-Marietta Co., Chicago
April 28 filed 50,926 shares of common stock (par $2) to be offered to holders of 50,926 shares of capital stock of United Brick & Tile Co., Kansas City, to complete acquisition of this company. **Underwriter**—H. M. Byllesby & Co., Chicago (to serve as dealer-manager for soliciting United Brick stockholders. Expected this week.

• American Metal Products Co. (7/8)
May 19 filed 426,000 shares of common stock (par $2). **Price**—To be filed by amendment. **Underwriter**—Reynolds & Co. **Proceeds**—To go to selling stockholders.

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.

• Antenna Research Laboratory, Inc.
May 15 (letter of notification) 800 shares of common stock to be sold at par ($100 per share). No underwriter. Proceeds for plant expansion and working capital. **Office**—797 Thomas Lane, Columbus 2, Ohio.

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.

• Artcraft Fluorescent Corp., Brooklyn, N. Y.
May 18 (letter of notification) 30,000 shares of 7% cumulative participating preferred stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—$80,000 to repurchase Louis Solomon's 185 shares of stock and $220,000 for working capital. **Office**—248-274 McKibbin Street, Brooklyn, N. Y.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

Atlas Corp.
April 26 filed 1,924,011 shares of common stock (par $5) to be issuable by corporation if all outstanding option warrants are exercised. **Underwriters**—None.

• Ballentine Grocery Stores, Easley, S. C.
May 15 (letter of notification) 1,000 shares of common stock, par value $100, to be sold to officers and directors at par ($100 per share) and 1,000 shares of 6% preferred stock, to be offered to the public at $100 per share. Underwriter — None. **Proceeds** — To improve stores and add new stores.

• Boston Electric Steel Casting, Inc.
May 15 (letter of notification) 400 shares of common stock (no par) to be offered at $50 per share. No underwriter. Proceeds for working capital. **Office**—53 Gerard Street, Boston, Mass.

• Botany Mills, Inc.
May 22 (letter of notification) 1,000 shares (par $1). **Price**—At market (approximately $8 per share). **Underwriter**—Lamont & Co. **Proceeds**—To selling stockholder.

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. (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.

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.

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) offered to warrant holders at $4.50 per share. No underwriter. Proceeds for working capital. **Office**—70 Pine St., New York, N. Y.

Colorado Fuel & Iron Corp. (6/1)
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.

• Columbine Development Co. (Colo.)
May 15 (letter of notification) 3,000 shares of common stock (par $10) to be sold at $12.50 per share. No underwriter. Proceeds for construction and operation of a new pulp and paper mill. **Office**—614 Rood Avenue, Grand Junction, Colo.

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.

● **Drug Guild Co-operative Service, Inc.**
May 23 (letter of notification) 1,000 shares of common stock at par ($100 per share). No underwriter. Proceeds for organizational expenses and working capital. **Office**—310 Bridge Street, Brooklyn 1, N. Y.

Dumont Electric Corp. (5/25)
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 May 25.

● **Equitable Gas Co., Pittsburgh, Pa.**
May 23 filed $3,000,000 of 20-year 3⅜% sinking fund debentures, due March 1, 1970, to be sold by The Philadelphia Co. from its present holdings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To retire 100,000 outstanding shares of $6 cumulative preference stock by Philadelphia Co.

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.

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 approved 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 Utilities 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**—Will be received at Central Hanover Bank & Trust Co., Room A, 70 Broadway, New York, N. Y., up to noon (EDT) on June 5.

NEW ISSUE CALENDAR

May 25, 1950	
Dumont Electric Corp.	**Common**
Piasecki Helicoper Corp.	**Debentures**
Reading Co. noon (EDT)	**Equip. Trust Ctfs.**
Wisconsin Power & Light Co.	**Common**
May 26, 1950	
International Utilities Corp.	**Debentures**
May 29, 1950	
Sentry Safety Control Corp.	**Capital**
Television Equipment Corp.	**Common**
May 31, 1950	
Vieh Co.	**Common**
June 1, 1950	
American Cladmetals Co.	**Common**
Colorado Fuel & Iron Corp.	**Bonds**
General Radiant Heater Co., Inc.	**Common**
Gloeckler (H.) Associates, Inc.	**Common**
New York Central RR., noon (EDT)	**Eqp. Tr. Ctfs.**
United Mines of Honduras, Inc.	**Common**
Wisconsin Power & Light Co.	**Bonds**
June 2, 1950	
Northern Indiana Public Service Co.	**Common**
June 5, 1950	
Gulf States Utilities Co. noon (EDT)	**Bonds**
Rosefield Packing Co.	**Common**
Wisconsin Electric Power Co.	**Bonds & Common**
Wisconsin Gas & Electric Co.	**Bonds**
June 6, 1950	
Northwestern Bell Telephone Co.	**Debentures**
Pennsylvania Co. noon (EDT)	**Bonds**
Public Finance Service, Inc.	**Debentures**
June 7, 1950	
California Electric Power Co.	**Bonds**
Southern California Gas Co. 8:30 a.m. (PDT)	**Bonds**
June 12, 1950	
Northern Natural Gas Co.	**Debentures**
June 13, 1950	
Dallas Power & Light Co.	**Bonds**
Pacific Gas & Electric Co.	**Bonds**
Toledo Edison Co.	**Common**
June 15, 1950	
Southern Ry. Co.	**Bonds**
June 19, 1950	
Arkansas Power & Light Co.	**Bonds & Preferred**
Indiana & Michigan Electric Co. noon (EDT)	**Bonds**
Louisiana Power & Light Co.	**Preferred**
Mississippi Power & Light Co.	**Bonds & Pfd.**
June 20, 1950	
Columbia Gas System, Inc.	**Debentures**
Rockland Light & Power Co.	**Preferred**
Sunray Oil Corp.	**Common**
July 8, 1950	
American Metal Products Co.	**Common**

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.

● **Indiana & Michigan Electric Co. (6/19)**
May 19 filed $20,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected to be received at noon (EDT) on June 19. **Proceeds**—To pay bank notes and for construction.

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. To be offered in June.

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 Anonima Comercial, an Argentine corporation. The initial exchange offer will become effective July 19 if a minimum of 1,650,001 shares of Swift International has been tendered and accepted. No underwriter.

International Utilties Corp. (5/26)
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.

● **Kansas City Power & Light Co.**
May 19 filed $15,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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**—To retire $4,822,500 of bank loans and for construction program. Stockholders will vote June 8 on approving increase in funded debt.

● **Lamston (M. H.), Inc., New York City**
May 19 (letter of notification) 1,200 shares of common stock at market (approximately $9 per share). Proceeds go to selling stockholders. **Underwriters**—To be offered through Childs, Jeffries & Thorndike, New York, N. Y.

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, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

● **Mohawk Business Machines Corp.**
May 19 (letter of notification) 6,668 shares of common stock (par 10¢). **Price**—$1 per share. **Underwriter**—Jacquin, Bliss & Stanley, New York. **Proceeds**—To selling stockholder.

● **Nave Typographic Service, Inc., Washington, D. C.**
May 16 (letter of notification) 2,170 shares of common stock to be sold at par ($1 per share) and 310 shares of voting, noncumulative, participating, preferred stock at par ($100 per share), in units of one preferred and seven common shares. **Underwriter**—None, but sales agent is J. G. Lawlor & Co. **Proceeds**—To pay expenses of incorporation, purchase assets of Nave Typographic Service and provide working capital. **Office**—1367 Connecticut Avenue N. W., Washington, D. C.

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.

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 Co. (6/2)
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.

Continued on page 40

Continued from page 39

Northern Natural Gas Co. (6/12)
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 notse. **Bids**—Expected June 12.

Northwestern Bell Telephone Co. (6/6)
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 on June 6.

● **Norway Center, Inc., New York City**
May 16 (letter of notification) $100,000 of 15-year 5% debentures and 1,000 shares of common stock (par $5) in units of $100 of debentures and one share of stock at $105 per unit. No underwriter. Proceeds as security on long-term commercial lease. **Office**—21 East 40th Street, New York 16, N. Y.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

● **Pacific Gas & Electric Co. (6/13)**
May 17 filed $80,000,000 of first and refunding mortgage bonds, series T, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; First Boston Corp. **Proceeds**—For new construction. **Bids**—Expected June 13, 1950.

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.

● **Parlin Manufacturing Co.**
May 22 (letter of notification) 10,000 shares of 5% cumulative preferred stock to be offered at par ($10 per share), each share to be accompanied by a warrant to purchase one share of series B common stock at par ($1 per share). Such option must be exercised or waived at time of subscription to preferred stock. No underwriter. Proceeds for acquisition of plant, machinery and raw materials and for working capital. **Office**—1331 Fidelity-Philadelphia Trust Building, Philadelphia 9, Pa.

Peninsular Mortgage Corp., Wilmington, Del.
May 4 (letter of notification) $230,000 of 5% bonds of $1,000 principal amount each, and $20,000 of 4% bonds of $100 principal amount each. No underwriter. Proceeds to invest in first mortgages. **Office**—1216 King St., Wilmington, Del.

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; rights will expire June 30, 1950. **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.
April 28 filed 130,610 shares of 3.90% cumul. preferred stock (par $100) and 333,077 shares of common stock (par $5) being 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**—$100.75 per share for preferred and $48 for common. **Proceeds**—To reduce bank loans.

● **Piasecki Helicopter Corp. (5/25)**
May 17 (letter of notification) $300,000 of 4½% convertible debentures due May 1, 1955 (converitble on and after Jan. 1, 1951). **Price**—At par and accrued interest. **Underwriter**—First Boston Corp. **Proceeds**—For expansion program.

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.

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.

● **Public Finance Service, Inc. (6/6)**
May 22 (letter of notification) $250,000 of 6% convertible debentures, dated June 1, 1950. **Price**—At par. **Underwriter** — None. **Proceeds** — For working capital. **Office**—18 West Chelton Avenue, Philadelphia 44, Pa.

Reid Brothers, Ltd., San Francisco, Cal.
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—None. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

● **Remington Corp.**
May 22 (letter of notification) 10,000 shares of common stock (par $5). **Price**—$7.25 per share. **Underwriter**—None. **Proceeds**—To purchase additional production facilities and for working capital. **Office**—59 East Court Street, Cortland, N. Y.

Rockland Light & Power Co. (6/20)
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 20.

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.

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.

● **Sentry Safety Control Corp. (5/29)**
May 19 (letter of notification) 132,050 shares of capital stock (par $1), of which 33,000 shares will be initially offered to public, the remainder to be sold after June 1, 1951. **Price**—At market (approximately $1 per share). **Underwriter**—First Guardian Securities Corp. **Proceeds**—To retool machinery for inventory and working capital.

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**—Will be received up to 8:30 a.m. (PDT) on June 7 at Room 934, 810 So. Flower Street, Los Angeles 54, Calif.

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.

● **Stow Fire & Burglar Detector Co., Inc.**
May 15 (letter of notification) 1,500 shares of class A 6% noncumulative preferred stock to be sold at par ($100 per share). No underwriter. Proceeds to discharge outstanding debts of less than $5.000 and promote the sale of the Stow Fire & Burglar Detector. **Office**—2400 Western Avenue, Knoxville, Tenn.

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.

● **Sunray Oil Corp. (6/20)**
May 23 filed 750,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—Together with other funds from $80,000,000 of privately placed long term promissory notes, for retirement of certain outstanding capital obligations of company and Barnsdall Oil Co. pursuant to plan of merger of two companies.

● **Television Equipment Corp. (5/29)**
May 19 (letter of notification) 1,120,000 shares of common stock (par 5¢) to be offered "as a speculation." **Price** — 25¢ per share. **Underwriter** — Tellier & Co. **Proceeds**—For working capital.

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 are 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.

● **Turner Airlines, Inc., Indianapolis, Ind.**
May 15 (letter of notification) $58,182 of 3% three-year debentures, due 1953, convertible into no par value common stock at $3 per share, to be issued to Nationwide Air Transport Service (19,396 shares will be set aside for this purpose). No underwriters. Purpose is to pay indebtedness.

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.

● **U. S. Manganese Corp.**
May 15 (letter of notification) 300,000 shares of common stock to be sold at par ($1 per share). No underwriter. Proceeds for expansion, working capital and general purposes. **Office**—601 Heard Building, Phoenix, Arizona.

Videograph Corp., N. Y. City
Feb. 2 (letter of notification) 300,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—George J. Martin Co., New York. **Proceeds**—For additional working capital. **Business**—Assembles a coin operated combination television and phonograph. **Office**—701—7th Avenue, New York, N. Y. Probably withdrawn.

Vieh Co., Columbus, Ohio (5/31)
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. Expected May 31.

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 common shares held; rights to expire on June 13. **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. (6/5)
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 June 5.

Wisconsin Gas & Electric Co. (name being changed to Wisconsin Natural Gas Co.) (6/5)
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. Expected June 5.

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; rights will expire June 12. **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. (6/1)
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 1.

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.

● **Alabama Power Co.**
May 12 company reported to be considering issue in late summer of about $10,000,000 preferred stock. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp.; Drexel & Co. Proceeds will be used for construction expenditures.

● **American Investment Co. of Illinois**
May 24 announced company is planning to file a registration statement about June 1 covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

● **American Natural Gas Co.**
May 18 it was announced company plans issuance of 380,607 shares of common stock (no par) to common stockholders of record on or about June 21 at rate of one share for each eight shares held. **Price**—To be filed by amendment. **Underwriters**—To be determined by competitive bidding. 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. (6/19)**
May 17 company applied to SEC for authority to issue and sell 155,000 shares of preferred stock and $6,000,000 of first mortgage bonds due 1980, to be offered at competitive bidding. Probable bidders for bonds: 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. Probable bidders for preferred stock: First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp.; and White, Weld & Co. (jointly); Union Securities Corp.; First Boston Corp. **Proceeds**—To be applied to (a) redemption on Aug. 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; (b) the prepayment of $5,000,000 of 2% serial notes held by Central Hanover Bank & Trust Co.; and (c) the carrying forward of the company's construction program. Expected about June 19.

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.

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 17 corporation requested SEC authorization to issue and sell $110,000,000 of debentures, series A, due 1975. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To redeem $14,000,000 of 1⅞% serial debentures and $77,500,000 of 3⅛% debentures due 1971; and $17,500,000 for construction program. **Bids**—Expected about June 20.

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. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

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.

● **Domestic Credit Corp.**
June 20 stockholders will vote, among other things, to authorize a new issue of 200,000 shares of prior preferred stock, issuable in series, and on changing name to Domestic Finance Corp. Management plans further expansion which will require additionl capital from time to time.

● **Florida Power & Light Co.**
June 9 stockholders will vote on creation of 50,000 shares of $4.50 cumulative preferred stock (par $100).

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).

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.

● **Long Island Lighting Co.**
May 18 it was reported company's construction program in 1950 will cost $20,000,000 which is currently being financed by up to $12,000,000 bank loans pending permanent financing which may be done following effectiveness of consolidation plan. Probable bidders for any new securities include Smith, Barney & Co. If common it will be sold competitively. If bonds, it is expected they will be sold through negotiation.

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. (6/19)**
May 17 company applied to the SEC for authorization to issue and sell 90,000 shares of new preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. 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. **Proceeds**—To be used to redeem, at $110 per share plus dividend accruals, the 59,422 shares of outstanding $6 preferred. Temporary bank borrowings may be made to effect the redemption of the preferred, any such borrowings to be repaid from the proceeds of the proposed financing.

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.

● **Middle South Utilities Co.**
May 17 corporation made application to the SEC for authorization to offer an aggregate of 400,000 shares of its common stock to holders of the outstanding preferred stocks of its subsidiaries, Arkansas Power & Light Co., Louisiana Power & Light Co., and Mississippi Power & Light Co. Offer will not be underwritten, but company will use a dealer-manager to be selected by "competition-by-negotiation." The following may submit bids: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. Deposits may be accepted between June 26 and July 14, with registration expected about June 1. (See also listings of Arkansas, Louisiana and Mississippi listings elsewhere in these columns.)

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).

● **Mississippi Power & Light Co. (6/19)**
May 17 company applied to the SEC for authorization to issue and sell $7,500,000 of first mortgage bonds, series due 1980, and 85,000 shares of preferred stock, $100 par. Underwriters—To be determined by competitive bidding. Probable bidders for preferred: 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. Probable bidders for bonds: 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). Proceeds—To be used to redeem, at $110 per share plus dividend accruals, of the outstanding 44,476 shares of $6 preferred, and to pay off $3,450,000 of 2% serial notes. Temporary bank borrowings may be made to effect the redemption of the preferred stock, any such borrowings to be repaid from the proceeds of the proposed financing.

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)**
Bids will be received by the company at 466 Lexington Ave., New York, N. Y., until noon (EDT) for the purchase from it of $11,100,000 equipment trust certificates to be dated June 15, 1950 and to mature annually from

Continued on page 42

Continued from page 41

June 15, 1951 to 1965, inclusive. 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.

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. (6/6)**
Bids will be received at or before noon (EDT) June 6 at office of company, 44 E. Lancaster Avenue, Ardmore, Pa., for the purchase from it of $60,000,000 collateral trust serial bonds to be dated May 1, 1950, and to mature in 25 annual instalments of $2,400,000 each from May 1, 1951 to May 1, 1975, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp. and Kidder, Peabody & Co. (jointly). Proceeds to be used to buy $44,000,000 of Pennsylvania RR. general mortgage 4¼% bonds, series H, and to pay in part for 200,000 shares of Detroit, Toledo & Ironton RR. stock at $105.50 per share.

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.

● **Pennsylvania RR.**
May 23 company applied to the ICC for authority to issue $60,000,000 of its general mortgage 4¼% bonds, series H, to be dated April 1, 1950 and mature April 1, 1986. All or part of the bonds will be purchased by the Pennsylvania Co. and the proceeds used to pay the railroad's 15-year convertible 3¼% debenture bonds. (See also Pennsylvania Co. above.)

Public Service Co. of Colorado
May 22 stockholders voted to increase the 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).

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.

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 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.

● **Transvision, Inc.**
May 20 it was reported that early registration with SEC is expected of 300,000 shares of common stock. **Price**—$2.75 per share. **Underwriter**—Blair F. Claybaugh & Co. **Proceeds**—To pay loans and for additional working capital. **Offering**—Expected late in June.

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.

● **Utah Power & Light Co.**
May 23, G. M. Gadsby, President, said company plans to sell $10,000,000 of additional first mortgage bonds through competitive bidding during the first half of October, and 166,604 additional common shares in September. The latter will be offered to present shareholders in the ratio of one new share for each eight shares held. Proceeds from the bond and stock sales will be used to repay short-term loans in connection with the company's construction program, and for carrying forward the expansion program into 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers; Carl M. Loeb, Rhoades & Co.

West Coast Transmission Co., Ltd.
Feb. 10 reported that Eastman, Dillon & Co. and the First Boston Corp. were ready to underwrite the financing of the 1,400 mile pipe line proposed by the West Coast Transmission Corp., along with Nesbitt, Thomson & Co., Ltd., of Montreal, Canada, and Wood, Gundy & Co. of Toronto, Canada. The financing would be divided 75% to bonds and the remainder to preferred and common stock. A large amount of the bonds are expected to be taken by life insurance companies. Arrangements will be made to place in Canada part of the securities. It is expected an American corporation will be formed to construct and operate the American end of the line in Washington, Oregon and California. The completed line, it was announced, will cost about $175,000,000.

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.

COMING EVENTS
In Investment Field

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 29, 1950 (New York)
"Toppers" annual outing at the Montclair County Club, Montclair, N. J.

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

May 30, 1950 (New Orleans, La.)
Bond Club of New Orleans annual field day at Lakewood Country Club.

June 2, 1950 (Buffalo, N. Y.)
Bond Club of Buffalo Spring Party at Wanakah Country Club.

June 2, 1950 (Chicago, Ill.)
Bond Club of Chicago annual field day at the Knollwood Country Club.

June 2, 1950 (Los Angeles, Calif.)
Bond Club of Los Angeles annual field day at Bel-Air 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 6, 1950 (New Jersey)
Bond Club of New Jersey outing at the Montclair Golf Club.

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 (Kansas City, Mo.)
Bond Traders Club of Kansas City annual field day at Quivera Country 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 (Georgia)
Georgia Security Dealers Association annual outing at the Hotel Tybee, Savannah, Ga.

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 16-18, 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 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 20, 1950 (New York City)
New York Curb Exchange 5 & 20 Club annual golf tournament at Wheatley Hills Golf Club, East Williston, Long Island.

June 21-23, 1950 (Boston, Mass.)
Municipal Bond Club of Boston parties at Hotel Statler and outing at Concord Country Club.

June 23-25, 1950 (Los Angeles, Calif.)
Security Dealers Association of Los Angeles spring outing at the Hotel del Coronado.

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

June 24, 1950 (Chicago, Ill.)
Bond Traders Club of Chicago annual outing at the Nordic Country Club.

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.

June 28, 1950 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual spring outing at the Field Club.

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).

Our Reporter's Report

Somewhat more realistic bidding and consequently the ability to price new issues for reoffering on a basis that attracted institutional buyers permitted underwriters this week to get corporate inventories down a bit.

But some bankers were inclined to cast a baleful eye in the direction of the municipal market, where the so-called "blue list" that is bonds unsold on dealers' shelves continued to mount.

It was a banner week in corporates from a standpoint of ability to move the new offerings which came to hand. Three sizable utility bond issues, all of high quality, and involving a total of about $83,000,000 moved out in brisk fashion.

The reason was plainly evident: bankers in bidding for the bonds had a little more thought for the ideas of the ultimate buyer who has been decidedly "cool" to new issues where the yield has been much under a 2.7% basis.

The aforementioned bonds were brought to market at prices which gave Oklahoma Gas & Electric Co.'s $17,500,000 of new 2⅞s a yield of 2.77%, while Ohio Edison's $58,000,000 of new bonds with a similar coupon came out on a 2.764% yield basis, and Brooklyn Union Gas Co.'s $8,000,000 of 3s were priced to yield around 2.85% to the buyer.

The next really large-scale piece of public utility financing in the works is the $80,000,000 undertaking filed recently with the Securities and Exchange Commission by Pacific Gas & Electric Co.

Upon completion of this financing the big coast utility will have procured about 80% of the new capital calculated as required to carry through its six-year postwar expansion program.

Anticipating that bids for this offering will be called for about June 13, three investment banking groups have been organized one headed by a big West Coast firm, the second by a Chicago house, and the third by a New York underwriting firm.

Stockholders of Consolidated Gas Co. of New York, Inc., were advised at the recent annual meeting that the company probably would require about $90,000,000 of new financing before the end of the year for its expansion program.

Ralph Tapscott, Chairman, stated that no permanent financing along this line would develop before the fall, and yielded no hint of the type or size of the issue to be expected. But bankers are calculating on bonds for somewhere around $50,000,000 or $60,000,000.

DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York 6, N. Y.

CAPITAL STOCK DIVIDEND

A dividend of 16c per share on the Capital Stock of American Power & Light Company was declared on May 23, 1950, for payment July 1, 1950, to stockholders of record at the close of business June 5, 1950.

D. W. JACK, Secretary and Treasurer

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, May 17, 1950, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable June 30, 1950, to Common stockholders of record at the close of business on June 1, 1950. The Board also declared a dividend of one dollar twelve and one-half cents ($1.12½c) per share on the $4.50 Cumulative Preferred Stock of the Corporation, payable June 15, 1950, to Preferred stockholders of record at the close of business on June 1, 1950.

S. A. McCASKEY, JR.,
Secretary

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 140 of thirty-five cents (35¢) per share on the common stock payable July 15, 1950, to stockholders of record at the close of business on June 15, 1950.

GERARD J. EGER, Secretary

CSC
COMMERCIAL SOLVENTS Corporation

DIVIDEND No. 62

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on June 30, 1950, to stockholders of record at the close of business on June 7, 1950.

A. R. BERGEN,
Secretary.

May 23, 1950.

Bayuk Cigars Inc.

A dividend of twenty cents (20c) per share on the Common Stock of this Corporation was declared payable June 15, 1950 to stockholders of record May 31, 1950. Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
May 19, 1950

PHILLIES
America's No. 1 cigar

DIVIDEND NOTICES

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a dividend of 60¢ per share on the Common Stock payable June 9, 1950, to holders of record May 29, 1950.

ROGER HACKNEY, *Treasurer*

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
DIVIDEND NO. 212

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable July 1, 1950, to holders of record at the close of business June 8, 1950.

J. H. MICHAELI,
Treasurer

May 16, 1950

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable July 1, 1950, to stockholders of record at the close of business on June 9, 1950.

J. H. MIRACLE,
Secretary

May 24, 1950

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 144

A dividend of SEVENTY-FIVE CENTS a share has been declared on the capital stock of this Company, payable July 1, 1950, to stockholders of record at the close of business on June 15, 1950. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary*

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 32 cents per share on the Common Stock of the Company, payable July 1, 1950 to stockholders of record at the close of business May 31, 1950.

RICHARD BULLWINKLE
Secretary

May 19, 1950

Beneficial Industrial Loan Corporation

DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

CUMULATIVE PREFERRED STOCK
$3.25 Dividend Series of 1946
$.81¼ per share

$4 Dividend Series of 1948
$1 per share
(for quarterly period ending June 30, 1950)

COMMON STOCK
$.37½ per share

The dividends are payable June 30, 1950 to stockholders of record at close of business June 5, 1950.

PHILIP KAPINAS
Treasurer

May 22, 1950

DIVIDEND NOTICES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 130

A QUARTERLY DIVIDEND of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, June 19, 1950, to stockholders of record at three o'clock P. M., on Monday, May 29, 1950. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., May 18, 1950.

The UNITED Corporation

The Board of Directors has declared a dividend of 10 cents per share on the COMMON STOCK, payable June 30, 1950 to stockholders of record at the close of business June 5, 1950.

WM. M. HICKEY,
President

May 18, 1950

UNITED FRUIT COMPANY

DIVIDEND NO. 204

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 14, 1950 to stockholders of record June 8, 1950.

EMERY N. LEONARD
Treasurer

MERCK & CO., INC.
RAHWAY, N. J.

Dividends of 37½¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock and $1.00 a share on the $4.00 cumulative convertible second preferred stock have been declared, payable on July 1, 1950, to stockholders of record at the close of business June 12, 1950.

GEORGE W. MERCK,
President

May 23, 1950

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable July 1, 1950 to holders of record at the close of business June 2, 1950.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1950 to holders of record at the close of business June 2, 1950.

COMMON STOCK

60 cents per share, payable June 23, 1950 to holders of record at the close of business June 2, 1950.

R. O. GILBERT
Secretary

May 23, 1950.

DIVIDEND NOTICES

UNION CARBIDE AND CARBON CORPORATION
UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared payable July 1, 1950 to stockholders of record at the close of business June 2, 1950.

KENNETH H. HANNAN,
Secretary

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND
COMMON DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending June 30, 1950, payable July 1, 1950, to holders of record at the close of business June 19, 1950.

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable July 1, 1950, to holders of record at the close of business June 19, 1950.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated, May 18, 1950

Edison

41st *year of consecutive dividend payments*

SOUTHERN CALIFORNIA EDISON COMPANY

preferred dividends

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 164

CUMULATIVE PREFERRED STOCK 4.32% SERIES
DIVIDEND NO. 13

CUMULATIVE PREFERRED STOCK 4.08% SERIES
DIVIDEND NO. 1

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock, payable June 30, 1950, to stockholders of record on June 5, 1950.

27 cents per share on Cumulative Preferred Stock, 4.32% Series, payable June 30, 1950, to stockholders of record on June 5, 1950.

An initial dividend of 3.4 cents per share was also declared by the Board of Directors on the new series of 4.08% Cumulative Preferred Stock, payable August 31, 1950, to stockholders of record August 5, 1950, representing the accrued dividend for the period May 19, 1950 (date of issue) to and including May 31, 1950.

T. J. GAMBLE, Secretary

May 16, 1950

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is little serious expectation that the House Ways and Means Committee action cutting the long-term capital gains tax rate to 16% and the qualifying period for this tax from six to three months, will become law.

More and more the House committee is "out of control." At the same time the expectation is increasing that the House will pass a bill very much with its tongue in its cheek—feeling either that the Senate will kill the whole tax cut bill or the President's veto will stick. It is even speculated that Congress may get the bill to the White House so near the end of the session that the President can pocket-veto it.

The best chance of a tax reduction law is now reported to be that the Senate will chuck the House bill, write a simple excise tax reducer cutting from $750 million to $1 billion, and the House will be told to take it or leave it. Under such circumstances the House could be expected to take the Senate bill, and a veto could be overridden, if passage was not too near the end of the session.

None of these possibilities leaves much hope for enactment of a capital gains relief proposition. This was characterized at the Capitol as "strictly free lance." It is an unexpected expression, nevertheless, of the Committee's opinion that capital gains relief is a worthy object of legislation.

* * *

This is the "near success" story of a presently obscure little bureaucracy. It has hung on to a place in the Budget sun by the very skin of its teeth. It has been disappointed time after time by Congress. At least twice it has almost been extinguished, something which, however, is exceedingly rare with the genus bureaucraticus.

Yet this little bureaucracy is about to be able to turn on the faucet on a total of up to $200 million of loans per year. If $200 million counts in these days of $42-billion dollar budgets, then the little bureaucracy may be on the way to importance, for that is about half the loans the RFC is now disbursing a year.

Incidentally, and inevitably, it is another story. The second story is how blithely the Congress is inclined to engineer the distribution of money, so long as the original distribution is of "private" funds encased in a government-guarantee and the time when the guarantee might come home to roost on the Treasury is a hazy few or a dozen years away—and if this avoids the appropriation of funds and the admission of an expense to the taxpayer.

In the latter respect, the story is strikingly akin to the action of Congress, reported in this column April 13, of shifting to the Federal Housing Administration the expense of financing housing at outlying military posts, and taking this historic governmetal charge out of the Budget.

The soulful little body corporate in question is the Farmers Home Administration, or the "FHA" as it just adores to be called, albeit without courtesy of the Federal Housing Administration.

The "FHA" is the lineal descendant of the Resettlement Administration. The late Mr. Roosevelt had a beautiful Executive Order printed up about 1934 setting up RA with Rexford Guy Tugwell in charge, and RA sponsored so many daring experiments in utopian cooperative communities and thereby got in such hot water with Congress that it had to have a face-lifting in 1935.

In government you have a reorganization and change the name when you have a face-lifting. RA became the Farm Security Administration, and eventually Mr. Tugwell passed on to the private enterprise system and C. B. "Beany" Baldwin, later the booster of Henry Wallace for President on the "Progressive" ticket, became its administrator.

At about that time Congress vested Farm Security primarily with the job of making upstanding, free-thinking, and just possibly Democratic-voting, landowning citizens out of farm tenants. It did this by enabling farmers to "buy" their own farms with the assistance of 40-year mortgage loans to 100% of value at an interest rate originally of 3%, but later boosted in stages to 4%, the present rate. These were loans of direct government money, of which $355 million were disbursed and $189 million are currently outstanding.

Farm Security inherited from RA the job of making "rehabilitation" loans to farmers, loans which farmers got so long as they would agree to do as FS management agents advised, including raising a pig the way the government advised, or wearing shoes.

Farm Security, incidentally, was in the mid-30's given considerable backing by the Administration of the time for its appeal to the "poor farmers" as distinguished from the "rich farmers." The "rich farmers" of cotton, corn, wheat, and pigs were thought to be too unmindful of the hand that was feeding them, and giving distressing majorities in mid-west constituencies to candidates for Congress who lacked the faith and the vision of government planning.

This did not endear FS to the big farm organizations of relatively successful farmers, such as the Farm Bureau and the Grange, and the change in name did not seem to appease the Congress. There was a great deal of sniping at FS. In 1938 Mr. Roosevelt proposed that FS be given $400 million to make direct government farm tenant loans as part of the "Spend-Lend" program whipped that year. There were covert or open moves due in the FS body corporate or its successor, but they did not quite succeed. The most serious of these was to consolidate "FHA" with the Farm Credit Administration, where one has to have a 35% equity, currently, to borrow on a long-term mortgage loan. These moves failed, however, for the Farmers' Union, widely understood to be the "poor farmers" organization, fought tenaciously for FS and "FHA."

About that time FS had another face-lifting and another change in name, and became the Farmers Home Administration, still to little avail. It had to be satisfied to get along on $15 to $25 million a year for loans to allow tenants to become "owners" of farms. "FHA" did, however, wangle enough money to keep a little bureaucracy going in every agricultural county of consequence in the U. S. These "FHA" agents spent a lot of time showing sympathy for every farmer who wanted one of these nice easy loans, even if the loan money available was seldom great enough to take care of more than the closing of one or two loans to a county a year.

In 1946, however, Congress did create a system of mortgage insurance of 40-year loans at 3½% interest, with banks and insurance companies offered the chance to put up the money the government would insure. Congress, however, still uppity about the agency, simply did not provide the money to start the new insurance program.

Finally "FHA" got $1 million to get going. But the setup did not appeal to the private lenders. The 40-year contract term with a yield to the bank or insurance company of but 2½% on a 90% loan, did not go across. (The insurance ratio is 90% and not 100% as reported a week ago, but the direct loan ratio is 100%. On an insured loan the borrower is free to borrow the 10% downpayment any way he can so long as he does not further encumber the real estate.)

Meanwhile, however, it was worked out over a year ago and put into operation, another scheme. When a local bank or insurance lender makes a 40-year loan under the "FHA" insurance system, the government enters into a firm contract with the "lender" to take back the mortgage at any time after seven years. At the same time the yield to the lender was boosted from 2½% to 3%.

Thus, mortgagees in theory made a 40-year loan but in fact a 7-year loan at 3%, with the chance to continue to hold it if seven years from date, yields were so low it was still a good thing.

It was not generally understood, but at the same time Congress amended the Farmers Home Administration act to authorize "FHA" to loan for the purposes of improving or expanding farms, as well as for making it possible for tenants to become "owners."

This was, of course, a great leap. It put the "FHA" with its exceedingly liberal terms into competition with not only private lenders but the FCA, who could not possibly go to such a high ratio of collateral and private lenders could not dream of a 40-year contract, even if in practice it looks like, according to "FHA," that farmers will actually pay out in an average of 17 years. FHA is not just a tenant loan program—it is a general farm mortgage lending institution.

The newest gadget is to extend "FHA" insuring authority by law, automatically, without recourse to Congress, to $200 million a year every year, and:

In the past the law required that when a farmer had paid down to the point where he had an equity of 35% in his farm insured by the government, he would be compelled to go across the street in the Department of Agriculture to the bitterly competitive Farm Credit Administration's land banks and take out a land bank loan and get out from under the "FHA" insurance system.

Now, it is proposed to do away with this figure of 35%. No other figure is proposed. The law would still require mandatory refinancing in theory, but the "FHA" would be free to impose this only if a private lending institution were to demand in writing that it be allowed to carry the loan without insurance.

These latest little proposals are all wrapped up in a bill which, unless the economics of the proposition become more widely understood, is likely to be passed by Congress, and probably by unanimous consent. The proposition already has been reported out of House committee, tentatively, and then was withdrawn temporarily because there was not a quorum present when the vote to report was taken.

It may work out that Federal policy will continue to so bear down on interest rates as to make "FHA" insured loans by comparison good things to hang onto several years hence. On the other hand, at the first sign of a wholesale liquidation of farm real estate values, the heat will be on the government to take over these mortgages, before or on the repurchase agreement date. In any case, "FHA" is sure that with its amendments, the business will grow in volume.

When the time of liquidation comes the inexpensive bill now greased to pass, will come home to roost on the Treasury.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Miss Jones, I'm not going to speak to you again about sending your phone number out on the Trans-Lux!"