ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 172 Number 4922 New York, N. Y., Thursday, July 6, 1950 Price 30 Cents a Cop

EDITORIAL

As We See It

The newly organized "Republican Advance" appears to resent the label "me-too-ers" which has been appended to some of its members and sympathizers, but if the social goals "that have become so necessary to the health of our society" are not for all practical purposes those formulated and patented by the New Deal and the Fair Deal, then what in Heaven's name are they?

Last week a group of partially identified Republicans met in Philadelphia for the purpose of arranging for the "revitalization" of their party. The members of this group, which is said to have the backing of a large number, perhaps a large majority, of the so-called liberal wing of the party, complain that the Republican party has too often been "maneuvered into a position of purely negative opposition. Too often the appearance has been created that the party is not merely anti-socialistic, but anti-social."

It thinks that "the situation is made worse by the fact that many Republicans who have frankly espoused some of the important social goals, have been accused by members of their own party of being 'me too.' This accusation (so the members of the newly-formed Republican Advance believe) displays a lack of clear thinking that seems almost fantastic."

We took occasion last week in these columns to analyze the positions of the minority members of the Joint Committee on the Economic Report. Of course, the membership of that Committee, both Republican and Democratic, is a matter of public record. The identity of participants in the Phila-

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The Construction Outlook

By ALLAN C. WILLIAMS*

City Planner and Real Estate Broker, Chicago
Member, Chicago Chapter, American Statistical Association

Asserting construction industry will be kept at peak capacity indefinitely by assortment of latent demands, supported by government aid, Chicago real estate specialist sees problem in shrinking manpower to operate it. Deplores lack of sufficient apprentices. Says "we may be heading into trouble in residential construction field," because of excessive suburban development and building of tiny apartments at luxury prices. Urges construction problems be tackled on local basis.

It is fundamental in the thinking of top policy makers of the Federal Government that the construction industry is a source of many great blessings to the world. Hence there is every assurance that wherever that cluster of activities shows signs of trouble, ~~it is to~~ be favored by credit and tax measures. And beyond lies assurance that other ailments and disabilities will be favored with "crutches," and "aspirin," if fundamental surgery is unpopular with a large sector of the voters.

Allan C. Williams

Any industry which commands $1 billion a month should have the respectful cooperation of government at every level, particularly if it in turn is one of the major sponsors of projects which swell the real estate tax rolls. As a perpetual motion machine, the construction industry leaves little to be desired.

The summary of construction activity (Table I) for the first quarter of 1950 needs little comment. May I point out, however, that the apparent ratio between private and public work is a matter of definition. Tax regulations and credit arrangements are both incentive and prime mover in the work sponsored by non-governmental developers.

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*Statement by Mr. Williams at the North Central Regional Meeting of the American Statistical Association, University of Michigan, Ann Arbor, Mich., June 24, 1950.

Devaluation Boomerangs

By MELCHIOR PALYI

Dr. Palyi lists as unfavorable repercussions of recent currency devaluations budget deficits of one kind or another together with rising prices for imported foodstuffs and commodities. Points out self-bankruptcy, due to over-investment in public works as leading to budget deficits in several nations, and cites case of Sweden and Great Britain. Foresees a European Dollar-Bloc, and concludes Britain's national Socialism remains decisive obstacle in way of Europe's self-adjustment and spontaneous return to dollar convertibility.

Chickens are coming home to roost. They roost in the forms of deficits of one kind or another: in the balances of payments or in the national budgets of the respective countries, or both. The problem is acute already in the Scandinavian countries while still repressed but visibly coming to the fore in Britain and Holland.

Dr. Melchior Palyi

The Scandinavian currencies followed the pound last September in a quasi-automatic (i.e., irresponsible) fashion. The result is a very serious rise in the cost of imports to which small trading nations are particularly sensitive. Denmark expects this year a balance of payment deficit of about $100 million, leaving a ne dollar deficiency, after E.C.A. aid, of some $25 million—more than one-fourth of her total gold and dollar reserves. And that is not all.

For a small country of high livin standards like Denmark, the cost of imports is vital to the whole pric structure. The more so when the postwar policy of the nation is based, as customary all over northwest Europe, on food subsidies to hold down inflation. The Danes, who half a year ago relaxed their strict import controls, try to solve the problem presently by compromises. On the one hand, their food subsidies have been almos wiped out, with the consequence that the cost of livin rose substantially and industrial wages had to be raised this year by 5% or so. On the other hand, they have offset this inflationary trend by minor economies in th

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NEW ISSUES IN THE OFFING—Besides providing up-to-the-minute information on issues registered with the SEC, our "Securities Now in Registration" section, starting on page 38, contains, under "Prospective Offerings," details of proposed financing well in advance of actual registration.

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.

CARROL J. HOFFMAN
Partner, Draper, Sears & Co., Boston, Mass.
(Mutual Funds)

The security I like best is the one in which I get the greatest satisfaction from continued ownership. I believe I have wisely selected a Mutual Investment Fund. Because it is suited to my needs for regular and dependable income, with a minimum of risk, it is the best security I could own year in and year out.

Carrol J. Hoffman

Here are some of the reasons it is the security I like best: In order to give me satisfaction my ideal security must provide me with stable real income. To do this the income must increase in years of rising costs of living. In the period 1939 to 1949 the cost of living increased substantially, but my income from my Mutual Fund increased nearly as much.

Income must be adequate to inspire me to make the sacrifice to save for these future enjoyments, but if income is only 2% it is not sufficient to inspire me to go without things in order to save as it would take me over 30 years to double my capital. However, if I wish to leave income in and if I can get 5%, which I have been able to do so far, it will take me only 14 years to double my capital. This assumes that my original capital plus accumulations remains of stable or increasing value, which has been my cumulative experience over the period I have bought Mutual Funds.

As all of us hope some day to have enough future income to enjoy some of the luxuries in life, my ideal security must lend itself readily to sytematic savings and investment, i.e. it must be a security of the same general description every year which I am able to buy regularly to build future income.

To get satisfaction in my investment it must be one I am proud to recommend to friends and one in which my inquiries indicate that important, highly thought of people in my community are also owners.

The security I like best must have a minimum of risk. To get safety I realize I must have broad diversification of risks to protect me against unforeseen losses. Full-time experienced and professional management must change this broad list of securities from time to time as economic conditions change and earnings and dividends increase or decrease.

My ideal security is easily converted into cash so that I or my family can make use of the capital values inherent in the security should unforeseen difficulties make this necessary.

The security I like best will do as well for my wife and family (if anything happens to remove me from the picture) as it does for me when I am living, and without any care or worry on their part.

As I have only a small amount to invest ($10,000-$20,000) I must join with others similarly situated to reduce the cost to me of securing expert experienced and successful investment management.

I get additional assurance and confidence in knowing that my investment is under Federal regulations and that extensive safeguards have been set up under the Federal Securities Act. Among other things I know that if I am dissatisfied with the management that provisions in the Act make it possible for me to either liquidate my security on a few hours' notice or join with others to transfer the management to someone in whom I do have confidence.

The only security I know that will give me this great satisfaction of continued ownership year in and year out, and secure for me all these and many more highly desired benefits, is the Mutual Investment Fund.

CARL STOLLE
President, G. A. Saxton & Co. Inc. New York City
(Hugoton Production Company)

To designate one security as "the" favorite above all others is to unwittingly neglect any number of favorites which in the aggregate would go to make up a well rounded investment list. All of us in the business, however, develop from time to time pets which we nurture and baby along when we are convinced that there is a fundamental soundness to the picture and when we are willing to overlook intermediate market fluctuations.

Carl Stolle

Today two of the favorite expressions are "defense stocks" and "growth stocks." One doesn't always get both of these factors in the stock of one company, but among the issues appearing to me qualified in this regard is the common stock of Hugoton Production Co., an intrastate natural gas producer located in the Kansas portion of the famous Hugoton Gas Field.

To those who are inclined to feel that the gas stocks have been overplayed and that there must come a halt in the enormous expansion in this industry, let me advance the opinion that it only seems that way. In the view of engineers and economists alike, the potentialities of this business are only presently being tapped.

As of today, the company has one customer, Kansas Power & Light Co., which, under a 15-year contract, is to take a minimum of some 300,000,000 M cubic feet of gas at wellhead prices running from 12 cents to 15 cents per Mcf under the terms of the original contract. I understand, because of an escalator clause based on the price of coal, the average price of all gas being delivered now is in the neighborhood of 15 cents per Mcf. In addition to the increase in the average price, we are told that the present estimate of deliveries for 1950 is 18,000,000,000 cubic feet, a 20% increase over the 15,000,000,000 specified as a minimum in the contract. Annual deliveries are scheduled to increase year by year under the terms of the contract.

Earnings this first year may well run from $1.50 to $2.00 per share, and while no dividend is anticipated this year, initiation of a dividend schedule should take place early in 1951. The management of the company is likely to adopt a liberal dividend policy.

This company was incorporated in September, 1948, having been organized by the Panhandle Eastern Pipe Line Co., and its stock distributed to Panhandle stockholders as a dividend. Substantially the same management which has been so successful in the affairs of Panhandle, making it one of the outstanding pipeline companies, is functioning in executive positions in Hugoton.

At the time of the organization of the company it was estimated by the management that reserves were equal to 750,000,000 Mcf. This estimate was undoubtedly on the conservative side. Any gas not sold to Kansas Power & Light under the 15-year contract is under option to Panhandle at the expiration of the contract at prices equal to those obtainable from other purchasers in the field. In the meantime, however, it is entirely possible that sales to others than Kansas Power & Light may be developed and it will no doubt be the policy of the company to maintain its operation wholly within the State of Kansas. In addition to the direct sale of gas, the company has constructed a dehydration plant, from which it expects to receive some measure of income, and may build facilities for the extraction of hydrocarbon which should result in a further source of revenue.

The stock has recently sold at a high of 27¼ but with the vetoing of the Kerr bill it receded to around 23 and now, after the events of the past week, is about 20. We feel that the effects of the veto in the case of Hugoton may be minimized by reason of the company's intrastate nature. Even under the Kerr bill it is unlikely that the FPC will exert any rule over a purely intrastate company. Therefore, keeping in mind the defensive nature of this stock, its growth potentials (we look for earnings considerably above the current rate over the near-term years), and the extremely able and aggressive management, I believe this stock is amply qualified to be listed among those that I favor at the present time.

This Week's Forum Participants and Their Selections

Mutual Funds—Carrol J. Hoffman, Partner, Draper, Sears & Co., Boston, Mass.

Hugoton Production Company—Carl Stolle, President, G. A. Saxon & Co., Inc., N. Y. City.

Stocks for Income—And Korea

By ALLEN M. BERNSTEIN
President, Bernstein-Macaulay, Inc., Investment Counsel

Market economist maintains stocks are being purchased chiefly for income rather than capital gains, and declining yields may hence place effective ceiling on market. Warns against earnings-and-income reliance at height of booming industrial period. Holds Korean situation may be sparkplug setting off major decline based on underlying vulnerability of current profits.

Allen M. Bernstein

Due, rather more to psychological causes than to SEC regulations, the entire concept of common stock investment has changed. A belief exists, based upon the theory that the public is not in the market and that the market has not yet reached its peak. It is argued that only after the little man has started to speculate in earnest that the end of a bull market is in sight. Possibly it is true that the top of the market has not yet been reached, but that is not due to lack of public interest. It is our own opinion that a larger percentage of the public own stocks today than ever before. We use the word "own" advisedly. The small man owns his stocks—he is not carrying them on margin. He is not speculating with them. He is buying stocks of good companies or certificates of open-end investment trusts for income and long-term growth. There may be some exceptions—as witness the trading in television shares. But there is no rotation from group to group as there had been in the past.

More significant and more important, however, is the attitude of the larger investors, the trust companies, other estate managers and financial advisers. Formerly stocks were bought primarily for profit. Today they are bought primarily for income.

Emphasis on Income

Not so long ago the careful investor would buy first mortgages or bonds of the highest grade for income, on the theory that if capital were conserved, income would take care of itself. But today the theory seems to be reversed—get enough income and capital will take care of itself.

We are, ourselves, daily impressed by the fact that this belief is actually existent and growing. The advancing stock market has unbalanced many of our accounts—that is the percentage of stockholdings has grown to a point that some liquidation has been deemed desirable. But people hesitate to sell and forego income, even though they realize that stock prices may decline.

Of course, they frequently delude themselves with the idea that lush dividends will continue indefinitely. But it is the present desire for income that has been, we believe, the dominant factor in the almost unbroken advance in prices during the past year.

Yield Differentials

We shall then have to look for other symptoms of the end of the bull market. We shall first have to determine on what basis of return people will still be willing to invest in common stocks. According to Standard & Poors the present basis of average yield on industrials is 6.32%, which compares with approximately 2.80% for bonds of the highest grade and 3.70% for preferred stocks of the same calibre. There is an advantage, before taxes, to the holder of common stocks as against the owner of bonds, of about 3½%—and while this advantage may even be cut in half after taxes the difference is still considerable. It is obviously impossible to foretell where the differential will be considered not worth the risk. A 15% increase in equity prices, granted no change in dividends, would reduce the yield to 5½%, and the differential after taxes to about 1¼%.

However, we may be influenced by a guide post. About a year ago a large number of utility stocks were bought on an 8% basis. For a time this group registered a steady increase in price. But when the yield approached 6%, the advance was halted. A number of these issues are now selling somewhat under their prices of a couple a months ago, when the general market was lower. It would seem that they have been stabilized on a 6% basis, in spite of the fact that as a group their earnings are less likely to be affected by changing conditions than those of many industrials.

Present Dangers

But in the final analysis it is earnings that will control dividends, and we believe it to be a rather dangerous procedure to buy stocks primarily for income at the height of a boom period. We are referring not to a booming stock market, but to a booming industrial condition.

We are impressed by the fact that our present prosperity rests primarily upon automobiles and building. It is a prosperity of luxury, not of necessity. It is the type of prosperity that is dependent upon an ultra high standard of living, and as such is more susceptible to psychological reaction. It would be impossible to compensate for a falling off in these two industries. Television sets, air-conditioning units, washing machines, automatic refrigeration, gas stoves and oil burners have all added their share, but even though a demand for these remain or increase they could not compensate in value of national prod-

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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, July 6, 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.

Red Flags on the Market Track

By JACQUES COE

Senior Partner, Jacques Coe & Co., Members of N. Y. Stock Exchange

Mr. Coe cites technical signals which have been indicating market downturn, as trend reversal, declining bond market, cycle expectations, reduction of short interest, "confidence" indexes, issues registering new lows, and mutual funds situation. Terms next October crucial month.

Many years ago there appeared an article about a man who had devised by a simple rule of thumb for successful stock market speculation. His basis was the 10% rule; that is to say, never buy until the market had improved 10% from its lowest average level and then keep the position until the market has lost 10% from its highest level. It made an interesting story and there were many versions of the tremendous fortune built up in that manner.

Jacques Coe

As a matter of fact, after thorough investigations, we found that the application of this theory, while for the most part quite successful, could at times have created so many reversals of positions that the net results were not outstanding.

However, the long-term record of the 10% rule has been right more often than wrong. Curiously enough, the drastic decline of last week, which probably will go down in stock-market history as the "Korean break," lost from top to botton—(according to practically all well known averages)—exactly 10%.

Past Technical Signals

Our last article in the "Chronicle," "Final Market Rise Still Ahead," April 6, 1950, dealt with the possibilities of a "coming interruption" which would divide the second phase of the market from the third and (in our opinion) final phase. We mentioned a number of technical signals which had proven useful in the past and which we thought might point the way for the beginning of this interruption.

Certainly, the declining tendency for bond prices, the importance of which we stressed, and which had started in January—*kept its declining path all during the stock market strength of May and early June.* This particular index has not yet told its complete story because eventually continuation of a declining bond market should suggest to us that the absolute top of the market is not too many months away. The time lag is usually from six to eight months—which would suggest July, August or September.

Another factor we constantly mention is the 41-44 month cycle—elaborated upon in previous bulletins. We stated in March, as we say again, that July, 1950, is the median month and historically the top could be five months early or five months late. Hence the danger zone could be anywhere from now to November.

Rise in Debit Balances

There has been a substantial increase in customers' debit balances; in fact, they are more than twice what they were early in 1949; they are higher today than they were in December, 1945.

Another item mentioned as a technical weakness is the gradual reduction of the short interest. There has been some reduction, for instance, from March 15 to June 15—the decline is from 2,580,000 shares to 2,369,000 shares—only 211,000 shares down. This admittedly is not a substantial reduction, but again the significance is the line of direction.

We also mentioned three months ago our "index of confidence" which is a calculated relationship between certain speculative stocks and certain investment stocks weighted with the bond averages. As far back as March this index on a moving average basis suggested an interruption some time in June or July. It is difficult to imagine what would have happened to the markt if we had not had the Korean incident—but historically it is well known that when the market technically is ready for a substantial correction, the news developments just automatically make their appearance and do the necessary.

Issues Making New Lows

Still another piece of statistical evidence which indicated to us early in June that the market was beginning to lose technical strength was the number of issues which were making new lows, increasing in totals, while the number of issues making new highs were declining.

The daily and weekly odd-lot figures curiously enough have shown a preponderance of public selling which ordinarily is inconsistent with the trend of the market and would be considered a very bullish factor. However, most people overlook the fact that at this time, and in this particular market, certain fundamentals are different from previous buil markets. "Something new has been added" which for the most part eliminates the odd-lot statistics as a significant market index.

Potential Mutual Funds' Impact

There are now 94 open-end investment trusts having a market valuation as of March 31 in the neighborhood of $2,200,000,000 and increasing at the rate of approximately $100,000,000 every three months. The buyers of these certificates are taking the place of the old-fashioned odd-lot buyer.

There has at times been considerable conversation and speculation as to what sort of market influence these "open-end" trusts would have during a period of great stress, particularly if the little fellows were inclined to tender their certificates for cash redemption "en masse," thereby creating competitive liquidation.

Certainly the Korean episode was a test, and thus far the market has come out of it reasonably well. However, this particular market factor should not be thrown off lightly. Some time in the future—and under more tenuous conditions, a decision on the part of some or all of these trusts to get substantially into cash, could be a dominant market factor.

Referring to the historical record of the motor shares, which over a broad period of time have the habit of making their average highs and lows three to four months ahead of the overall market average—the last highs were made during the middle of June. If these tops should stand, then the danger month obviously would be October.

Steel vs. Motors

There is still one other index never before mentioned in these articles, because additional research was necessary and we have not gone back far enough to test its long-term accuracy. It is the ratio of the steel shares to the motor shares plotted over a period of years with a certain time lag. We have worked it back to 1945 and the up-and-down signals have been singularly accurate—for instance, it indicates a downsignal in April, 1946—up in September, 1947—down in July, 1948—up in October, 1949, and unless there is a radical change in the trend of these ratios during the next few months the next selling period would be December, 1950.

Chas. A. Day Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Kenneth C. Willett has been added to the staff of Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

Wm. J. Mericka Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Wm. J. Mericka & Co., Inc., Union Commerce Building, has added John S. Fowler to its staff.

Federal Reserve Views Credit Aids to Small Business

By THOMAS B. McCABE*

Chairman, Board of Governors, Federal Reserve System

Chairman McCabe, in presenting views of Federal Reserve Board on financial aids to small business, finds chief need is in supplying equity capital and long-term credits. Admits taxation is serious handicap to small business, but says tax revision alone would not eliminate occasion for other measures of relief. Favors establishment of special Federal investment institutions to aid small business, but, in view of the speculative nature of their loans, advocates making them "experimental" and eventually placing them entirely under private enterprise.

While we commend the commercial banking system for its financing of the short- and intermediate-term credit requirements of small- and medium-sized business, we must recognize the fact that while banks make a great many loans to small business, they are not able to accommodate all small business needs. There are many financial needs of businesses, both large and small, that are not bankable, namely, equity capital and long-term credit needs. Commercial banks have a primary responsibility to their depositors for maintaining loan and investment portfolios in a sound condition. They cannot undertake business financing which involves undue elements of risk, undue investigational or administrative expense, or the freezing of their funds for relatively long periods of time. In the case of larger businesses, financial requirements which are not bankable may be met from other sources, such as insurance companies and the capital markets; in the case of small business, non-bank sources of funds are less accessible.

Thomas B. McCabe

Taxation

There is no denying the fact that the problem of small business financing has been complicated by the structure and rates of Federal and State taxes. As I said last August in a statement on the equity capital situation, prepared at the request of a subcommittee of this Committee, there never seems to be a convenient time for a review of the tax structure. In 1948 when we had a substantial surplus we elected to reduce taxes without revamping the tax structure. Now, faced with deficit financing, we naturally do not want to do anything that will cause even a temporary loss of Treasury revenue. Therefore, a fundamental study that would lead to a reform of the tax system tends to be neglected and postponed.

While some of the difficulties which small business concerns face in attempting to obtain equity capital would be alleviated in part by a basic revision of the present tax structure, I would not want to leave the impression that tax revision alone would eliminate the occasion for the measures that are now before this Committee.

Affirmative View of Small Business Financing Needs

Those who feel that there is a real need for some additional facilities or institutions to provide more effectively for the financing needs of small- and medium-sized business are usually the first to admit that they do not have satisfactory statistical proof of the extent of this need. To obtain such proof would require a specific financial analysis of small- and medium-sized business concerns throughout the country. However, we do have such qualitative evidence as the policy statement on small business of the Committee for Economic Development (1947), the report of the Tulsa Chamber of Commerce (1948) on the number and functioning of the so-called industrial foundations to help small business, and the testimony presented to the Subcommittee of the Joint Committee on the Economic Report (1949) pointing to the existence of unsolved financing problems in the small business area. This evidence indicates that small- and medium-sized business concerns encounter serious difficulties in obtaining outside equity capital and long-term credit needed for expanding productive facilities, broadening the market for their products and services, and launching new projects. The evidence also suggests that very small concerns sometimes meet with difficulties in financing their short-term working capital requirements.

While the financing need of small business is often referred to broadly as a need for easier availability of bank credit, I am inclined to think that it is primarily a need for equity capital and long-term credit, either singly or in some combination. In many of the cases that have come to the System's attention where small business concerns have complained of credit shortages, close inspection of these businesses has revealed that where there was an actual financial need it usually was for additional equity capital.

The small business financing problem is, however, too complex to be characterized simply as one of insufficient equity capital or long-term credit. There are many small business concerns whose requirements for short-term credit are so small that the commercial banker cannot afford the expense of processing and servicing them in the same manner as larger business loans. Such small business loans, if granted at all, may often be handled in the personal loan department, in which case the small businessman frequently does not obtain needed financial counsel and advice which would accompany a more complete analysis of his business. During the past two decades commercial banks have introduced a number of innovations in lending techniques, including the instalment loan for the purchase of equipment and the loan secured by accounts receivable or by inventory held under field warehouse receipts. The response of business concerns to these innovations suggests that efforts by banks themselves to broaden their lending activities can go a long way toward widening the circle of bank-eligible credit risks.

Within the past year, several large banks have launched special programs which supplement

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*Part of statement by Chairman McCabe before the Senate Committee on Banking and Currency, Washington, D. C., June 27, 1950.

The State of Trade and Industry

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

Total industrial production for the nation as a whole rose slightly last week, but compared with that of the comparable period in 1949, the improvement was noticeable.

In taking stock it is noted that a new all-time high was recorded in electric power production and in automotive output, while steel operations continued for the eleventh consecutive week its greatest production cycle in its history.

In an appraisal of the country's employment situation, it was found the past week that aggregate unemployment continued to show some slight decrease.

For the month of June employment rose to 61,482,000, the second greatest total in the nation's history. This was 1,750,000 above May and only 178,000 below the record high, set in July, 1948. Reflecting the influx of job-seekers from schools and colleges, there was also an increase in unemployment last month. It climbed to 3,384,000, up 327,000 from May.

An important factor in helping to sustain production and employment is the current construction boom which will continue during the second half of 1950 with practically no let-up, according to the predictions of the Department of Commerce and Bureau of Labor Statistics. They said spending for new construction this year will total nearly $26,000,000,000, a new high and 14% above the $22,600,000,000 spent in 1949. Outlays for all construction in the first half of 1950 totaled $11,700,000,000, 17% above the 1949 period. Residential building accounted for most of this increase, the report said.

The elimination of overtime operations cut into automotive production the past week, however, Ward's Automotive Reports, estimated that June output of United States passenger cars would eclipse the record set in May by 136,000, to reach a new high of 718,000. The agency predicted that a lack of working days may protect the new record in July, but that August production might reach a new high if schedules now being projected are attained.

* * *

In the steel industry this week it is "business as usual," and plenty of it, in metal-working plants and steel mills despite United States military intervention in Korea, says "Steel," national metal-working magazine.

Our military operations there require only eyedropper proportions of the war materiel we have on hand. Consequently our move into Korea had little or no immediate effect on industrial production in the United States, the magazine notes.

With steel production in the United States at capacity levels any immediate requirements for war would have to be filled at the expense of civilian production. If the Korean situation merely accelerates preparedness in the United States, the requirements upon the steel and metalworking industries will be much smaller and be made more gradually than in the case of war, this trade paper adds. The steel and metalworking industries could perhaps take on a moderately increased preparedness job without cramping civilians. A catching up by industry on civilian demand would free some steel capacity for preparedness needs. There are signs the appliance industry is "over the hump" on filling consumer requirements. Washing machines and gas ranges are in much freer supply and a refrigerator maker is planning to cut production in August or September. Some tapering of agricultural implement production is looked for. Similar occurrences in other fields, particularly the automotive, would free enough steel perhaps to accommodate preparedness production with no pinch on goods civilians want, "Steel" concludes.

* * *

Substantial expansion in consumer credit took place in May setting a record for the month of $19,091,000,000. The increase of $481,000,000 during the month was the biggest so far this year. The previous high was $18,779,000,000 last December 31. Amounts owed on instalment sales of automobiles and other goods at the end of May totaled $6,751,000,000. This was $2,033,000,000 more than a year ago.

* * *

It is understood that the A. F. of L. Switchmen's Union of North America on Sunday evening last, rejected a plea by John Thad Scott, new chairman of the National (Railway) Mediation Board to end the eight-day-old strike begun on Sunday, June 25, for a 40-hour week with no cut in their 48-hour pay check. Mr. Scott asked the union to call off the strike because of "current

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Business in New York To Remain at High Level in Rest of 1950

Commerce and Industry Association of New York reports results of survey of city's major industries.

Business is expected to boom in New York City, with volume generally on the increase, during the second half of 1950, according to a mid-year survey conducted by the Commerce and Industry Association of New York, Inc., and made public by Thomas Jefferson Miley, Executive Vice-President.

Thomas J. Miley

Of the 347 firms, representing a complete cross-section of the city's major industries, participating in the survey, 72.3% expect the next six months' business to be better or equally as good as the first half of the year. Only 26.1% anticipate a falling off, two-thirds of them foreseeing a moderate drop.

Reporting on gross sales volume for the first half of 1950, compared with the corresponding period for 1949, 38.1% of the firms indicated upturns ranging from 5 to 15%, while 26.3% found their figures had been about the same. Decreases, mostly moderate, were noted by 34.9%.

Employment not only has remained comparatively stable in first half, but 11.2% of the 347 firms expect to take on more help during the next six months. On June 1, 1950, they had 257,302 employees, a drop of 3,027 (1.16%) from the total a year before.

Analysis by the Association's Industrial Development Division of the questionnaires returned by the participants indicates that optimism for the future is based generally on (1) plans for intensified selling efforts; (2) expectation of better business conditions generally; (3) plans for new and improved products; (4) development of new markets; (5) restocking of dealers' low inventories; (6) stepped-up advertising campaigns.

The firms looking for a business slackening ascribe their forecasts to (1) keener competition; (2) less export business; (3) dollar shortage abroad; (4) higher costs; (5) retention of excise taxes and increased foreign duties.

The food and food products industry tabulation shows that 78.9% of the firms in that category expect better, or as good, sales volume in the next six months. Next in line were wholesale and retail, 78.5%; drugs, chemicals and paints, 75.1%; and apparels and textiles, 73.9%. In the import and export field, 62.5% look for as good or better business.

Other aspects of the New York City business situation gleaned by the survey were these:

Price Changes — On materials used, 51.6% believe there will be changes, 48.4% not. Of the former, 91.4% look for increases and 8.6% for cuts. On finished products, 69.5% do not expect to make changes, while 30.5% do, with 73.7% of the latter anticipating increases and 26.3% decreases.

Inventory—73.8% find their inventory position normal, 9.5% high, and 16.7% low.

Observations . . .

By A. WILFRED MAY

Korea, Britain's Mr. Strachey, and Our Mr. Ewing

"Strachey Brands Schuman Plan Capitalist Plot to Bar Socialism"

[Special to the New York "Times"]

"LONDON, July 1—John Strachey, British Secretary of War, tonight denounced the Schuman Plan as 'bogus internationalism' devised by the 'great capitalist interests of Europe' to prevent the nationalization of basic industries."

Just a few days before this incisive ideological pronouncement from Britain's War Secretary, a Churchill-Atlee Parliamentary debate on the plan for international economic cooperation was terminated by the Prime Minister's announcement of President Truman's momentous decision to intervene with armed force for South Korea, and of Britain's joining of support.

A. Wilfred May

At this time of the war's thermometer turning from Cold to Warm, irrespective of our other confusions, let us at least decisively abandon any illusions that we are to be fighting for *ideological* principles and not delude ourselves that the Korean stake for us and our UN-Atlantic Pact is anything else but military self-defense.

What are the domestic political ideals of our chief supporters in any fight to "make the world safe for democracy"?

Dollar-bolstered France we must summarily write-off not only for her military impotence, but for the constant complete uncertainty about her political status—external as well as internal.

England within the past month has given us two excellent indications of what can be expected of her in building a world of *democratic capitalism.* The public's realization of the autarchic implications of the Labor Government's obstruction of a European Payments Union may have been somewhat obscured by technicalities. But the long-term significance of her intransigeance toward the Schuman plan for the creation of a European steel and coal production pool is crystal clear. As a recent lead editorial in the London "Economist" characterized its country's policy: "In this 12-page resume [the National Executive's document on European Unity] of the Party's attitude to closer European integration, the conclusion that appears to emerge is that the Labor Government will cooperate with Europe only if it adopts socialist policies and accepts the principles of public ownership and planning. These [its economic dicta] do indeed lay the Labor Party open to the accusation of preferring ideology to cooperation and of putting the preservation of national planning before the possibility of international advance." This is quite apart from the extremely dubious position of the Labor Government—a debtor—on the one hand dictating to her neighbors, while on the other hand resenting any interference in her own affairs by us to accompany our generous grants-in-aid.

Korea or no Korea, Kremlin or no Kremlin, no country can expect simultaneously to enjoy the privileges arising from international cooperation while exercising the prerogatives of self-containment. **It is now clear that Socialism and internationalism are mutually exclusive and that Britain chooses Socialism.**

The Definition of Our Political Drift

Likewise have the Schuman Plan discussion and the Hot War threats rekindled interest in our definition of the political structure to which we ourselves are drifting.

Last week your columnist had an extended direct discussion of the three-cornered question of *Socialism—British and American types*—with both Mr. Herbert Matthews, a very competent journalist who has just written a book based on long-term observation in England; and with our Federal Security Administrator,

Continued on page 42

From Washington Ahead of the News

By CARLISLE BARGERON

The purpose of this article is to set down some truths in the fantasy which is presented to the American people on account of their now being global leaders, on account of all the "free" peoples of the world looking to them for guidance, particularly ECA guidance, and therefore they must conduct themselves as they have never conducted themselves before because the "free" peoples of the world that are looking to them might misunderstand them and become disheartened.

Carlisle Bargeron

A widely syndicated Leftist columnist has written, apropos of our mess in Korea, that Senators McCarthy and Taft are undoubtedly responsible for the Northern Koreans' attack. This is because Senator McCarthy charged the State Department was infiltrated with Communists and Senator Taft backed him up, so this showed there was disunity in this country and the wise men in the Kremlin decided this was the time to push us.

Well, it so happens there could not have possibly been a Korean situation without the agreement at Yalta. The record is pretty plain that after winning the war in Japan and with Japan sending out peace feelers, the end of the war was held up until Stalin could race troops, unopposed, into Manchuria. He got into the Japanese war and among the victors in this way. In the meantime we dropped atomic bombs, unnecessarily, on Hiroshima and Nagasaki. Since that time we, having been the only people to drop these bombs, have become the most frightened people in the world about them. Neither England nor France has yet seen fit to manufacture the bombs, although, of course, they have the formula. This is because they either do not have the industrial facilities or would rather depend upon this country than go to the tremendous industrial effort which it takes to manufacture the bombs. But a very backward country, become tremendously efficient industrially through propaganda, does have the bombs, we are told. So to combat this mighty nation, we maintain a military establishment costing $15 billion a year and support an organization called the United Nations costing many more millions a year and constituting a great propaganda vehicle for the Russians in this country and affording a lot of jobs for lame-duck politicians, and then we spend another couple of billion in a military aid program to European and Asiatic nations.

This is all because, bear in mind, we alone developed and dropped the atomic bomb and a very backward nation is now supposed to be able to develop it, notwithstanding that neither Great Britain nor France see fit to try to develop it.

Well, in the domestic politics around this running of global things on the part of our State Department, a group of Republicans, with a view more than anything else to showing up the bunk of our Administration's policy, several months ago began asking why, if you are going to such an all out effort to "contain" Communism in Europe, you don't do something in Asia.

At this time, Great Britain had recognized the Communist government in China and our State Department was moving to do the same thing. This group of Republicans, Taft, Bridges and Knowland, and others, attacked the Administration on the ground that it had thrown China to the Communists. They were trying to show the inconsistency or the bunk of the Administration's policy of spending billions in Europe and other billions at home on the military establishment to "contain" Communism.

On one or more occasions, Taft, trying to cut down on the expenditures abroad, said by way of showing that he was not an "Isolationist," that he was quite cognizant of world affairs and our assumed position of leadership therein, and suggested that a line should be drawn in Asia before Formosa and that we should let the world know we were prepared to defend that island.

The Administration repudiated him. In official advices sent out by the State Department to its agents abroad nearly six months ago, the State Department said neither Korea nor Formosa was of strategic importance, there was nothing in either of them we wanted and we would not defend them. Secretary of State Acheson said this publicly in a speech at the National Press Club in January.

It would seem to be more logical that, instead of Senator McCarthy's attack upon the State Department and his indirect support by Senator Taft, the attitude of the State Department was responsible for Northern Koreans now moving against Southern Koreans. Incidentally, this is the situation. So far, our intelligence officers have been unable to find a single Russian in the melee. Oh, the Northern Koreans are getting Russian advice and were stimulated by Russians. Well, we had a military mission in Southern Korea training and stimulating the Southern Koreans.

Our advice and stimulation seems not to have worked. The Southern Koreans, we are now learning, despise us. They despise the strutting American brass which has been in their midst. Attacked by their fellow Koreans, they failed to fight for the Stars and Stripes, for "Democracy" which they have never known in their lives and the only manifestation of which they have seen in our strutting brass.

But at the last moment, very likely because of the Republicans' agitation against him, Truman decides to reverse his Secretary of State and move in on this situation. It's going to cost us a helluva lot before we are through with it. Thus goes our global leadership.

Looking Ahead in Consumer Credit

By E. A. MATTISON*

Executive Vice-President, Bank of America, N. T. & S. A.

Prominent West Coast banker, contending consumer credit has increased its usefulness in improving living standards, denies it is reaching dangerous proportions. Attacks Federal Reserve estimates of outstanding consumer credit as "excessive, unrealistic and misleading." Advocates banks and others concerned in consumer credit financing explore ways and means of self-regulation, with view to controlling and eliminating abuses.

It is perhaps an over-simplification to say that the future of consumer credit depends upon its continued constructive usefulness to the American public. But isn't that really the answer? What other answer can there be? The astounding growth of this method of buying, in my opinion, is due entirely to the fact that we have continuously broadened the channels of availability, and continuously increased its usefulness in improving the standard of living of the majority of American families. If this premise is true, then what better pattern can we find for our future activity than to improve on our past record?

E. A. Mattison

This premise is, of course, not accepted by some of our presumably sincere and informed economists, writers and government agencies. Their alarm and warnings that there is now too much consumer debt are predicated on an assumption that Americans are fools who are rushing headlong into debts they cannot repay. You and I know, as do hundreds of thousands of merchants, bankers, and other lenders, that this is not so, and you all know how abundant the record is with proof that the American people respect their obligations. It is not necessary to review this record for so thoroughly informed a group. My purpose in mentioning it is to suggest what might be a number-one project for this industry to consider, under its obligation to continue to improve its usefulness to the people.

Not Reaching Dangerous Proportions

What better public service could be performed than once and for all to kill the frequently recurring myth that consumer credit debt is reaching dangerous proportions. The amazing thing to me is that those who challenge consumer credit, either as to totals or as a means of purchase, must rely largely on personal opinion, without any proof whatsoever. The proof that consumer credit is sound is on our side, not as a mere matter of opinion but as proved by the record of nearly half a century.

How then can we better assure the future of consumer credit in the years to come than by educating the citizens, the Congress and the government agencies, concerned, directly or indirectly, with this situation? It is my opinion that an industry-wide job needs to be done here; not just a job for one or more institutions or associations to tackle individually, but a new, complete, integrated, industry-wide effort. For example, a joint economic council might be established, containing representation from every segment of consumer credit activity, whose job is to explore the idea thoroughly and find ways and means to combat a propaganda which contributes nothing to the economy but rather, in my opinion, does great harm.

I am sure nearly everyone here is familiar with the recent disclosure concerning the overstatement of the total of consumer credit debt in the Federal Reserve Board estimates. However, for the record and because of the seriousness of the situation, and in support of my suggestion for an over-all council concerned and interested solely in consumer credit affairs, here it is:

First: The Federal Reserve Board seriously overstates the amount of consumer credit outstanding.

Second: Even if we do accept the Federal Reserve Board figures; even if we measure consumer credit with the Board's rubber yardstick, it is still in balance with some of the most important and sensitive indicators in our economy.

The National Industrial Conference Board has just reported that consumer credit outstanding at the end of 1940 equaled only 12% of disposable personal income (total consumer income after taxes and withholdings), as compared with 9% at the end of last year. The report goes on to show the relationship between consumer credit and liquid personal assets (the cash, bank deposits, savings and loan shares, and government bonds) held by the American people. Consumer credit equaled 18% of these liquid assets at the end of 1940. At the end of 1949 it was in the far lower and more favorable ratio of 11%. And if we look at total consumer debt, which includes mortgage debt as well as consumer credit, the ratio to liquid personal assets was 52% in 1940 and 32% in 1949. Consumer credit increased by 106% between 1940 and 1949, while disposable personal income increased 155%!

Federal Reserve Estimates Defective

I have said the Federal Reserve Board consumer credit figures were overstated, and that is true. It is also true that they are unrealistic and misleading. I quote from an article appearing in the April 15 issue of "Business Week," bearing the title, "Federal Reserve Board Will Change Consumer Credit Figures." The article says:

"Consumers are soon going to owe $2 billion less—in Federal estimates, that is.

"Statisticians have been considering revision of the figures on consumer credit for some time. They feel the present setup doesn't give the real picture. Now complaints from finance companies and others have made up the experts' minds for them."

These complaints were brought to public notice in the April 5, 1950, issue of "Retailing Daily," in which the Fairchild News Service reported on a check of Federal Reserve Board figures currently being made by the Retail Credit Institute of America.

The article in "Retailing Daily" said:

"The fact, however, that the Board is revising its system to reveal that total consumer credit is $2 billion less than reported for February points up long-held doubts by some authorities as to the Board's accuracy."

Some of the doubts referred to in that quotation pertain to the reporting of business-purpose loans in the consumer credit category. Such loans add up to an important element of volume in the instalment contract business. Other doubts relate to the Board's apparent failure to deduct debt consolidation loans, which are covered by previously reported loans from the aggregate totals. And it might also be urged that estimates on the extent of service credit should be re-examined with great care.

Taken together, such downward revisions might well total over $2 billion, a reduction which would bring the $19 billion figure down to the neighborhood of $17 billion or less—a more realistic amount that would be less cause for some of those alarmist conjectures that we have all had to contend with.

I am sure you will agree that we who are actively engaged in this vital business have a right to expect that economic statistics of such high importance should come from some impartial body, interested only in providing accurate, neutral, unbiased information to help us all—consumers, borrowers, businessmen, lenders, and government officials—to come to the wisest possible decisions in matters involving the economic life of the country.

How can the Board's statistics be so regarded when the Board continues to press for power to regulate consumer credit under a renewal of Regulation W or some similar measure?

Suggestion for Consumer Credit Finance Regulation

Now may I, in the interests of further public service, offer the additional suggestion that we also explore ways and means of regulating our industry to end some of the abuses that have developed here and there.

The recent Federal Trade Commission study of excessive and exorbitant packs in the automobile business, with results which could lead to permanent regulation in this field, would have been unnecessary if the industry had established some means of policing itself, with sufficient power to control abuses.

In any industry there are always enough shortsighted "hit-and-run" operators to give the business a black eye in the minds of the public. Other industries have found at least partial solutions which in many instances have gone a long way toward increasing public confidence. I agree that the consumer credit industry itself has made substantial strides in this respect, and I am suggesting only a further review and research for additional safeguards that can be enforced against offenders for the benefit of the public and, in turn, our business.

I am well aware of the difficulties involved, and have been too long in the business to have any illusions about overnight correction of abuses. But, like the friend of mine who had his first child after 20 years of marriage, I am also aware of the progress that has been made and urge only that renewed efforts be put forth to continue and hasten the improvement.

The "Down Payment" Question

Currently one of the most discussed—or cussed—topics of the industry, if you please, is terms: down-payments and maturities. Most of this concerns finance companies and banks. The licensed loan companies as yet do not seem to be involved.

This has always been, and no doubt will continue to be, a sub-

*An address by Mr. Mattison before the 18th Annual Institute of the American Industrial Bankers Association, Los Angeles, Cal., June 15, 1950.

ject of unending argument. I don't presume for one moment to suggest that I have any categorical answer to it—I don't believe there is one, barring Federal regulation, to which I stand of record as firmly opposed. However, this much I have observed, as have you: terms run in cycles just as does much of the rest of the business economy. In any highly competitive business, particularly one like ours which is indivisibly linked with sales, the merchants' views as well as our own must be considered.

I do not share the dim view or the alarm of some of my colleagues. When repossessions and losses rise sufficiently to be serious, terms will stiffen—not uniformly, of course. But those who have been the worst offenders are the first ones forced, regardless of competition, to curtail. Then the other better operators can follow suit.

There are other ways, of course, one of the most effective of which is for a lender to offer a more attractive deal for the seller and the buyer if the terms of sale are more restricted. This worked so well in one instance here in California on a large appliance operation that a 36-month plan outsold and finally eliminated the company's 60-month plan. Obviously, emphasis and advertising by dealers on terms is weak selling, and the final unfavorable results are inevitable. Education of the public to the added cost of longer terms has also proved effective.

All in all, it seems to me that with a few notable exceptions that have caused a great deal of trouble in some localities, the term structure is tending to improve rather than to deteriorate. I am referring primarily, of course, to the West Coast area. In order to improve the trend further it is suggested that greater effort be devoted to counseling dealers and their salesmen. Currently many firms are increasing their expenditures for sales training and we should do likewise. It might interest you to know that our bank is currently sponsoring a "Buy Now" Retail Sales Training Program in cooperation with the California Department of Education's Bureau of Business Education. So far 106 courses have been held, which covered better than 150 communities, with an attendance of 11,865, with the program still under way.

There are two current developments that, while not new, are taking on new significance due to the rate of growth of both. I refer to car and truck leasing by business firms and car leasing by professional men; also to the growth of appliance financing now being covered by the real estate mortgage. Both these fields show every indication of continued expansion.

There appear also to be opportunities to extend consumer credit in fields only just scratched—travel credit, for example—and in the field of soft goods and home furnishings. The farm market for consumer credit would seem to offer great possibilities.

Expanding Markets for Appliances

Somebody suggested the other day that we finance escalators for the cliff dwellers of New Mexico. Be that as it may, today some 80% of all farm homes have access to electric power, but not too many have actually installed labor-saving appliances. By the end of 1951 it is estimated that almost every farm home in the nation will be in a position to use electric appliances as fully and conveniently as city and suburban homes do today.

What does this mean to industry and to progressive bankers? It opens up a new, rich market, almost undeveloped as far as home appliances and equipment are concerned, because it is estimated that each of these homes will be a prospect for over $3,000 worth of electric appliances, radio and television sets. Trade authorities conservatively are looking forward to selling at least half of this market in the 12 years after 1951. Translated into dollars, this means an average sale of $250 per farm per year for a yearly total of over three-quarters of a billion dollars in appliance sales to farm homes alone, not counting the tremendous potential in the equipment and implement field.

So here we have new fields for development. What do they indicate? They show that there will be a steadily increasing potential for consumer credit, especially if we draw the proper conclusions from the fact that while our population increased 15% between 1940 and 1950, our family units increased 24%.

Family growth has been proceeding at a rate that is 60% faster than the rate of population growth, which to a great extent explains why hard goods (the durable household furnishings and appliances that are essential to modern family life) are today outselling the soft goods (the clothing, luxuries, and specialty items that are largely bought by individuals for themselves).

In actual numbers, family units have increased by 2½ million between 1940 and 1945, and by 6 million between 1945 and 1950. And this increase is expected to continue, because while population should increase by 9% between now and 1960, family growth is expected to increase by 18%.

This, then, creates a new and fertile market for the merchandise that is so largely financed by instalment credit, and therefore if we do our part of the job as it should be done, banking will continue to aid in the acquisition and furnishing of an increasing number of American homes.

Most certainly, the coming years in consumer credit promise to be even better than those of the past. To attain them we must of course have a strong America to assure peace, and, most of all, a firm faith in our ability to achieve it.

To strengthen and encourage that faith, we need look back only a relatively short time as world history is measured to see how far we have come. This past half-century in America probably records the geratest growth and development and certainly the greatest improvement in living standards the world has yet seen. This 50 years has brought consumer credit from infancy to maturity. It has played a vital role in the development of our country, and we can be justifiably proud that we are consumer credit bankers, the kind of bankers who are sound, constructive, and human in their efforts to serve the little fellow. Consumer credit is a constructive force in our democracy. It is one of the most powerful forces in a democracy that has, by itself, brought "more to most" in terms of the good things of life to masses of people.

Gains Must Be Guarded

But these gains must be zealously guarded. Bold steps must be taken in our field to improve our services, and to have our place in the economy better understood, more respected and less suspected. There will be new problems. The raising of new capital to take care of the increased volume is a current one. Cutting costs and the mechanization of operations is another, to say nothing of contending with creeping—or is it galloping—inflation; but none of these are really new, and competent management will find a way to deal with them as competent management always has.

It happens to be my way of thinking that we consumer credit bankers should be too proud of our insignia to allow it to be gambled away, either by our own conduct or my mis-statistics put out by any bureaucratic body which might want to oversimplify us.

In all periods of our dynamic history, there have been grave threats to our continued existence as a nation as well as to our mode of life and the enterprise profit system. The ingredients needed now are faith and an active participation by every citizen in the American institutions that have given us so much. Individual participation in community affairs, public service banking on the part of your institution, and an active interest in government affairs to elect and support those dedicated to furthering our good American way of life—all these things are within your power to do. Let's be realistic, step up and meet the challenge, and the coming years in consumer credit will be the best years of our lives.

Balanced Growth of Competitive Transportation—A Federal Aim

By HON. CHARLES SAWYER*
Secretary of Commerce

Sec. Sawyer, in defining government action in promoting and regulating transportation, says it is Administration's policy that no competitor, or class of competitors, should have special privileges or undue advantages. Advocates "user charges" for highway and air transportation, and points out "great difficulty in giving Federal funds is knowing when to stop." Holds start should be made toward basing rates on actual cost of furnishing transportation and sees much room for improvement in government transportation activities.

As Secretary of Commerce I take pride in what my Department has done for Friendship International Airport. Selection of the site was based, in part, on an extensive meteorological survey conducted by the Weather Bureau. The Civil Aeronautics Administration, which like the Weather Bureau, is part of the Department of Commerce, not only helped to p y for grading the land and erecting the terminal building—the Federal contribution totalled $2,212,500—but is also making sure that Friendship gets the very latest equipment for safety of operations. The traffic control tower and the instrument landing system are already installed. On order is the newest type of precision approach radar and surveillance radar. These will make certain that the progress of safety keeps abreast of the progress of science and technology.

Charles Sawyer

As you all know, the installation, operation and maintenance of the airways facilities at Friendship—and at many other airports, and between airports—is the responsibility of the Federal Government. The agency in charge is the Civil Aeronautics Administration. For the past 25 years the Federal Government has been providing—without charge to the users—an extensive system of radio and visual aids to air navigation and air traffic control. The annual domestic cost of the Federal airways has risen from $800 thousand in 1925 to $92 million in 1950. These figures do not include other Federal benefits to air transportation such as airmail subsidies, grants in aid for the establishment of airports, and funds expended for constructing and operating the international portion of the Federal airways system.

The airplane has superseded other forms of transportation in capturing the imagination and stirring the enthusiasm of our people, in and out of Government. In our enthusiasm for the new we sometimes tend to forget the value of the old. We cannot afford to make this error in respect to our transportation facilities. We live in an air age; but we must not neglect other transportation media. In peace and in war, the conduct of this nation's business requires all forms of transportation: water, rail and highway, as well as air. The Federal Government has a vital interest in seeing that all forms of transportation are in good working order.

*An address by Secretary Sawyer at dinner meeting of the Baltimore Association of Commerce in connection with the dedication of the Friendship International Airport, Baltimore, Md., June 23, 1950.

Government Objectives

The general objectives of Government are:

(1) That transportation users have adequate, safe and non-discriminatory service at reasonable rates;

(2) A healthy development in the various forms of transportation so that all forms can be solvent and effective in operation;

(3) That the transportation system of this nation will be adequate to meet the needs of national defense.

We hear of contradiction and confusion in Federal transportation policies. We are told that Government money is used to promote some forms of transportation—such as air—at the expense of other forms—railroads, for instance; that inland water carriers, with Government aid, give unfair competition to railroads, or that the Government allows rail rates to be set at such uneconomic low levels that our coastal shipping is being ruined. We hear that the vehicles of trucking companies are breaking the corners off the huge cement slabs which make up the nation's highways and are not paying their fair share for maintaining or rebuilding the roads which Federal funds help construct.

We are told, in addition, that the transportation industry is so tightly chained by Federal regulation that there is imminent danger that the vital spark of private business initiative will soon be burned out.

There is much room for improvement in present transportation activities of Government. Let us not, however, lose sight of one central fact: We do have the greatest transportation system in the world. As a result of teamwork between Government and private business we have in this nation the greatest network of airways, railroads, highways, and improved rivers and harbors ever developed anywhere.

The importance of transportation to this country's economic and political development and well-being has never been lost sight of. This is a big country. We need good transportation and plenty of it. We have it. Our transportation facilities dwarf those of any other nation of the world. We now have 227,000 miles of railroads, 30% of all railroads in the world; 350,000 miles of primary highways, 57,000 miles of airways; 27,000 miles of improved inland waterways. We have the ships, the trains, the trucks, buses, automobiles, and the airplanes to use these facilities—every one of which benefits from Federal activity, either past or present.

The Federal Government has always promoted the development of transportation, not as Government enterprise but as private enterprise. The Congress at its first session in 1789 promoted shipping and shipbuilding by legislation which reserved the coastal shipping trade to American citizens who owned American-built ships.

Government action — for each new form of transportation—has followed the following pattern: First, **promotion** — in the interest of enabling citizens more easily to move themselves or their goods from one place to another; second, **regulation**—to protect the users of transportation from unreasonable treatment; third, **more regulation**—to protect the interests of owners and operators of transportation property and equipment—and also to assure that the private interests of users and the public interest of national defense would not be jeopardized by lack of adequate transportation facilities.

Government Subsidies

Today all forms of domestic transportation, except railroads and pipelines, receive government help either from subsidies or from Federal provision of facilities such as airway markers, airports, highways, inland waterways, harbor developments, weather reports, maps and charts, and other aids to navigation. The grand total of Federal expenditures for transportation in the fiscal year ending this June 30 amounts to $1.5 billion.

In 1845 the Congress authorized the Postmaster General to award mail subsidies to companies operating steamships which could be converted for war use. A century later we still have this public policy of overpaying private business for services rendered rather than giving business an outright gift of the taxpayers money. Incidentally, the mail-subsidy idea did not originate in Washington, but in London; in 1940 the British Government gave such a subsidy to help Samuel Cunard set up steamship service between England and America.

You all know that the Federal Government promoted railroad construction by giving grants of land and rights of way. This form of promotional activity started in 1850 with a grant to the Illinois Central. It continued until 1871. In those two decades, the amount of land awarded—by Federal and state governments — came to slightly less than 10% of the entire land area of the United States.

Railroads developed rapidly. By 1890 there were four transcontinental lines in operation. The unbridled "free enterprise" of the rugged railroad barons led to the enactment of the Interstate Commerce Act of 1887; since then many other laws have given the Interstate Commerce Commission increasing control over interstate railroad operations and management. The Congress has felt that government supervision over certain functions of private management is necessary to make sure that railroads furnish the public safe and efficient service at reasonable rates. Today the Federal Government exercises broad powers in respect to construction, consolidation or abandonment of lines, rate-making, issuance of securities, safety practices and equipment, and has extensive controls over accounting and reporting.

For many years railroads had a virtual monopoly on long-distance hauling. Some believed that in this form transportation had reached the ultimate. One enthusiast, Dr. A. T. Hadley, saw no use for additional domestic transportation facilities, especially a national system of motor high-

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NSTA Notes

AD LIBBING

Sidney J. Sanders

John M. O'Neill

Here's two familiar faces, members of our 1950 National Advertising Committee: Sidney J. Sanders of Seattle's Foster & Marshall and John M. O'Neill of Baltimore's Stein Bros. & Boyce.

Many will recall that Sid was very active and displayed untiring effort in making the 1946 National Convention in Seattle a great success. Our Seattle affiliate helped to make our Convention in the Pacific Northwest tops and their demonstration of hospitality will never be forgotten. Sid, we will see the Pacific Northwest in many species in the advertising columns of our Convention issue of the "Chronicle," I am sure.

John is one of the original group of organizers of the National Security Traders Association and highly respected by our trading fraternity. He is one of our most active national members and is personally acquainted with the majority of our entire membership. John, you must be lonesome with Bill Boggs now in New York so why not take up Herb Blizzard's challenge of getting a bigger percentage increase in advertising in our Convention issue of the "Chronicle" than does any other affiliate. I think two old youngsters like you could do much at this time to get our minds off Korea. How about it?

"F.Y.I." Have learned that Herb Seibert, Editor and Publisher of the "Chronicle" and one of our members, has worked out a plan with our National President Frank Burkholder whereby we members can have a personal participation in this year's advertising effort and more particularly in the development of nonfinancial contracts. Will you please reply immediately upon receipt of the important communication you will soon receive from Frank.

By the way, looks like a big success at Virginia Beach the end of September. With the largest percentage of membership here on the East Coast and with the convention only a few hundred miles away, suggest you consider spending your vacation renewing and developing friendships in your organization—the Nationed Security Traders Association.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York 5, N. Y.

Dealer-Broker Investment Recommendations and Literature

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

Basis for Business Strength—Discussion in current issue of "Investors Almanac" — Estabrook & Co., 15 State Street, Boston 9, Mass., and 40 Wall Street, New York 5, N. Y.

Cement Producers—Analysis of common stocks of **Lone Star Cement, Penn-Dixie Cement,** and **General Portland Cement**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Chemical Industry—Analysis of "blue chip" of growth industries —William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Financial Data on Texas Municipalities — Brochure—Volz, Carswell & Co., South Texas Building, San Antonio 5, Texas.

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.

Quarterly Comparison and Analysis for 19 Leading New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

* * *

Amalgamated Sugar Co.—Memorandum—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

Also available are memoranda on **Montana Power Co., Mountain Fuel Supply Co., Utah Idaho Sugar Co.,** and **Utah Power & Light Co.**

Black, Sivalls & Bryson—Memorandum—Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio, and 150 Broadway, New York 7, N. Y.

Central Illinois Public Service Co.—Analysis—Tyson & Co., Inc., Lewis Tower Building, Philadelphia 2, Pa.

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dresser Industries—Memorandum—Roberts & Co., 488 Madison Avenue, New York 22, N. Y.

International Minerals & Chemical Corp.—Research bulletin discussing the outlook—Department C, White, Weld & Co., 40 Wall Street, New York 5, N. Y.

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

Oklahoma Gas & Electric Co.—Memorandum—F. S. Smithers & Co., 1 Wall Street, New York 5, New York.

Pennsylvania Salt Manufacturing Co.—Memorandum—DeHaven & Townsend, Crouter & Bodine, Packard Building, Philadelphia 2, Pennsylvania.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a brief review of the Cement Industry.

Securities Acceptance Corp.—Memorandum—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Southdown Sugars, Inc.—Analysis—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, Louisiana.

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

COMING EVENTS

In Investment Field

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

July 12, 1950 (St. Louis, Mo.)
Security Traders Club of St. Louis annual summer outing at Seibert's Grove.

July 21, 1950 (Portland, Ore.)
Portland Investment Bond Club annual summer outing at Mt. Hood Golf Club.

Sept. 8-9, 1950 (Portland, Ore.)
Pacific Northwest Group of the Investment Bankers Association annual meeting at Gearhart Hotel, Gearhart-by-the-Sea, Ore.

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).

Joins Conrad, Bruce

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Richard Langton has been added to the staff of Conrad, Bruce & Co., 813 Southwest Alder Street.

Joins Waddell & Reed

(Special to The Financial Chronicle)

FREMONT, Neb. — Robert B. English is with Waddell & Reed, Inc. of Kansas City.

"Scare" Buying May Feed Inflationary Fire

July issue of "Monthly Bank Letter" of National City Bank points out intensified spending on National defense may lead to heavy buying on assumption prices are going higher.

In its review of general business conditions, the July issue of the "Monthly Bank Letter" of the National City Bank of New York sounds a warning that the current war scare may stimulate inflation should the public, on the assumption that prices are going higher, enter upon a buying spree.

"In boom times like these," the "Letter" states, "the question always arises as to whether inflationary forces may not gain the upper hand and lead to a cycle of rising wages and prices and expanding credit. The present situation has many inflationary elements in it—the Federal Government deficit, excessively easy terms for home mortgage financing, the large and increasing volume of consumer instalment debt, farm subsidies, constant pressure by organized labor for more wages and other benefits, and—now—the war scare.

"The latter comes at a time when the economy is operating close to capacity, and when there is little 'give' on the upside to take care of any enlarged demands either on the part of the Government or of private citizens.

"A point to bear in mind, however, is that no country in the world has ever seen such an outpouring of goods in peacetime as this country is now enjoying. In view of this fact one may question how long the current rates of production in certain lines can be maintained without beginning to catch up with requirements. While basic commodity prices had a considerable rise this spring, the reaction early last month was an indication of reluctance on the part of buyers to reach too high and a reminder that commodities that have been over-bulled can drop sharply. The caution exhibited by business leaders since the end of the war has been an important stabilizing influence all along. In the present instance, barring a major conflict, anyone rushing out and buying on the assumption that prices are going through the roof may find he has acted overhastily.

"Presumably the warming up of the cold war will mean intensified spending on national defense With the Treasury already showing a deficit, it becomes all the more imperative to cut down non-essential Federal spending to avoid feeding the inflationary fires now and piling up more debt for servicing and paying down in the future."

Harry Fischer With Hornblower & Weeks

(Special to The Financial Chronicle)

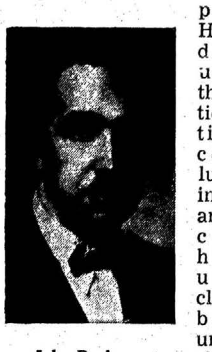
CLEVELAND, Ohio—Harry N. Fischer has become associated with Hornblower & Weeks, Union Commerce Building. He was formerly with George I. Griffiths & Co. and in the past was Trading Manager for J. E. Neubauer & Co.

A Technique for Decontrolling Rents

By Dr. JULES BACKMAN
Assistant Professor of Economics,
New York University, School of Commerce, Accounts and Finance

Suggesting $125-$150 monthly urban rental as luxury dividing line, Dr. Backman suggests as most logical way to de-control, gradual release from highest to lowest cost units. Argues wealthier tenants are protected against runaway rents because more high-rent housing is being made available first. Concludes such sliding-scale program will effectively eliminate rent control, which does not belong in a peacetime economy.

Rent control on a liberalized basis for moderate and low income housing can be detended so long as a serious housing shortage prevails. However, it is difficult to understand the justification for a continuation of control for luxury housing. For tenants who occupy the higher rent units, few claims could be made of undue hardship if they had to pay the economic cost of such housing. Yet, if we are unwilling to recognize the lack of economic justification of protecting the higher income groups against rises in rents, then rent control will continue to be handled in political terms—as has been so clear in connection with the New York State law.



Jules Backman

Distinguishing Luxury From Non-Luxury

Unfortunately, there is no simple definition of "luxury" which can be used to set apart that type of housing. One of the significant problems in connection with rent control, therefore, is how to determine the line of demarcation between luxury and non-luxury apartments. Such a determination is a difficult one to make in terms of any precise definition as to its characteristics.

The Office of the Housing Expediter has decontrolled some apartments because of their luxury status. The definitions used in two cases are shown below:

(1) Alleghany County Rent Advisory Board on Oct. 24, 1949 resolved to decontrol:

A multiple unit structure containing 12 or more units, in which a maximum of 80% of the apartments rent for an average of $30 per room (unfurnished) per month and up, and which includes the following services in the rental: elevator, switchboard, receiving room, utilities, housecleaning and painting.

Recommendation was approved by Housing Expediter.

(2) Seattle and King County, Washington, decontrolled:

Luxuries defined as individual dwellings or apartments consisting of more than four rooms of at least 100 square feet each, containing at least 2 bedrooms, for which the maximum rent was equal to $25 per room per month unfurnished or $35 per room per month furnished.

TABLE I

Distribution of Families and Single Persons not in Familes, by Income Level, 1948

*Income Size Classes	% of all Families and Single Persons Unadj. Distrib.	Adjusted Distrib.
Under $1,000	17.4	9.8
$1,000 to $2,000	16.0	16.7
2,000 to 3,000	19.6	16.3
3,000 to 4,000	18.4	17.7
4,000 to 5,000	11.1	13.6
5,000 to 10,000	15.1	21.2
10,000 and over	2.4	4.7
All income groups	100.0	100.0
Median income	$2,840	$3,420

*Income includes money income of the civilian noninstitutional population.

SOURCES: Department of Commerce, Bureau of the Census, (unadjusted distribution) and Council of Economic Advisers (adjusted distribution). (Adjusted distribution is after estimate for under-reporting of income in the Bureau of the Census survey.)

SOURCE: Economic Report of the President, January, 1950, p. 140.

TABLE II

Tenant-Occupied Dwelling Units Distrbiuted by Contract Monthly Rent, 1940, Manhattan and New York City

Contract Monthly Rent 1940	Tenant-Occupied Dwelling Units Manhattan	N. Y. City
Under $5	273	682
$5 to 9	2,587	5,236
10 to 14	25,432	45,273
15 to 19	50,027	107,247
20 to 24	60,073	165,267
25 to 29	61,345	193,269
30 to 39	106,928	470,285
40 to 49	71,748	339,765
50 to 59	42,794	163,228
60 to 74	39,525	110,443
75 to 99	31,696	57,742
100 and over	45,434	53,397
Not reporting	4,172	12,942
Total	542,034	1,724,776

SOURCE: 16th Census of United States, 1940, Housing Vol. III, part 3, pp. 114, 132.

It will be noted that decontrol was in terms of rental per room.

A more feasible approach to decontrol is found in terms of the rent paid per apartment.

I believe the most satisfactory approach in terms of establishing objective standards for decontrol of luxury housing, is found by an examination of income distribution and the proportion of income spent for rent by those who may be defined as having luxury incomes. Data are available which show estimates of the distribution of incomes for families and single individuals by various brackets.

Table I shows the distribution of families and single persons by income levels in 1948. The column "adjusted distribution" gives the estimates of the Council of Economic Advisers after allowing for their estimates of under-reporting of income in the Bureau of Census data. This table shows that 4.7% of all families and single persons had incomes above $10,000 in 1948. Such a small proportion of families with an income in excess of $10,000, suggests that this figure would certainly give a maximum line of demarcation for luxury incomes It might be noted that this is at least three times the average annual income for workers in all manufacturing industries.

Statewide Data

Data are not available by states or cities on a comparable basis. However, data are available on a statewide basis from Federal income tax reports. In 1947, out of the 2,401,000 taxpayers in New York State, 135,695, or 5.7% of the total had incomes in excess of $10,000. It is doubtful whether any major shift in this distribution developed in 1948 or 1949 although some increase in total incomes has taken place. Thus, on a national basis, total personal income rose from $193.5 billion in 1947, to $211.7 billion in 1949, or a rise of less than 10%.

Comparable data are not available for individual cities. If we take New York City as an illustration of an area with relatively high dollar incomes, the following emerges. In New York City, the proportion of families with incomes in excess of $10,000 was higher than in New York State. It probably is a safe guess to estimate that in New York City somewhat less than 10% of the taxpayers had incomes in excess of $10,000 per year. Even if every $10,000 or over income in New York State was earned by residents of New York City, the proportion could not be much above 10% since about half of the residents in the state reside in New York City. In any event, the top 10% in the income distribution must be classified as luxury income recipients. Such a "guesstimate" would be close enough for the purposes of reaching the definition with which we are concerned.

Our next problem is how much would be paid for rent by individuals earning $10,000 per year or more. A useful indication is found in the budget for an executive family prepared by the Heller Committee of California for the city of San Francisco. The latest budget for a family of four is available as of September, 1949. It covers an income of $12,405. An executive with that income spent $1,444 for housing. This covered the cost of a house purchased in September, 1949, and hence reflects current building costs. On a monthly basis, the amount spent for housing was equivalent to $120.37. Note that this is for an income which is $2 405 a year above the suggested cut-off point of $10,000. It suggests a lower monthly rent for those earning $10,000. Nevertheless, this figure gives us a good first approximation for a dollar definition of luxury housing.

$125-$150 the Dividing Line

Housing costs in New York run somewhat higher than in San Francisco, so that the New York City figure would also be somewhat higher. On this basis, it might be suggested that a monthly rent of $125 to $150 will mark the dividing line between luxury and other types of housing in New York City. In other areas, the cut-off point will be lower.

Another test is found in the relative proportion spent for rent in a moderate income family's budget. According to the U. S. Bureau of Labor Statistics, approximately 13% of the expenditures of a family earning about $3,000 a year is spent for rent. Studies of expenditures show that as incomes increase, the proportion spent for rents by higher income groups tends to be smaller than for lower income groups. Nevertheless, if this tendency is ignored and the 13% ratio is applied to the $10,000 income, a total of $1,300 or about $110 per month is obtained. In light of these data, the estimate of $125 to $150 a month as a cut-off point for luxury incomes appears to provide some margin of liberality.

A useful check on this assumption for New York City is found in the distribution of housing by monthly rents in the 1940 Census of Housing. (See Table II). In Manhattan, 45,434 apartments rented for $100 or over in 1940. This was 9% of the 542,000 tenant-occupied dwelling units in the borough. An additional 31,696, or 6% of the total, rented between $75 and $99. For all of New York City, only 3% of the apartments rented for more than $100 while a similar proportion rented between $75 and $99 a month. On a national basis, the Federal Reserve Board has estimated that only 2% of the non-farm families who are tenants paid $100 and over per month in 1948 and 1949.

Small New York Rent Rises

Rents in New York City have risen only 6.1% (102.6 to 108.9) since 1940, according to the Bureau of Labor Statistics. It is indicated, therefore, that the 1940 distribution provides a satisfactory guide to the present distribution in the New York City area. Even if all of the apartments renting between $75 and $99 had been raised to the $100 class, which is not probable, the total proportion renting at $100 would be only 15% for Manhattan and 6% for the entire city. While detailed data are not available showing the breakdown above $100, it is clear that the proportion renting between $125 and $150 would be significantly smaller.

A recent special study of luxury housing in Manhattan estimated that there were about 10,000 apartments renting at $200 a month or more. This is equal to one apartment out of every 50 in Manhattan, or 2% of the total. Since very few of the apartments in the other boroughs rent at $200 or more, the proportion for the entire city is significantly less than 1%.

The distribution of apartments by monthly rentals, tends to be in line with the distribution of incomes previously discussed. Certainly, families or individuals earning $10,000 or more a year—the upper 5% or 10% of the income distribution—can afford to pay the economic costs of housing. There is little that can be said by way of justification for subsidizing such income groups.

The importance of using total expenditures for housing rather than cost per room has been amply demonstrated during the past few years. Many persons have taken smaller sized apartments which cost a great deal per room in an effort to hold down the total cost of housing. It is not infrequent in new housing developments for prospective renters to ask how much space they can buy for a designated sum — the inexorable limits of the average budget makes this situation unavoidable.

Moreover, the substantial depressed levels of rents in the New York area during and before the war resulted in substantial reductions in the per room cost of large apartments. The use of a per room cost to define the luxury housing, would, therefore, exclude from that definition many of the apartments occupied by individuals or families who would most certainly be defined as in the upper income groups. Because of this consideration, a more suitable definition of luxury is in terms of monthly rent for an entire apartment, rather than rent per room.

Logical Decontrol

The most logical way to decontrol rents, in areas which are still experiencing a housing shortage, is by releasing from control the highest cost housing and then slowly but surely lower the level of controlled rents. This is logical for two reasons:

(1) No justification on grounds of hardship can be advanced to control rents for those in the top 5% or 10% of the income distribution.

(2) As the housing situation is alleviated, the tendency is for more high rent housing to be made available first, so that tenants in that category are protected against runaway rents.

This second point has been supported by the experience with new housing and decontrol in the past year. A special study made of advertisements in the New York "Times" from 1945 to 1950 showed a substantial increase in the number of apartments advertised for rental. For Manhattan, of the 16 apartments offered for rent on Sept. 1, 1946, six were offered at $150 or more per month and nine had no price. By March 5, 1950, there were 230 offers of apartments in Manhattan, of which 73 were at $150 or more and 64 showed no price; there were 63 apartments offered between $100

Continued on page 43

TABLE III

Changes in Residential Rents, by Rent Group, All Units, by City, 1949[1]
(Rental Dwellings with Kitchen Facilities)

	Percent Incr. for all Rental Units	Units Reporting Rent Increases: Percent of all Units in Rent Groups	Average Dollar Amount	Average Percent Increase
Knoxville[2]	13.9	57	$6.83	25.7
Under $30 a month	21.5	62	5.31	36.8
$30-$49.99 a month	13.6	56	9.53	23.7
$50 a month and over	4.3	41	6.08	10.3
Dallas Area[3]	16.7	59	13.96	33.1
Under $30 a month	41.4	75	10.99	55.6
$30-$49.99 a month	21.6	58	14.27	36.7
$50 a month and over	9.8	47	17.87	27.5
Spokane[4]	8.2	46	5.71	19.0
Under $30 a month	11.9	45	4.89	28.7
$30-$49.99 a month	8.7	53	6.32	17.0
$50 a month and over	2.3	27	6.25	10.5
Salt Lake City[5]	6.6	44	6.46	16.0
Under $30 a month	12.9	48	6.07	26.9
$30-$49.99 a month	7.8	47	6.66	16.7
$50 a month and over	3.4	34	6.41	10.2
Jacksonville Area[6]	10.9	52	6.59	25.8
Under $30 a month	21.8	66	6.24	34.2
$30-$49.99 a month	8.3	45	7.04	18.7
$50 a month and over	1.0	5	12.75	24.4
Topeka[7]	9.0	36	9.08	30.2
Under $30 a month	18.1	46	7.09	37.7
$30-$49.99 a month	11.6	39	11.37	29.3
$50 a month and over	—0.4	11	8.12	13.8
Houston Area[8]	10.5	33	12.03	40.0
Under $30 a month	20.3	46	9.97	45.1
$30-$49.99 a month	12.0	32	14.21	38.5
$50 a month and over	1.4	9	13.84	25.8

1 Rent increases on additional units were reported as follows, effective some time after Nov. 15, 1949.

	Percent of Units	Rent Increase: Amount	Percent
Knoxville	1	$2.95	15.1
Dallas	3	9.40	16.1
Spokane	5	6.16	17.5
Salt Lake City	5	7.86	21.7
Jacksonville	1	10.00	44.9
Topeka	4	8.83	26.7
Houston	6	11.62	39.8

2 Decontrolled June 14, 1949, by the city council; surveyed May 15-Nov. 15, 1949.

3 Decontrolled June 23, 1949, by the city council; surveyed Apr. 15-Nov. 15, 1949.

4 Decontrolled July 16, 1949, by the Housing Expediter; surveyed May 15-Nov. 15, 1949.

5 Decontrolled Aug. 5, 1949, by the city council; surveyed June 15-Nov. 15, 1949.

6 Decontrolled Aug. 5, 1949, by the city council; surveyed June 15-Nov. 15, 1949.

7 Decontrolled Sept. 14, 1949, by the city council; surveyed July 15-Nov. 15, 1949.

8 Decontrolled Oct. 19, 1949, by State-wide action; surveyed Aug. 15-Nov. 15, 1949.

SOURCE: U. S. Bureau of Labor Statistics.

Estate Taxes Are Destroying Small Business

By W. T. HACKETT*
Vice-President and Trust Officer
The Huntington National Bank, Columbus, Ohio

Asserting high taxes, because of their confiscatory effect, lead to socialism, Mr. Hackett cities current heavy estate levies as a series factor in elmination of small business. Cites instances under his observation of estate taxes causing liquidation or disposal of small businesses. Proposes plan whereby individuals could acqure tax exempt government bonds or life insurance payable at death to cover estate taxes.

As we all know, the world is—and has been for some years—going down the road to Socialistic forms of government. We in this country are following that same trend. We are kidding ourselves when we say "it can't happen here"—it is happening. Socialism, Statism, The Welfare State, or whatever you want to call it, is not necessarily brought about by revolution or by the people electing Socialist politicians to office. There is a much easier and surer way—taxes.

W. T. Hackett

Here's how it works. In a socialist state the government, of course, owns the plants and machinery which produce the goods by which people live. Socialism believes that individual saving and investing is unnecessary, that debt is good and that floods of paper money are a benefit to the nation's economy. The Socialist state controls prices, wages and production, and there is no free enterprise or profit system.

How does a Government get control of industry, unless it confiscates it?

In England, for example, the tax load is and has been in excess of 40% of the national income for years, and it is growing heavier under her Labor Government. Here in the United States, our Federal, state and local tax load of $60 billion is close to 30% of our national income, and, as we know only too well, our various governments are continually trying to increase it.

As a consequence of heavy and constantly increasing taxes, certain key industries that are essential to the economy of a country—such as railroads, utilities, steel, coal—deplete their cash reserves and eventually fail to make a profit. This does, not, of course, happen all at once, as we well know that even today under our tremendous tax load business in general is still making money. But a prolonged recession or a depression—coupled with a fixed high tax structure, which is necessary to support a deeply entrenched bureaucracy—can quickly bring a nation to the point of bankruptcy. No business can, of course, indefinitely operate at a loss, so sooner or later certain businesses and whole industries are confronted with failure. If it is a key business or industry, such as those I mentioned, and essential to the country's economy, the Government cannot allow it to fail, so the Government buys it—by issuing bonds to its owners—and thereafter operates it. **That business then no longer pays its share of the high tax load** and the load becomes heavier as a consequence on the remaining privately-owned key industries. They are then squeezed one-by-one and eventually are forced to sell out to the Government. Finally, when all key industries are government-owned, you have a Socialist state—no matter what else you choose to call it.

That can be, and I maintain will be, the ultimate fate of big business in this country if we permit our various governments to continue to spend in excess of their incomes, year after year, and use their deficits as an excuse to raise again and again—*ad infinitum*—our tax load.

So much for the potential threat that taxes hold for "big business." Of more importance is the fact that taxes are today destroying—and have been for some years—so-called "small business."

I should first define my term "small business" and "small businessman" and explain that I am referring not to the corner druggist or grocer, but to the man who by his own initiative and efforts has built up a manufacturing or processing business of some sort, either in the form of a proprietorship, partnership or closely held corporation.

Estate Taxes and Small Business

We all know that the average individual who has accumulated an estate since 1932 has done so in the face of serious and increasing odds, in the form of ever-mounting income taxes. As a consequence, it has been virtually impossible for a salaried man to accumulate a sizable estate during the past eighteen years. I believe that you will agree with me when I say that the bulk of post-1932 wealth has been largely created by the development and operation of small closely-held corporations, partnerships and proprietorships. As wealth, it is not in liquid form, such as cash or listed marketable securities. The average man who has an interest in a small business has, however, plowed any excess earnings back into his business to the maximum extent permitted by law, and a good portion of his accumulated wealth is therefore now represented by inventories, receivables, machinery, and bricks and mortar. His business, in most cases, provides him with a better-than-average income so long as he lives. He is, in fact, the "wealthy" man of today.

Eventually, however, he dies and at that point one of the many inconsistencies of our tax laws is apt to single him out because of the nature of his principal investment—an interest in a closely-held business. This is particularly true if he attempts to pass the business on as a going concern to his heirs.

The inequity I refer to lies in the far from exact and specific provisions of the Federal Estate Tax Laws and Regulations as they apply to the matter of valuing a closely-held business interest. We all know that if such a business or the stock in one is actually sold or liquidated within a period of one year after death, and if the sale is an arm's length transaction and not intra-family in nature, the price realized will establish the tax value. As a rule, partnerships and proprietorships generally terminate at the death of a partner or owner and thus their tax value is established. However, if for any reason a business interest is not sold or liquidated and continues to operate for the benefit of the deceased owner's estate or his heirs—as is oftentimes the case where a close corporation interest is involved—the chances are that a question, to put it mildly, will be raised by the taxing authorities as to its "fair market value" for purposes of taxing it in the decedent's estate.

As you know, when the executor or administrator schedules a decedent's interest in a closely-held corporation at what he feels is its "fair market value"—usually no higher than book value—he must support that value with data showing the net worth of the business, its earning power over a period of years, its dividend paying capacity, and the company's relative position in its industry. The authorities are supposed to, of course, also take into account the price realized on recent sales of shares and a comparison with the sales price of listed shares of competitive corporations, but these factors do not of themselves constitute conclusive evidence as to "fair market value."

If it can be said that there is a "rule of thumb" by which the authorities operate in such cases, I would say that they usually claim as tax value the higher of book value or a capitalized earnings value. Their excuse, of course,

Continued on page 26

*An address by Mr. Hackett at 18th Session of Tax Institute, New York City, June 18, 1950.

A Technique for Decontrolling Rents

By Dr. JULES BACKMAN
Assistant Professor of Economics,
New York University, School of Commerce, Accounts and Finance

Suggesting $125-$150 monthly urban rental as luxury dividing line, Dr. Backman suggests as most logical way to de-control, gradual release from highest to lowest cost units. Argues wealthier tenants are protected against runaway rents because more high-rent housing is being made available first. Concludes such sliding-scale program will effectively eliminate rent control, which does not belong in a peacetime economy.

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Jules Backman

Distinguishing Luxury From Non-Luxury

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The Office of the Housing Expediter has decontrolled some apartments because of their luxury status. The definitions used in two cases are shown below:

(1) Alleghany County Rent Advisory Board on Oct. 24, 1949 resolved to decontrol:

A multiple unit structure containing 12 or more units, in which a maximum of 80% of the apartments rent for an average of $30 per room (unfurnished) per month and up, and which includes the following services in the rental: elevator, switchboard, receiving room, utilities, house-cleaning and painting.

Recommendation was approved by Housing Expediter.

(2) Seattle and King County, Washington, decontrolled:

Luxuries defined as individual dwellings or apartments consisting of more than four rooms of at least 100 square feet each, containing at least 2 bedrooms, for which the maximum rent was equal to $25 per room per month unfurnished or $35 per room per month furnished.

It will be noted that decontrol was in terms of rental per room.

A more feasible approach to decontrol is found in terms of the rent paid per apartment.

I believe the most satisfactory approach in terms of establishing objective standards for decontrol of luxury housing, is found by an examination of income distribution and the proportion of income spent for rent by those who may be defined as having luxury incomes. Data are available which show estimates of the distribution of incomes for families and single individuals by various brackets.

Table I shows the distribution of families and single persons by income levels in 1948. The column "adjusted distribution" gives the estimates of the Council of Economic Advisers after allowing for their estimates of under-reporting of income in the Bureau of Census data. This table shows that 4.7% of all families and single persons had incomes above $10,000 in 1948. Such a small proportion of families with an income in excess of $10,000, suggests that this figure would certainly give a maximum line of demarcation for luxury incomes It might be noted that this is at least three times the average annual income for workers in all manufacturing industries.

Statewide Data

Data are not available by states or cities on a comparable basis. However, data are available on a statewide basis from Federal income tax reports. In 1947, out of the 2,401,000 taxpayers in New York State, 135,695, or 5.7% of the total had incomes in excess of $10,000. It is doubtful whether any major shift in this distribution developed in 1948 or 1949 although some increase in total incomes has taken place. Thus, on a national basis, total personal income rose from $193.5 billion in 1947, to $211.7 billion in 1949, or a rise of less than 10%.

Comparable data are not available for individual cities. If we take New York City as an illustration of an area with relatively high dollar incomes, the following emerges. In New York City, the proportion of families with incomes in excess of $10,000 was higher than in New York State. It probably is a safe guess to estimate that in New York City somewhat less than 10% of the taxpayers had incomes in excess of $10,000 per year. Even if every $10,000 or over income in New York State was earned by residents of New York City, the proportion could not be much above 10% since about half of the residents in the state reside in New York City. In any event, the top 10% in the income distribution must be classified as luxury income recipients. Such a "guesstimate" would be close enough for the purposes of reaching the definition with which we are concerned.

Our next problem is how much would be paid for rent by individuals earning $10,000 per year or more. A useful indication is found in the budget for an executive family prepared by the Heller Committee of California for the city of San Francisco. The latest budget for a family of four is available as of September, 1949. It covers an income of $12,405. An executive with that income spent $1,444 for housing. This covered the cost of a house purchased in September, 1949, and hence reflects current building costs. On a monthly basis, the amount spent for housing was equivalent to $120.37. Note that this is for an income which is $2 405 a year above the suggested cut-off point of $10,000. It suggests a lower monthly rent for those earning $10,000. Nevertheless, this figure gives us a good first approximation for a dollar definition of luxury housing.

$125-$150 the Dividing Line

Housing costs in New York run somewhat higher than in San Francisco, so that the New York City figure would also be somewhat higher. On this basis, it might be suggested that a monthly rent of $125 to $150 will mark the dividing line between luxury and other types of housing in New York City. In other areas, the cut-off point will be lower.

Another test is found in the relative proportion spent for rent in a moderate income family's budget. According to the U. S. Bureau of Labor Statistics, approximately 13% of the expenditures of a family earning about $3,000 a year is spent for rent. Studies of expenditures show that as incomes increase, the proportion spent for rents by higher income groups tends to be smaller than for lower income groups. Nevertheless, if this tendency is ignored and the 13% ratio is applied to the $10,000 income, a total of $1,300 or about $110 per month is obtained. In light of these data, the estimate of $125 to $150 a month as a cut-off point for luxury incomes appears to provide some margin of liberality.

A useful check on this assumption for New York City is found in the distribution of housing by monthly rents in the 1940 Census of Housing. (See Table II). In Manhattan, 45,434 apartments rented for $100 or over in 1940. This was 9% of the 542,000 tenant-occupied dwelling units in the borough. An additional 31,696, or 6% of the total, rented between $75 and $99. For all of New York City, only 3% of the apartments rented for more than $100 while a similar proportion rented between $75 and $99 a month. On a national basis, the Federal Reserve Board has estimated that only 2% of the non-farm families who are tenants paid $100 and over per month in 1948 and 1949.

Small New York Rent Rises

Rents in New York City have risen only 6.1% (102.6 to 108.9) since 1940, according to the Bureau of Labor Statistics. It is indicated, therefore, that the 1940 distribution provides a satisfactory guide to the present distribution in the New York City area. Even if all of the apartments renting between $75 and $99 had been raised to the $100 class, which is not probable, the total proportion renting at $100 would be only 15% for Manhattan and 6% for the entire city. While detailed data are not available showing the breakdown above $100, it is clear that the proportion renting between $125 and $150 would be significantly smaller.

A recent special study of luxury housing in Manhattan estimated that there were about 10,000 apartments renting at $200 a month or more. This is equal to one apartment out of every 50 in Manhattan, or 2% of the total. Since very few of the apartments in the other boroughs rent at $200 or more, the proportion for the entire city is significantly less than 1%.

The distribution of apartments by monthly rentals, tends to be in line with the distribution of incomes previously discussed. Certainly, families or individuals earning $10,000 or more a year—the upper 5% or 10% of the income distribution—can afford to pay the economic costs of housing. There is little that can be said by way of justification for subsidizing such income groups.

The importance of using total expenditures for housing rather than cost per room has been amply demonstrated during the past few years. Many persons have taken smaller sized apartments which cost a great deal per room in an effort to hold down the total cost of housing. It is not infrequent in new housing developments for prospective renters to ask how much space they can buy for a designated sum — the inexorable limits of the average budget makes this situation unavoidable.

Moreover, the substantial depressed levels of rents in the New York area during and before the war resulted in substantial reductions in the per room cost of large apartments. The use of a per room cost to define the luxury housing, would, therefore, exclude from that definition many of the apartments occupied by individuals or families who would most certainly be defined as in the upper income groups. Because of this consideration, a more suitable definition of luxury is in terms of monthly rent for an entire apartment, rather than rent per room.

Logical Decontrol

The most logical way to decontrol rents, in areas which are still experiencing a housing shortage, is by releasing from control the highest cost housing and then slowly but surely lower the level of controlled rents. This is logical for two reasons:

(1) No justification on grounds of hardship can be advanced to control rents for those in the top 5% or 10% of the income distribution.

(2) As the housing situation is alleviated, the tendency is for more high rent housing to be made available first, so that tenants in that category are protected against runaway rents.

This second point has been supported by the experience with new housing and decontrol in the past year. A special study made of advertisements in the New York "Times" from 1945 to 1950 showed a substantial increase in the number of apartments advertised for rental. For Manhattan, of the 16 apartments offered for rent on Sept. 1, 1946, six were offered at $150 or more per month and nine had no price. By March 5, 1950, there were 230 offers of apartments in Manhattan, of which 73 were at $150 or more and 64 showed no price; there were 63 apartments offered between $100

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TABLE I

Distribution of Families and Single Persons not in Familes, by Income Level, 1948

*Income Size Classes	% of all Families and Single Persons Unadj. Distrib.	Adjusted Distrib.
Under $1,000	17.4	9.8
$1,000 to $2,000	16.0	16.7
2,000 to 3,000	19.6	16.3
3,000 to 4,000	18.4	17.7
4,000 to 5,000	11.1	13.6
5,000 to 10,000	15.1	21.2
10,000 and over	2.4	4.7
All income groups	100.0	100.0
Median income	$2,840	$3,420

*Income includes money income of the civilian noninstitutional population.

SOURCES: Department of Commerce, Bureau of the Census, (unadjusted distribution) and Council of Economic Advisers (adjusted distribution). (Adjusted distribution is after estimate for under-reporting of income in the Bureau of the Census survey.)

SOURCE: Economic Report of the President, January, 1950, p. 140.

TABLE II

Tenant-Occupied Dwelling Units Distrbiuted by Contract Monthly Rent, 1940, Manhattan and New York City

Contract Monthly Rent 1940	Tenant-Occupied —Dwelling Units— Manhattan	N. Y. City
Under $5	273	682
$5 to 9	2,587	5,236
10 to 14	25,432	45,273
15 to 19	50,027	107,247
20 to 24	60,073	165,267
25 to 29	61,345	193,269
30 to 39	106,928	470,285
40 to 49	71,748	339,765
50 to 59	42,794	163,228
60 to 74	39,525	110,443
75 to 99	31,696	57,742
100 and over	45,434	53,397
Not reporting	4,172	12,942
Total	542,034	1,724,776

SOURCE: 16th Census of United States, 1940, Housing Vol. III, part 3, pp. 114, 132.

TABLE III

Changes in Residential Rents, by Rent Group, All Units, by City, 1949[1]

(Rental Dwellings with Kitchen Facilities)

	Percent Incr. for all Rental Units	—Units Reporting Rent Increases— Percent of all Units in Rent Groups	Average Dollar Amount	Average Percent Increase
Knoxville[2]	13.9	57	$6.83	25.7
Under $30 a month	21.5	62	5.31	36.8
$30-$49.99 a month	13.6	56	9.53	23.7
$50 a month and over	4.3	41	6.08	10.3
Dallas Area[3]	16.7	59	13.96	[illegible]
Under $30 a month	41.4	75	10.99	55.6
$30-$49.99 a month	21.6	58	14.27	36.7
$50 a month and over	9.8	47	17.87	27.5
Spokane[4]	8.2	46	5.71	19.0
Under $30 a month	11.9	45	4.89	28.7
$30-$49.99 a month	8.7	53	6.32	17.0
$50 a month and over	2.3	27	6.25	10.5
Salt Lake City[5]	6.6	44	6.46	16.0
Under $30 a month	12.9	48	6.07	26.9
$30-$49.99 a month	7.8	47	6.66	16.7
$50 a month and over	3.4	34	6.41	10.2
Jacksonville Area[6]	10.9	52	6.59	25.8
Under $30 a month	21.8	66	6.24	34.2
$30-$49.99 a month	8.3	45	7.04	18.7
$50 a month and over	1.0	5	12.75	24.4
Topeka[7]	9.0	36	9.08	30.2
Under $30 a month	18.1	46	7.09	37.7
$30-$49.99 a month	11.6	39	11.37	29.3
$50 a month and over	—0.4	11	8.12	13.8
Houston Area[8]	10.5	33	12.03	40.0
Under $30 a month	20.3	46	9.97	45.1
$30-$49.99 a month	12.0	32	14.21	38.5
$50 a month and over	1.4	9	13.84	25.8

1 Rent increases on additional units were reported as follows, effective some time after Nov. 15, 1949.

	Percent of Units	—Rent Increase— Amount	Percent
Knoxville	1	$2.95	15.1
Dallas	3	9.40	16.1
Spokane	5	6.16	17.5
Salt Lake City	5	7.86	21.7
Jacksonville	1	10.00	44.9
Topeka	4	8.83	26.7
Houston	6	11.62	39.8

2 Decontrolled June 14, 1949, by the city council; surveyed May 15-Nov. 15, 1949.

3 Decontrolled June 23, 1949, by the city council; surveyed Apr. 15-Nov. 15, 1949.

4 Decontrolled July 16, 1949, by the Housing Expediter; surveyed May 15-Nov. 15, 1949.

5 Decontrolled Aug. 5, 1949, by the city council; surveyed June 15-Nov. 15, 1949.

6 Decontrolled Aug. 5, 1949, by the city council; surveyed June 15-Nov. 15, 1949.

7 Decontrolled Sept. 14, 1949, by the city council; surveyed July 15-Nov. 15, 1949.

8 Decontrolled Oct. 19, 1949, by State-wide action; surveyed Aug. 15-Nov. 15, 1949.

SOURCE: U. S. Bureau of Labor Statistics.

Estate Taxes Are Destroying Small Business

By W. T. HACKETT*
Vice-President and Trust Officer
The Huntington National Bank, Columbus, Ohio

Asserting high taxes, because of their confiscatory effect, lead to socialism, Mr. Hackett cities current heavy estate levies as a series factor in elimination of small business. Cites instances under his observation of estate taxes causing liquidation or disposal of small businesses. Proposes plan whereby individuals could acquire tax exempt government bonds or life insurance payable at death to cover estate taxes.

As we all know, the world is—and has been for some years—going down the road to Socialistic forms of government. We in this country are following that same trend. We are kidding ourselves when we say "it can't happen here"—it is happening.

W. T. Hackett

Socialism, Statism, The Welfare State, or whatever you want to call it, is not necessarily brought about by revolution or by the people electing Socialist politicians to office. There is a much easier and surer way—taxes.

Here's how it works. In a socialist state the government, of course, owns the plants and machinery which produce the goods by which people live. Socialism believes that individual saving and investing is unnecessary, that debt is good and that floods of paper money are a benefit to the nation's economy. The Socialist state controls prices, wages and production, and there is no free enterprise or profit system.

How does a Government get control of industry, unless it confiscates it?

In England, for example, the tax load is and has been in excess of 40% of the national income for years, and it is growing heavier under her Labor Government. Here in the United States, our Federal, state and local tax load of $60 billion is close to 30% of our national income, and, as we know only too well, our various governments are continually trying to increase it.

As a consequence of heavy and constantly increasing taxes, certain key industries that are essential to the economy of a country—such as railroads, utilities, steel, coal—deplete their cash reserves and eventually fail to make a profit. This does, not, of course, happen all at once, as we well know that even today under our tremendous tax load business in general is still making money. But a prolonged recession or a depression—coupled with a fixed high tax structure, which is necessary to support a deeply entrenched bureaucracy—can quickly bring a nation to the point of bankruptcy. No business can, of course, indefinitely operate at a loss, so sooner or later certain businesses and whole industries are confronted with failure. If it is a key business or industry, such as those I mentioned, and essential to the country's economy, the Government cannot allow it to fail, so the Government buys it—by issuing bonds to its owners—and thereafter operates it. **That business then no longer pays its share of the high tax load** and the load becomes heavier as a consequence on the remaining privately-owned key industries. They are then squeezed one-by-one and eventually are forced to sell out to the Government. Finally, when all key industries are government-owned, you have a Socialist state—no matter what else you choose to call it.

That can be, and I maintain will be, the ultimate fate of big business in this country if we permit our various governments to continue to spend in excess of their incomes, year after year, and use their deficits as an excuse to raise again and again—*ad infinitum*—our tax load.

So much for the potential threat that taxes hold for "big business." Of more importance is the fact that taxes are today destroying—and have been for some years—so-called "small business."

I should first define my term "small business" and "small businessman" and explain that I am referring not to the corner druggist or grocer, but to the man who by his own initiative and efforts has built up a manufacturing or processing business of some sort, either in the form of a proprietorship, partnership or closely held corporation.

Estate Taxes and Small Business

We all know that the average individual who has accumulated an estate since 1932 has done so in the face of serious and increasing odds, in the form of ever-mounting income taxes. As a consequence, it has been virtually impossible for a salaried man to accumulate a sizable estate during the past eighteen years. I believe that you will agree with me when I say that the bulk of post-1932 wealth has been largely created by the development and operation of small closely-held corporations, partnerships and proprietorships. As wealth, it is not in liquid form, such as cash or listed marketable securities. The average man who has an interest in a small business has, however, plowed any excess earnings back into his business to the maximum extent permitted by law, and a good portion of his accumulated wealth is therefore now represented by inventories, receivables, machinery, and bricks and mortar. His business, in most cases, provides him with a better-than-average income so long as he lives. He is, in fact, the "wealthy" man of today.

Eventually, however, he dies and at that point one of the many inconsistencies of our tax laws is apt to single him out because of the nature of his principal investment—an interest in a closely-held business. This is particularly true if he attempts to pass the business on as a going concern to his heirs.

The inequity I refer to lies in the far from exact and specific provisions of the Federal Estate Tax Laws and Regulations as they apply to the matter of valuing a closely-held business interest. We all know that if such a business or the stock in one is actually sold or liquidated within a period of one year after death, and if the sale is an arm's length transaction and not intra-family in nature, the price realized will establish the tax value. As a rule, partnerships and proprietorships generally terminate at the death of a partner or owner and thus their tax value is established. However, if for any reason a business interest is not sold or liquidated and continues to operate for the benefit of the deceased owner's estate or his heirs—as is oftentimes the case where a close corporation interest is involved—the chances are that a question, to put it mildly, will be raised by the taxing authorities as to its "fair market value" for purposes of taxing it in the decedent's estate.

As you know, when the executor or administrator schedules a decedent's interest in a closely-held corporation at what he feels is its "fair market value"—usually no higher than book value—he must support that value with data showing the net worth of the business, its earning power over a period of years, its dividend paying capacity, and the company's relative position in its industry. The authorities are supposed to, of course, also take into account the price realized on recent sales of shares and a comparison with the sales price of listed shares of competitive corporations, but these factors do not of themselves constitute conclusive evidence as to "fair market value."

If it can be said that there is a "rule of thumb" by which the authorities operate in such cases, I would say that they usually claim as tax value the higher of book value or a capitalized earnings value. Their excuse, of course,

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*An address by Mr. Hackett at 18th Session of Tax Institute, New York City, June 18, 1950.

A Realistic Approach To Economic Security

By LOUIS W. DAWSON*
President, Mutual Life Insurance Co. of N. Y.

Asserting social security programs should be founded on economic and social principles and not on political issues, life insurance executive calls for realistic approach based on individual needs and country's ability to pay. Denounces extravagant pledges that might disrupt nation's economy. Sees danger signals in budget deficits, in inability to control actual outlays, and excessive liberalization of government guarantees and subsidies. Warns further reduction of dollar's value and continued heavy taxes court economic ruin.

I suspect that the 1950s will go down in history as the decade in which the public demand for "security above all else" reached its peak in the United States. The growth of this desire for security was probably inevitable, because of certain trends and events of recent years.

Louis W. Dawson

One important trend has been the tremendous movement of the population from the rural areas to the cities. In the early days of this country, 90% of our population was essentially a farm population. Today only slightly more than 10% remain on the farm. Whatever disadvantages life on the farm may have entailed, it did offer security. A farmer was rarely, if ever, "out of a job." So millions of people who left farms to work for wages felt the need for some element that would replace the security of farm life.

A second factor has been the effect of the technological revolution. The machine age and the development of large industrial organizations have changed our way of life. The average citizen no longer has the security given by possession of his own small business. The continuance of his income and employment depends largely upon factors beyond his individual control. So he feels he must build his security as he goes along, from other sources.

Thirdly, the need for security has been impressed upon the public by the awful spectacle of two world wars within a generation.

A fourth factor has been the public's vivid recollection of the agonies and degradation caused by the great depression of the 1930s.

The lengthening life span is another factor that has focused public attention on the importance of security. People are living longer; the population as a whole is aging. This creates new economic problems, not only for those who will soon reach advanced years, but for younger members of their families on whom the oldsters may become dependent.

Process of Leveling Incomes

In the last generation there has been a leveling out of incomes, through arbitrary adjustment of compensation levels, and as a result of steeply graduated income taxes. Whether this, on balance, will be a good or bad thing for the country, remains to be seen. But since the rewards for effort are no longer so high, there has developed, it seems, a greater and greater tendency to settle for security.

In view of the trends and developments I have just described, it is no wonder that the public demand for planned security has steadily increased. These vast upheavals have changed the form of our aspirations and, to a great degree, our sense of values. And, no honest man can gainsay the fact that "security for all" is a highly desirable objective—from an economic, as well as social, standpoint. Our problem is to satisfy such aspirations and yet be sure we retain the most solid principles and concepts to which man has arrived after centuries of struggle.

In approaching this problem, we must put from our minds the idea that the government, private business, unions or anyone else can give us security. Security is something that must be earned—whether it involves an individual or a nation. Once that principle is recognized, it then becomes evident that the benefits of any security program must bear some sensible relationship to what the country can afford.

You men and women, as life underwriters, know better than anyone that you can give an individual only an amount of life insurance that his income will permit him to carry. If you give him more than he can afford, he will probably, in the course of time, end up with no protection at all.

The same thing is true of any nation that undertakes programs it cannot afford. History is replete with examples of governments that have gone broke trying to make good on promises that were never economically justified. No crueler trick can be played on any people than to hold out false hopes of security that can never be attained.

I see nothing political in this question of basic philosophy. Underneath all partisanship is the question of our individual beliefs in what we want our country to do and be, and how our objectives can best be achieved.

Great Advances in Social Welfare

Many of the social reforms of the last 15 years have been admirable, and have achieved a great advance in social welfare. But the danger is that we may not clearly perceive where to draw the line. In our desire to alleviate the sorrows of our fellowmen, we may move too fast, and—what may be much more important—in the wrong direction.

The danger signals that indicate we may be moving too fast are evident in the budget deficit, the inability to control actual outlays, and the progressive increase and liberalization of various kinds of government guarantees and subsidies. We cannot fail to be suspicious of the soundness of an era of prosperity that is so largely supported by easy money, constantly expanding consumer credit, government deficits, extravagant and growing government guarantees, and increasing government subsidies. Somewhere the line must be drawn, or we face either the destruction of the value of the dollar, or such heavy taxes as to court economic ruin.

I am confident that we, in this country, can all have real security if we are willing to work for it and obtain it by stages that do not extravagantly pledge the future and that will not disrupt the country's economy. Some of the important questions involved are: How much security can we afford? How fast can we soundly acquire it? What price are we willing to pay? Who should provide it? And what effects will it have on the economy?

Basic Necessity of Solvency

The necessity of solvency in a family, business or nation is basic. In the final analysis, our ability to pay out under and security program depends on our ability to keep production reasonably abreast of our payments.

It is true that security plans may tend to stabilize the income of great numbers of consumers, and thus soften the abruptness of declines in production. They fulfill for many of us our very deep and human desire to care for our less fortunate fellowmen. It is for this very reason that they should be approved with care and wisdom. In their cumulative effect such plans tend to constitute an excessive drain on society in general. When they outrun production, they lower the standard of living for the producers of a society. They tend also to reward the idle and penalize the productive. Thus, unless carefully controlled, they deaden initiative and the will to work. And lastly, if plan is piled on plan without restraint, they vest economic power over the entire citizenry in a central government, leading finally to a totalitarian state. Under such a system, man soon begins to lose his freedom of choice and his dignity as an individual.

The young people of the nation should be particularly concerned with this trend, since it is they who will really feel its full effects. If we give to an aging population goods that they cannot earn, and which must be paid for out of future production, where can the burden fall but upon the back of the young worker? Where can the money come from but his payroll and his tax bill, and in such event, how can it help but lower his and his family's income and standard of living? Where does the threat to the will to strive and work fall but upon him and his young fellow-producers? And where does the threat of the centralized, totalitarian state overhang, but upon the young of this generation and the children yet unborn?

When those who have largely lived their lives cry out in warning, it is not for themselves. It is for the young and for the unborn, upon whom the full penalty will fall if we make the dreadful mistake of turning back to the unsuccessful, authoritarian, totalitarian systems of ages past and abandon the great concepts upon which this country was founded. If we are to be a country chiefly engaged in taking care of the aged, the disabled and the shiftless, without those limits which prudence counsels, it can only be done at the expense of the population as a whole—particularly the young, active and struggling part of the population. How can anyone who has experienced, or observed, the struggles of a young married couple to maintain a decent home and give their children the things they need, lightly take away the fruits of their work?

Rising Productivity Needed

Rising productivity will, in the future as in the past, enlarge our capacity to give a higher standard of living for the worker and provision of additional benefits for the aged and other nonworkers. We can, with optimism, count on this process. But in judging the ability of the country at this time to pay for additional security pro-

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*An address by Mr. Dawson before the Annual Meeting of the Chicago Life Underwriters Association, Chicago, Ill., June 15, 1950.

What If Excess Profits Tax Is Restored?

By WILLIAM WITHERSPOON
Statistical and Research Department
Newhard, Cook & Co., Members New York Stock Exchange

Though stating reinstitution of Excess Profits Tax would substantially lower current corporate profits, Mr. Witherspoon holds it is reasonable to expect, if such tax is restored, it would allow for "inter-war" depreciation of dollar and at least double amount of corporate profit permitted during last conflict.

It has been said that excess profit taxes will be reinstated at the outbreak of major hostilities. This is in conformity with the war powers granted to the President. The use of the old formulas for calculating exemptions, however, is a rather astounding assumption, especially in the use of the average earnings base of 1936-1939 as one method of calculating the exemption. If this basis were used, the calendar would be turned back 12½ to 13 years. This is an exceedingly long time to look backward and from an economic standpoint the intervening developments have made it even more remote. During that time, the United States has engaged in its most expensive war with the accompanying monetization of a tremendous debt. This has depreciated the value of the dollar so that any comparison with dollar earnings in the prewar period loses its significance. In order to achieve a semblance of justice in the use of the average earnings base of exemption, this figure would have to be doubled. If it is doubled, average corporate earnings during another war would be somewhat more than twice as large as during World War II.

William Witherspoon

Not so much change would have to be made in the invested capital formula for exemption. Consider the expansion in the invested capital base during the postwar years. Corporations using this method have poured millions of dollars into the erection of plant facilities during the past five years and this expansion in certain companies and industries has more than doubled the prewar value of invested capital. Therefore, from this standpoint corporations might be expected to earn substantially more dollars, even though the excess profit taxes were reinstituted without any change in the formula for exemption.

It might be said that corporate income taxes would be increased, but these were imposed only upon that portion of income subject to exemption from the excess profits tax. Therefore, it would take quite a substantial increase in the income tax rate to make decided inroads into overall profits.

The reinstitution of the excess profits tax would substantially lower corporate profits from current levels. From the point of justice between stockholders and laborers, such a tax would be unfair. During this postwar period, labor has received substantial increases in wage rates, either directly or indirectly, and the stockholder's position has also been materially improved through larger dividend payments. Generally speaking it would seem that these two groups of persons have fared about equally well, comparing one with the other. If, now, earnings and dividends on equity investments are reverted to the 1930 levels, without a corresponding reduction in wage rates, the position of the stockholder is greatly impaired and he would have no way of improving his position for the duration of hostilities. It cannot be expected that wage rates would be cut back through Congressional decree. How then could it be expected that a Congress, committed to enacting laws with at least some semblance of justice, would reimpose the old EPT law without proper modifications, which would so flagrantly abrogate justice?

A more equitable means of raising revenue partially to pay for war would be through the personal income tax. This would affect all persons rather than an almost inarticulate minority group, the stockholder.

It is dangerous, of course, to express an opinion as to a future action of Congress under the stress of war conditions. However, it is necessary for the investor to determine the probable course that such tax legislation would take in the event of war. If it is concluded that corporate taxes will be confiscatory or relatively so, he should not hold many or any equity securities. However, if he feels as the writer does, that tax legislation will have at least some semblance of justice, he will choose to hold equities. Hence, it has seemed opportune to set forth the general concept of this matter as it appears at the present time.

In summary, therefore, it would seem reasonable that some sort of an excess profits tax law would be enacted in the event of open hostilities, but that such a law would allow for the "inter-war" depreciation of the dollar and allow at least double the dollar corporate profit which existed during the last world conflict.

With Morrow & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Ralph M. Callaghan is with Morrow & Co., Hanna Building, members of the Midwest Stock Exchange.

Business Man's Bookshelf

Iowa Pool, The: Study in Railroad Competition, 1870-84—Julius Grodinsky—The University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill.—Cloth—$4.00.

Operating Results of Department and Specialty Stores in 1949 —F. L. Foster, Jr.— Harvard University, Graduate School of Business Administration, Division of Research,, Soldiers Field. Boston 63, Mass.—Paper—$5.00.

Our Money and the National Debt—George R. Kinzie—School of Business Administration, Bradley University, Peoria 5, Ill.—Paper.

The Job Is to Sell Ourselves

By BENJAMIN H. GRISWOLD III*

President, Association of Stock Exchange Firms
Partner, Alex Brown & Sons, Member of
New York Stock Exchange

Pointing out public's misunderstanding of securities industry, prominent Baltimore investment banker comments on recent publicity activities by stock exchanges, their members and other securities dealers. Sees need of educating small savers in investment principles, and to secure adequate equity capital and to create for them a stake in free enterprise. Stresses importance of securities industry to all fields of business. Calls for further publicity expansion.

Throughout the entire United States the securities industry has awakened to the possibilities of public relations—of telling our story to the public. We have come to realize that the general public, in fact many segements of the business community itself, do not comprehend and therefore do not fully take advantage of the potentialities of the securities industry in furthering the economic well-being of our country. We have become aware that the very nature of our business, how it operates, and the essentiality of its service to business and to the community, is neither not understood at all or is unfortunately misunderstood by the vast majority of the public.

B. H. Griswold, III

We realize that in an age of advertising and publicity, when American business has become great by telling its story to millions of people, we have, in the financial industry, gone about our work too quietly.

However, only recently the entire securities industry, the stock exchanges, the investment bankers, the Association of Stock Exchange Firms, and other organizations serving our industry, have awakened to the opportunity of public relations and have begun to take the necessary steps to depart from their traditional mysticism in their relations with the average American citizen.

Securities Industry, Cornestone of Private Enterprise

The basic job of our industry's public relations is to make generally known and more widely accepted the fundamental truth expressed by Leslie Gould, the financial correspondent, on May 26th when he wrote: "The cornerstone of the American free enterprise system is private ownership through securities distributed to individual citizens. The system operates through the ever-expanding distribution of stocks and bonds, the money raised going into new plants, tools for the workers, and research." Mr. Gould goes on to point out that the capital market has failed to keep pace with normal growth because of a cleverly executed program by the socializers, who have acted to make accumulation of wealth next to impossible by the very high income tax and the confiscation of large savings through inheritance taxes.

This warning was also sounded by "Business Week," in an article entitled "Are Stockholders Needed?" The article said, "Business will not be able to raise the venture capital it needs, unless prompt steps are taken to increase the flow of venture capital. At stake are our chances of maintaining prosperity and raising living standards. The U. S. needs to sustain business capital expenditures at a high level."

Analyzing what hampers the sale of new stock, the magazine puts its editorial finger on two major factors. First "a far greater share of the national income than ever before has been going to farmers and workers. Neither of these groups is accustomed to investing funds." Second, said "Business Week," "The shift in the income-distribution pattern has gone hand in hand with a sharp rise in income and inheritance tax rates."

The "Business Week" article concluded that the resulting shortage of venture capital "would mean that many, if not most companies would have to pass up many attractive opportunities to develop new products. It also points to a substantial reduction in business capital expenditures of the sort that has always gone hand-in-hand with declining business. Thus . . . it poses a major test to the United States."

Of course, gentlemen, the answer to this problem is wider distribution of securities to the smaller capitalists—the men with jobs and savings accounts. To develop this field a great deal of eductation is needed — education of the individuals with small savings.

An advertising magazine said our problem is how to tell the stock market's story clearly enough to be understood, interestingly enough to draw a crowd, truthfully enough to stand the scrutiny of both the SEC and the inevitable critics in labor, consumer groups, cooperatives, etc., and at the same time palatably enough to dispel public fear and distrust.

All of us are acquainted with some of the efforts being made to this end. Many individual brokers are stepping up their advertising and keying it to appeal to great numbers of citizens, although a friendly critic among the fraternity of financial writers recently commented that "most member houses either advertise not at all or confine their efforts to the old media suitable for other times but not adapted to the mass markets of the day."

Investment Displays

During recent years a number of brokers have developed effective displays in state and county fairs. Two Los Angeles firms, E. F. Hutton and Dean Witter, enjoyed gratifying results from such exhibits at the Los Angeles County Fair last fall. Chicago has gone so far as to plan a "Finance Fair" to dramatize to the public the function and significance of the securities market in financing production and distribution, creating employment and stimulating the nation's economic growth.

Some of our younger brokers in various cities have set up junior investment bankers' associations, and developed worthwhile programs including salesmanship courses and active speakers' bureaus.

The New York Stock Exchange has conducted an advertising and public relations program which only this year took forward-looking new steps by engaging the well-known New York public relations firm of Ivy Lee and T. J. Ross. There has been a great deal of comment about the program of the New York Exchange, and there has been some criticism. Nevertheless, the intent is good and the effort has been improving all the time, and I think that all of us will be increasingly pleased at the work being done in its harvest.

I probably need not tell you about the good work being done right here in Los Angeles. You will be glad to know that it is creating a great deal of comment in other places.

All of this is splendid work. It is vital that every one of us get behind these public relations activities to help the public understand the important role of our securities industry. After all, our job is perhaps the most fundamental task in the economy of the country. Our job is to foster the flow of private capital, the lifeblood of America's economic system, into the bloodstream of business enterprise. Without our business to capitalize industry, it would be necessary for the government to capitalize industry, and if that should happen we will have lost our freedom.

Creating Stake in Free Enterprise

There has been a great deal of talking, preaching, lecturing, broadcasting, writing and arguing about the free enterprise system. Much of this huge volume of material does not find its target. When the private citizen is committed to free enterprise by investing in it, he immediately takes a much more alert interest in our economy, and is far more aware of the influence on our system of legislation, taxation, government interference, and the growing threat of socialism. The man who invests, like the man who buys a home, takes a far more responsible attitude because he has a stake in free enterprise.

Palmer Hoyt, publisher of the Denver Post, when he adressed your 50th anniversary banquet in December made a point vital to every one of us when he said: "Tell the public what you are up to and what you have to sell. For far too long a period the persons responsible for the sale of common stocks and other commercial and industrial securities have failed to take the public into their confidence. Today this is vital if we are to maintain the free enterprise which you gentlemen boast to regard so highly."

Indentifying the sale of securities as a matter of paramount im-

Continued on page 24

*An address by Mr. Griswold at a meeting of New York and Los Angeles Stock Exchange Firms, Los Angeles, Cal., June 20, 1950.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

NATIONAL CITY BANK OF NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	4,966,232,069	4,909,931,502
Deposits	4,593,527,436	4,519,348,370
Cash and due from banks	1,164,389,432	1,182,660,092
U. S. Govt. security hldgs.	1,860,934,857	1,769,175,004
Loans and bills discounted	1,333,230,909	1,375,617,474
Undivided prof.	54,411,829	52,427,995

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	128,824,274	136,122,092
Deposits	95,071,485	102,662,828
Cash and due from banks	17,285,468	19,497,732
U. S. Govt. security holdings	89,036,314	94,547,262
Loans and bills discounted	4,559,056	4,321,670
Undivided profits	10,558,459	10,261,741

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	2,271,810,894	2,298,721,635
Deposits	2,100,793,828	2,128,288,704
Cash and due from banks	542,796,848	576,856,448
U. S. Govt. security hldgs.	1,005,984,915	1,024,818,104
Loans and bills discounted	580,363,892	551,655,812
Undivided prof.	34,992,899	33,432,039

* * *

CHEMICAL BANK & TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	1,552,253,850	1,489,117,048
Deposits	1,390,485,051	1,340,031,776
Cash and due from banks	402,419,942	354,847,951
U. S. Govt. security hldgs.	511,288,433	528,922,142
Loans and bills discounted	480,140,109	468,234,512
Undivided prof.	15,081,250	14,409,156

* * *

CENTRAL HANOVER BANK AND TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	1,551,777,211	1,451,849,592
Deposits	1,399,854,442	1,304,929,541
Cash and due from banks	388,075,342	378,710,866
U. S. Govt. security hldgs.	649,504,735	530,960,853
Loans and bills discounted	422,762,644	444,507,199
Capital surp. & undiv. profits	134,243,780	133,718,063

* * *

IRVING TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	1,205,513,499	1,114,242,364
Deposits	1,068,961,562	976,918,624
Cash and due from banks	311,956,317	271,217,918
U. S. Govt. security hldgs.	436,218,284	415,149,650
Loans and bills discounted	405,488,334	371,413,652
Undivided prof.	14,113,398	13,553,578

* * *

BANK OF THE MANHATTAN COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	1,170,652,037	1,144,373,464
Deposits	1,069,344,043	1,042,607,156
Cash and due from banks	303,361,292	278,045,768
U. S. Govt. security hldgs.	323,431,804	323,594,187
Loans and bills discounted	427,794,657	430,003,791
Undivided prof.	14,914,091	14,451,812

* * *

CORN EXCHANGE BANK TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	792,224,895	790,307,793
Deposits	742,473,531	740,469,785
Cash and due from banks	216,565,723	208,759,675
U. S. Govt. security holdings	464,294,184	468,003,667
Loans and bills discounted	78,816,164	76,078,440
Undivided profits	7,359,705	6,927,980

* * *

THE NEW YORK TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	763,384,870	668,615,752
Deposits	687,471,608	592,743,825
Cash and due from banks	192,405,098	153,162,771
U. S. Govt. security holdings	314,962,254	253,899,261
Loans & discounts	243,718,554	244,608,581
Undivided profits	12,599,604	12,138,552

THE PUBLIC NATIONAL BANK AND TRUST COMPANY, OF NEW YORK

	June 30, '50	Mar. 31, '50
Total resources	506,777,840	508,477,336
Deposits	465,475,550	469,111,610
Cash and due from banks	119,740,706	112,469,741
U. S. Govt. security holdings	156,453,757	189,245,531
Loans and bills discounted	198,541,284	175,543,395
Undivided profits	7,964,967	7,562,402

* * *

BROWN BROTHERS, HARRIMAN & CO. NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	237,106,734	229,419,356
Deposits	200,662,027	193,464,337
Cash and due from banks	51,555,421	46,323,909
U. S. Govt. security holdings	59,029,511	54,349,516
Loans and bills discounted	53,892,839	55,005,124
Capital & surplus	14,045,284	14,025,284

* * *

UNITED STATES TRUST COMPANY OF NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	149,094,915	153,311,250
Deposits	115,740,219	120,092,699
Cash and due from banks	19,753,155	23,397,312
U. S. Govt. security holdings	59,090,773	57,859,034
Loans and bills discounted	52,799,115	55,638,645
Undivided profits	2,087,945	2,025,239

* * *

J. HENRY SCHRODER BANKING CORPORATION, NEW YORK

	June 30, '50	Mar. 31, '50
Total resources	$88,947,406	$79,831,852
Deposits	61,915,375	57,092,043
Cash and due from banks	7,634,645	8,998,917
U. S. Govt. security holdings	47,203,371	42,726,084
Loans and bills discounted	8,532,101	7,784,900
Surp. & undivided profits	3,512,917	3,508,573

* * *

SCHRODER TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
Total resources	$39,357,989	$34,611,387
Deposits	33,841,319	29,062,911
Cash and due from banks	9,163,239	8,224,272
U. S. Govt. security holdings	23,047,683	19,808,978
Loans and bills discounted	6,029,472	5,619,962
Surp. & undivided profits	2,762,906	2,757,088

* * *

CLINTON TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
Total resources	$27,189,610	$27,297,569
Deposits	25,175,833	25,304,894
Cash and due from banks	5,879,951	6,846,874
U. S. Govt. security holdings	13,624,992	13,115,370
Loans and bills discounted	5,821,158	5,509,012
Surp. & undivided profits	936,203	915,801

* * *

GUARANTY TRUST COMPANY OF NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	2,764,198,625	2,616,280,609
Deposits	2,335,396,908	2,189,813,632
Cash and due from banks	569,365,278	554,401,349
U. S. Govt. security hldgs.	1,079,906,759	938,423,396
Loans and bills discounted	982,767,057	964,941,424
Undivided prof.	73,969,698	72,695,293

* * *

THE COMMERCIAL NATIONAL BANK AND TRUST COMPANY, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	214,791,343	200,676,123
Deposits	183,460,534	169,945,131
Cash and due from banks	58,687,492	48,835,100
U. S. Govt. security holdings	93,882,108	92,880,490
Loans & discounts	45,403,942	41,360,935
Surp. & undivided profits	14,649,602	14,573,997

THE MARINE MIDLAND TRUST COMPANY OF NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	342,976,091	357,689,162
Deposits	316,677,618	331,491,908
Cash and due from banks	86,846,155	99,797,468
U. S. Govt. security holdings	124,540,270	131,081,769
Loans and bills discounted	118,519,769	111,432,195
Undivided profits	3,138,955	2,972,084

J. P. MORGAN & CO. INCORPORATED, NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	642,224,470	638,051,303
Deposits	567,026,334	559,784,675
Cash and due from banks	141,583,768	160,048,823
U. S. Govt. security holdings	253,330,511	221,440,722
Loans and bills discounted	180,923,758	191,583,733
Undivided profits	11,358,897	11,088,674

* * *

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	June 30, '50	Mar. 31, '50
	$	$
Total resources	4,697,749,012	4,633,437,698
Deposits	4,298,936,909	4,22[illegible],189,[illegible]2
Cash and due from banks	1,199,628,369	1,200,710,221
U. S. Govt. security hldgs.	1,671,781,138	1,655,931,638
Loans and bills discounted	1,404,655,407	1,379,434,665
Undivided prof.	49,795,882	47,711,641

* * *

BROOKLYN TRUST COMPANY, BROOKLYN, N. Y.

	June 30, '50	Mar. 31, '50
	$	$
Total resources	244,069,821	237,205,898
Deposits	226,091,750	219,506,660
Cash and due from banks	62,180,383	62,292,375
U. S. Govt. security holdings	124,045,701	125,071,032
Loans and bills discounted	36,085,870	30,133,005
Undivided profits	1,839,564	1,965,682

* * *

CORN EXCHANGE NATIONAL BANK AND TRUST COMPANY, PHILADELPHIA, PA.

	June 30, '50	Mar. 31, '50
	$	$
Total resources	288,613,830	284,659,451
Deposits	262,772,761	260,158,065
Cash and due from banks	68,794,034	65,435,458
U. S. Govt. security holdings	109,557,044	112,259,749
Loans and bills discounted	79,903,943	76,197,928
Undivided profits	3,247,836	3,104,462

* * *

Manufacturers Trust Company of New York announces that Joseph A. Corrado of the bank's Foreign Department has been made an Assistant Secretary. At the same time it was anounced that Joseph Rothman was promoted from Assistant Manager to Assistant Secretary. Mr. Corrado began his banking career with Banca Commerciale Italiana, Agency in New York, in 1928. He joined Manufacturers Trust Company in 1941 and has been in the Foreign Department since that time. Mr. Rothman started with Manufacturers Trust Company in 1929.

* * *

William L. Kleitz, President of **Guaranty Trust Company of New York**, has announced the appointment of Stuart K. Barnes as Secretary of the bank, succeeding Matthew T. Murray, Secretary and resident attorney of the Company, who is retiring after 45 years of service. Mr. Murray is becoming counsel to the law firm of Harper & Matthews, 70 Pine Street, New York. Mr. Barnes has been associated with the bank's legal department since 1947, as assistant resident attorney. During 15 years in Washington, D. C., Mr. Barnes served as Assistant Counsel to the Reconstruction Finance Corporation, senior attorney of the Securities Exchange Commission, Vice-President of the Defense Supplies Corporation, executive director of the Office of Defense Supplies, R. F. C., and Vice-President and director of the U. S. Commercial Company. He is a member of the New York and District of Columbia Bars and of the New York County Lawyers' Association.

* * *

Chemical Bank & Trust Company of New York has applied to the New York State Banking Department for permission to open a new office at 100 Park Avenue at the corner of 41st Street. It is expected that this office will open on December 1st with complete banking facilities.

* * *

Edwin Foster Blair, partner in the law firm of Blair & Ogden, has been elected to the Advisory Board of the 30 Broad Street office of **Chemical Bank & Trust Company of New York** according to an announcement by Harold H.

Continued on page 43

Erosion of the Economy

By FRANCIS ADAMS TRUSLOW*
President, New York Curb Exchange

Mr. Truslow lists as erosive forces in our economy: (1) excessive taxation; (2) intrusion of government on private enterprise; (3) economic ignorance; and (4) unwise demands and arrogant assumptions of power by privileged groups. Says there are also external forces operating to destroy our economy and restrict our freedom, and points out responsibility of investment bankers for maintaining freedom in world through channelling private capital into profitable enterprise.

In our economic basis for freedom, countless men own the productive enterprises, the mines, the farms, the factories, the wells and offices and machinery which produce the goods and services which they and all others need and use. They created and own these things, and they will retain them so long as they are self-sustaining and profitable—that is, so long as they produce more than they consume. When governments, to meet their expenditures, seize part of this difference between production and consumption they reduce the margin without which these enterprises cannot exist or men be induced to take the risks or expend the energy to create more. Taxation is a tide in the stream which laps at the foundation of our freedom.

Francis A. Truslow

But taxation is a result and not a cause. Governments do not tax in order to store up resources. They tax to pay expenses. The expenses of government are the impulses which make these eroding ripples run. Strong currents of taxation which threaten our freedom should not be the enemies at which we direct our attack. The extravagances and ill-considered expenses of government should receive our fire. We should fear taxation and attack the spending which generates it.

But these eroding waves are complex enemies. If we spend and do not pay our debts through taxation, then our money loses its value and the earnings and savings we acquire disappear in the vast fraud of inflation. What we must spend must be paid for, regardless of the tax required, therefore our spending must be tested by the most stern scrutiny. Even though that spending is planned in the name of our other heritage of helping others, it must not be allowed to rise and swamp the sources of our freedom.

But there is a by-product of high spending and consequent high taxation which should not escape our fears. If taxes are high, then the power to exempt income from taxes becomes a potent weapon of those who would build an all-powerful government. In recent years we have seen vast public works supplant vast private projects through the ample device of financing those works by the strong attraction of tax free investment. Government has, by the device of tax exemption in times of high taxation, induced private people to lend it their savings with which to acquire great chunks of private enterprise.

Here is indeed an insidious form of erosion. When we in the securities business expend our efforts in the sale of tax exempt bonds, we are often accepting attractive immediate compensation for work which can ultimately destroy our freedom. I think we pay too little attention to this problem.

Effects of Economic Ignorance

Lack of knowledge of what makes our economy work is a further current undercutting private ownership and freedom. The wage earner who, without regard for the enterprise for which he works, constantly demands more and more of its earnings and reduces or extinguishes its excess production, is like blind Samson. His freedom will die in the ruins of the Temple whose pillars he has pulled down.

The statesman, who fails to realize that government has no wealth except a share of the margin between the production and the consumption of its people, is a man to be feared as an enemy of liberty.

The citizen who calls on government to supply him with security from the cradle to the grave, and, by his insistence, encourages government spending is a danger to himself and his fellow citizens. If his pleas are successful he can lose his freedom and gain no security in exchange.

Men of greed and arrogance, who exercise their individual power as businessmen, labor leaders or politicians to create dissension, ill feeling and dissatisfaction within our system of private ownership and personal initiative and competition are men to fear and abhor. They are a source of vast erosion. They can both destroy our freedom and take control of our lives.

External Forces

But today we must realize that beyond the internal forces of taxation, tax exemption, ignorance, unwise demands and arrogant assumptions of power, there are external forces at work undermining our private ownership of production and with it our independence. These external forces are deliberate. They are expressed in the propaganda which is insinuated into our minds and in the actions which are directed into our daily affairs by the very competent agents of a tyranny which already rules half of the world. Communism, Socialism, statism—call it by any name you wish—stands on the other side of the issue of private versus government ownership from ourselves. It urges the control of productive enterprise by a few and denies freedom to all the rest. It is fundamentally opposed to the concept that a man may select his work, own his earnings, seek to save and decide where his savings will be placed. The essential tactic of this external threat to our freedom is to encourage spending, compound ignorance, inspire demands for government promised security and stir up dissention and dissatisfaction.

As we go about our work from day to day, it is difficult to think in terms of these seemingly remote forces which are lapping at our freedom. The degree to which we are each personally successful in building up our own business, providing for our own family and attaining the particular objectives we seek, often measures inversely the degree to

Continued on page 43

*Part of address of Mr. Truslow at the Annual Convention of the Texas Group, Investment Bankers Association of America, San Antonio, Texas, May 4, 1950.

Teaching Capitalism By Making Capitalists

By JACOB O. KAMM
Director, School of Commerce
Balwin-Wallace College, Berea, Ohio

Dr. Kamm reviews plan of teaching capitalism to students by making them capitalists through participation in an investment fund. Says yield of investments has been satisfactory and students have acquired knowledge of putting investment theory into practice. Sees in experiment means of preserving strength of American capitalistic system.

Young people all over the United States are eager to become capitalists. They want to own their own homes and to start their own businesses. Many desire to become owner-participants in American industry through the purchase of corporate security investments because of their limited backgrounds. This is true of graduates of colleges and universities as well as of those who have entered business following their high school education.

Dr. Jacob O. Kamm

The rapid economic development of the United States has depended to a great extent upon the willingness of people to invest their savings in equity or risk bearing securities. In recent years, however, new equity financing has been at a low ebb. There are various reasons why this has been so. Tax laws have resulted in the double taxation of distributed corporate earnings. The corporation pays a tax on its earnings. If it then distributes its earnings in dividends to shareholders, the shareholders are also taxed. For example, a corporation which earns $100,000 in income pays $38 000 in Federal income taxes. If it distributes the residue of $62,000 to its shareholders who (we shall assume) pay a tax of 35% on their dividend income, the Federal Government will receive $21,700 in additional income taxes. Out of $100,000 of corporate income the stockholders or owners of the corporation would receive only $40,300. Corporations needing new capital funds have preferred to retain earnings rather than to pay dividends and then sell additional shares to stockholders to raise the necessary funds. They have followed this procedure because their shareholders do not have sufficient funds left from their dividend receipts after paying income taxes to purchase the new shares.

When corporations do find it necessary to raise additional capital funds they prefer bond issues rather than stock issues. The yield on high-grade corporate bonds today averages 2.65%. The average yield on New York Stock Exchange listed stocks is in excess of 7%. Corporations obtain funds at a much lower interest rate by selling bonds and in addition the bond interest is deductible as a corporate expense prior to the computation of its income. This factor has caused many corporations to obtain new capital funds by foregoing a proper balance between borrowed capital (bonds) and equity capital (stock).

One of the most important reasons why equity financing is not more widely used is that many Americans do not know how to invest. There is an urgent need for broadening and improving investment education. The usual attitude on the part of people who do not understand how to do something is to shun it. Surveys undertaken by the Federal Reserve Board of Governors, investment banking firms, and others have indicated that people prefer security as is evidenced by the investment of their savings in bank accounts, life insurance, Series E savings bonds, and similar highly liquid assets. But such a conclusion is not necessarily true for it may merely be the result of a lack of knowledge of other available investment opportunities.

Investment Theory and Investment Practice

At Baldwin-Wallace College in Berea, Ohio, students are daily changing their investment habits as a result of a unique course which combines investment theory with investment practice. They learn to invest by investing. They are taught capitalism by their becoming capitalists. A project which was initiated three years ago to permit students to do this has now become a widely accepted educational advancement. Many large American universities are patterning courses after that at Baldwin-Wallace. And recently administrators of the Swiss high schools in Zurich, Switzerland, have requested information with a view to carrying out this same type of program in their schools.

The investments class at Baldwin-Wallace owns and operates an actual fund. Started with $100 in 1947, the fund today has grown through dividends on securities, capital gains on security sales, and gifts to $850. The students who enter the class automatically take title to the fund which is organized as a legal trust. They buy and sell securities, collect dividends, vote proxies analyze securities, and plan their portfolio holdings so as to carry out the investment principles which they study in textbooks and learn in lectures.

The class elects a President and Secretary. The professor serves as Treasurer so that dividends are collected and the fund managed in interims between college quarters. He also helps to maintain continuity from one class to another. Actions require the approval of a two-thirds majority of the members. The class members are organized into groups—one studies general economic conditions, another follows market movements, a third analyzes industries with a view to selecting the most favored, and a fourth selects the most promising individual issues. The analysis is a four-step one narrowing from the study of general economic conditions down to the most promising specific issues. The conclusions of each of these committees is sifted by an executive group which reports directly to the class. Each student is a working member and has some specific duty to carry out in the class. By putting theory into practice these students are able to graduate from college with a knowledge of the procedure to follow in investing their funds.

Funds Yield Satisfactorily

Just as the proof of the pudding is in the eating, the proof of the effectiveness of their training is in the results which they have attained. The fund showed a return of 11.01% for the fiscal year ending Dec. 31, 1947; of 12.75% for 1948; and of 11.93% for 1949. The average return for the years in which it has been in existence has been 11.9%. Students consider this return satisfactory in view of the unsettled market conditions of the past few years.

Portfolio holdings are divided into two broad groups: aggressive and defensive. The former includes preferred and common stocks; the latter is made up of cash. If the fund were large enough to purchase bonds, these would be included in the second category. Cash holdings are maintained so that the class can take advantage of any exceptional investment opportunities which might appear. If they held no cash they would either have to dispose of some other holding or let the opportunity pass. Cash also serves as a hedge against a decline in security prices, for some funds are available to purchase securities at lower price levels.

At the end of 1949 71.9% of the assets were invested in stocks; 28.1% were held in the form of cash. The fund's assets were distributed among the following industries: 16.3% in auto parts manufacturing, 16.5% in building, 1.7% in chemicals, 3.2% in food processing, 7.7% in investment company securities, 9.2% in retail drugs, and 16.5% in steel production.

Equity Securities and Small Investors

We hear too often the statement that individuals of moderate means should not purchase equity securities because an investor with limited funds cannot obtain proper diversification. The record of the class fund disproves this. Diversification can be obtained by selecting an issue representing a corporation which makes many different products or engages in

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Mutual Funds

By ROBERT R. RICH

Bleak Swiss Outlook For Limited Funds Lesson to Us

Swiss insurance companies, pension funds and the recently-formulated General Insurance Fund for Old Age and Survivors are in dire straits, according to figures compiled by the Swiss National Bank.

Excessive liquid funds held by banks and insurance companies have driven the interest rate on first class bonds to 2.27%. Insurance and pension funds have been constructed on the basis of a minimum of 3% from State bonds and of 4% from first mortgages, and consequently heavy deficits are anticipated.

An answer to this problem, in the proper legal framework, is, of course, investment trusts. In discussions with labor leaders and pension trustees, Mutual Funds might do well to present to these prospects a detailed analysis of the Swiss problem. Such a problem could arise here.

Market Break Finds Funds Strong

Last week's events belied to some extent the popular argument that mutual funds, during a market break, would accelerate the downward trend by dumping large blocks of securities in order to satisfy redemption demands of shareholders.

Not only was this argument put in a questionable light by the turn of events, but, in addition, a new facet of experienced management was demonstrated — a relative calmness and long-term view during a crisis which contrasted sharply with the evident hysteria of small investors. Institutional Shares, Ltd., reported very little selling by experienced and institutional investors, as contrasted with the fear psychology of the less experienced investors who wished to realize profits in hand. Selling was further augmented by uncovered stop loss orders — a small investor's device.

Typical of management's calm approach was the statement by Wellington Fund that "we have started reinvesting a little cash, but no broad change of policy is contemplated as yet. We want to weigh the longer run implications and watch for further developments in the Korean situation."

Fund Operations Easy

Reports from two funds indicate the ease with which they operated during last week's downturn.

Wellington Fund, in a special letter to dealers, stated that during Monday and Tuesday of last week, June 26 and 27, their sales were about double shares redeemed. Share price declined during this period only 61 cents, or 3.2%. That this price reduction was so small was attributed by Wellington to three factors: (1) Cash and government bond reserves were almost 20% of assets, (2) the common stock ratio had been reduced prior to the break, and (3) common stock holdings had previously been upgraded to less volatile issues.

Hugh W. Long & Co., which manages three funds, made a study of sales and redemptions between 10 o'clock Monday morning and noon Friday, June 26 to June 30. Results of the survey were similar to the experience of Wellington Fund.

Of the 20,000 shareholders of Fundamental Investors, Inc., only 81 turned in their shares, most of which occurred on Monday. In New York Stocks, Inc., redemptions for the week totaled less than one-half of 1%. Manhattan Bond Fund redemptions were less than one-third of 1%.

"Overall," Mr. Long reported, "purchases of shares by present shareholders and by new investors during the week exceeded redemptions by a reasonably large margin."

Test Distorted

Note must be taken, however, of the special factors in last week's situation which to some degree distorted the test. *Ex post facto* market opinion is that the makings of a crash were certainly not at hand because the price-earnings ratio is still low, earnings are good, and consequently dividends, and the business boom is still on—as is best shown by the short supply, depleted inventories and rising prices in many industries.

Investor Education Is Key

If a case is to be made, however, for mutual funds' contributions to market stability, the funds themselves must be stable. And this can only be true if fund shareholders are educated thoroughly and continuously in the advantages of the long-term view. To a certain extent, the funds last week reaped what they have sown in investor education. It is the fundamental responsibility of fund management to continue this education.

Keystone Funds Break 200 Million

Combined net assets of the ten Keystone Funds on May 31, 1950 reached a new high of $211,427,200, it is disclosed by the semi-annual report of the Keystone Income Common Stock Fund S-2, made public today. This is an increase of $43,288,200 over the total of $168,139,000 on May 31 of last year, and a gain of $20,940,700 from the figure on Nov. 30, 1949. The number of shareholders was 52,668 on May 31, 1950, compared with 51,564 a year earlier.

Business Shares Assets Rise

American Business Shares, Inc., a balanced fund sponsored by Lord, Abbett & Co., reports a net asset value of $4.04 per share on May 31, 1950, as compared with $3.46 per share a year earlier. Net assets May 31, 1950, were $35,582,992 compared with $33,942,663 on Nov. 30, 1949.

For the six months ended May 31, 1950, the company reported net investment income, exclusive of security profits and losses, of $910,000 and net realized security profits of $1,139,590.

In his report to shareholders, H. I. Prankard, 2nd, President, stated:

"As I have pointed out in our recent quarterly reports, we have been shifting some of our investments from common stocks to securities held for capital stability as the market has moved upward. At the end of May, the capital stability section represented 44.2% of our net assets. This compares with 35.3% on Nov. 30, 1949, the end of our last fiscal year."

Nation-Wide Reports Net Asset Increase

On May 31, 1950, total net assets of Nation-Wide Securities, a "balanced" investment company, amounted to $15,177,504, equal to $14.52 per share on 1,038,424 outstanding shares. These compare with $13,604,986 or $13.97 a share on Dec. 31, 1949 and $11,576,147 or $12.55 per share on 922,069 shares on May 31, 1949.

With the rise in common stocks prices, the fund, which stresses the conservation of capital and maintenance of relatively stable income, has added substantially to reserve funds. At May 31, 1950, cash and government bonds amounted to 14.86% of total net assets compared with 4.55% a year earlier.

Bullock Fund Breaks Own Record

Total net assets of Bullock Fund, Ltd., on May 31 were at the highest level for the end of any fiscal period in the company's history, according to the semi-annual report for the six months ended May 31. Net investment income per share of this "growth fund" managed by Calvin Bullock also was the highest during this six-month period of any corresponding fiscal period in the company's history. The report noted that net asset value per share increased almost 40% from May, 1949 to May, 1950.

Total net assets on May 31, 1950, were $8,151,502 with net asset value per share of $20.81 compared with $7,314,567 and $18.82 per share on Dec. 31, 1949, and $5,610,426 and $14.95 per share on May 31, 1949. Shares outstanding at the end of each period were 391,664 on May 31, last, 388,620 on Dec. 31 and 375,282 on May 31, 1949.

Net investment income in the

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Investment Problem Of Pension Funds

By HENRY J. SIMONSON, JR.
President, National Securities & Research Corporation

Pointing out rising volume of accumulated pension funds will require new investment outlets, Mr. Simonson recommends utilizing mutual fund shares as means of obtaining higher income and greater diversification. Says sound mutual funds will also serve as inflation hedge and are suitable for all size accounts. Stresses diversification advantages of mutual funds.

Labor's drive for security through insurance and pension systems has been exceedingly effective in recent months and as a result, a constantly growing number of corporations are setting up appropriate plans. Since 1949, pension plan programs have spread rapidly, especially in the steel, automobile and glass industries.

H. J. Simonson, Jr.

It is estimated that pension plans already in effect cover from 4,000,000 to 5,000,000 workers. Employers are paying more than $1 billion each year into pension accounts of which about half goes into current benefits and the balance to build up reserves to cover future benefits.

The largest pension system now in effect appears to be that of the American Telephone and Telegraph Company and its subsidiaries. This Bell system covers about 600,000 workers and the fund is reported to be over $1 billion. By simple arithmetic, if it takes $1 billion to fund the pension plan for 600,000 Bell system workers, it should take about $10 billion to fund the program for six million workers in other industries. If pensions are eventually provided for the estimated 60,000,000 workers, then we are talking about $100 billion in round numbers. Based on the pension pattern of the recent steel settlement, annual requirements to provide eventual pensions for 60,000,000 workers would be around $10 billion. While this arithmetic is far too simple for an accurate compilation, it will serve to give an idea of the astronomical figures which are involved.

Over the near term, annual contributions of corporations to pension programs will aggregate from $1 to $2 billion. While this amount seeking investment each year will have a vital effect on the money market, it is not likely that any problems will be created which cannot be met by gradual readjustments. Likewise, it does not appear that the volume of pension trust funds seeking investment over the foreseeable future will cause any major change in trends which would otherwise prevail in the money market.

Methods of Financing Pension Programs

Once the details of the pension program have been crystallized, including effects of future social security payments, contributions by employees, if any, it becomes necessary to provide the mechanism to assure the availability of adequate funds when needed to meet pension payments. The principal methods by which voluntary pension plans may be financed are commented on briefly below. In some cases, a combination of two or more of these methods is used.

The "pay-as-you-go" system under which the employer raises cash as needed, is probably the oldest method. However, as a long-range policy, it is not desirable from the standpoint of either management or employees.

The pension plan may be funded through purchase of annuities from an insurance company either on a group or individual basis. Under this method, the liability of the employer is fixed. However, the method is inflexible and in many cases the total net cost over a period of years is somewhat higher than if a self-administered trusteed plan is used.

Growing in popularity is the trusteed method whereby periodic payments in cash are made into a trust account to be invested according to the provisions of the trust indenture. The trustee may have full discretion; may be limited as to investments he can make by type, class, or by specific issues; the corporation setting up the plan may have a veto right, or the trustee may invest only as specifically directed. The tendency is for companies to maintain control of the investments of the pension fund in order to be in a position to adjust readily for unforeseen changes or altered circumstances.

A corporation may finance its pension program by setting up appropriate book reserves either annually or periodically. Under this plan, in effect, the fund is invested in the plant, machinery, equipment and inventory of the corporation. Cash is conserved and adjustments to meet changing conditions can be made relatively easily. There are, however, certain tax disadvantages, and many employees object to a pension reserve which is entirely dependent on the future success of the company.

Advantages of the Trusteed Method

There is a growing tendency toward the trusteed "self administered" plan, especially among small to medium sized corporations. Under this method, the corporation retains control over the investments of its employees' pension funds. Since the funds are not earmarked for individual beneficiaries, changes can easily be made for labor turnover, integration with government pensions, wage increases and other unpredictable future developments. There is also the possibility that beneficiary provisions might be more liberal in the event that the fund grows faster than originally contemplated because of favorable market developments This flexibility is one of the principal arguments in favor of this type of program.

A prime consideration of any pension plan is, of course, the net cost to the company. This net cost gives effect to earned interest and dividends, capital appreciation, tax savings and cost of administration. If the management feels that a realistic investment policy will enable a larger return than possible, for example, on U. S. government obligations, the trusteed method permits the more liberal investment policy to be set up.

It is in connection with the administration of a trusteed investment fund that Mutual Investment Funds can do outstanding service since specific types of Funds are available at reasonable cost to fulfill almost any desired investment objective, be it long-term growth, relatively generous income, or conservative investment.

Investment Problem of Pension Funds

The basic problem of the management of a corporate pension fund is to preserve principal assets and at the same time to maintain adequate income. In the past, these objectives could ordinarily be accomplished by setting up a trust under which the trustee was authorized to invest in the so-called "legal" investments, which were selected corporate and municipal bonds. In recent years, there has been a tendency to question the wisdom of such "legal" investments not only from the standpoint of effective yield but also as to safety of principal.

Prior to the legislation in New York State allowing trustees to use their own judgment on investing up to 35% of trust funds in common stocks, a committee of the trust division of the New York State Bankers Association made a four-year study. The conclusion of the committee was that the "legal" list doesn't always give as much protection as a trustee's good sense. For one thing, bonds on the "legal" list aren't always safe. Bascom H. Torrance, Vice-President of the City Bank Farmers Trust Company of New York, who headed the committee, was quoted in a recent article in "Business Week" (March 11, 1950 p. 111) to the effect that more than $800 million par value of bonds on the list went into default from 1928 through 1940.

With respect to income, the same committee also found that many bonds not on the "legal" list were of comparable quality, but that the "legal" list bonds often sold at premiums (with resultant low yields) just because they were eligible for savings bank and trustee investments.

Because of the forced investment demand for the "legal" securities, yields from this group are low and comparable to yield on U. S. Government issues in the neighborhood of 2½%. In sharp contrast, many good quality equities with long-term continuous dividend payment records and excellent consistent earnings records for several decades, are currently available to produce returns of from 4% to 6%.

The dilemma of the management of pension funds is therefore the investment in "legal" issues with a low return of 2¼% to 2¾%, or investment in selected and diversified common stocks to take advantage of the available returns, or a balanced program of high grade bonds and stocks. Many companies turn to Mutual Investment Funds which serve to take up the slack between risk factors inherent in equity issues and the pressing need for more adequate income.

Question of Yield for Pension Funds

With pension funds, the problem is not directly yield per se but rather long-term return as it affects the net cost of a program. As the average return increases, annual cash contributions are proportionately less. Accordingly, management of pension fund investments must look critically at the annual return. In 1928, a $100,000 conservative investment account in "legal" securities could easily produce an annual income of $4,600. By 1937, the income dropped to around $3,800 and currently would be around $2,800. To offset this declining income from "legal" bonds the management of

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The operating statements of the major fire insurance companies for the first six months of the current year should soon be available. It is generally expected that the results will reflect relatively favorable operating conditions.

The past year was, without question, the most profitable period in the history of the fire insurance industry. Underwriting results were extremely favorable with all lines contributing to the profitable showing. Investment income also improved and reflected the larger volume of invested funds and a higher return from stock and bond holdings.

For the most part, the same trends should have carried over into the first half of the current period. While it is not possible that all companies will be able to show results comparable with those of a year ago, there should be many instances where the showing is favorable.

Premium volume for the first half is expected to exhibit a further moderate gain. During 1949, after several years of rapidly rising volume, there was a tendency for underwritings to level off. The gain in the first six months of 1949 was approximately 8% and for the full year around 5%. With automobile production and residential construction at record levels this year, combined with an extremely high rate of business activity and increasing inventories, premium writings should continue to increase.

There is also the probability that most companies will report larger losses. The gain in volume, however, should keep the loss ratio from showing any material change.

Nevertheless, the reappearance of new inflationary trends has already been reflected in an increase in fire losses. The estimates of the National Board of Fire Underwriters shows a rise of 8.5% in losses for the first five months of 1950 as compared with those of 1949.

The following shows the monthly comparisons so far this year and the corresponding periods of the two previous years. Also shown are the yearly figures for 1949 and 1948.

	1950	1949	1948
January	$58,823,000	$57,926,000	$63,010,000
February	58,340,000	62,124,000	71,521,000
March	72,468,000	67,218,000	74,236,000
April	61,605,000	55,290,000	63,751,000
May	58,735,000	54,162,000	59,256,000
5 Months Total	$310,001,000	$296,720,000	$331,774,000
June	--------	51,787,000	54,706,000
July	--------	49,592,000	50,955,000
August	--------	50,150,000	49,543,000
September	--------	49,678,000	49,945,000
October	--------	49,914,000	51,845,000
November	--------	58,116,000	52,949,000
December	--------	67,279,000	69,397,000
12 Months Total	--------	$667,536,000	$711,114,000

Because of the increase in losses and the high rate of industrial activity as well as somewhat higher costs and property valuations, it appears that totals for the six and twelve-month periods would be higher than last year.

Expenses may also show a small gain. This has been the trend over the past few years with operating costs gradually gaining as a reflection of the record volume of business being handled.

The combination of these various factors should result in a generally favorable underwriting record for most companies.

As to investment income, good gains are indicated, especially among those companies holding sizable amounts of common stocks. Dividend payments on equities this year have been ahead of last year by as much as 5% to 8%. The quality issues or "blue chips" in which the fire insurance companies have their major commitments have done especially well.

Stocks like General Motors, Chrysler, duPont, General Electric, Westinghouse, I.B.M., and Allied Chemical, as well as many others are currently paying larger dividends than they did in the first half of 1949. A larger volume of funds has also helped to augment income.

While there will be considerable variation among different companies, there have been indications that investment income of some institutions is 15%-20% ahead of a year ago. As a general proposition, gains of 5%-10% may not be unusual.

On balance we would expect the operating results for the first six months to make a good showing in comparison with the previous year.

Capital for Development—Role of the Securities Act

By RICHARD B. McENTIRE*
Member, Securities and Exchange Commission

SEC member defends government regulation of securities markets as just as essential as laws against coin clipping. Sees in securities regulation an aid in keeping economy growing and prosperous. Stresses Securities Act of 1933 merely requires "full disclosure" and does not seek to regulate flow of capital. Recalls SEC efforts toward simplification of prospectus, and denies registration process is expensive or that SEC is "a policeman patrolling a beat."

It takes a lot to make a nation. Headlines and history tend to stress its diplomacy, its wars, its scientific and technological achievements. Somewhat less dramatic perhaps, but no less important, is its finance. You and I, interested in the financial aspects of our modern economy, naturally see the importance of finance which our fellow citizens often fail to appreciate. Therefore, while I may be somewhat biased, if I were to rewrite history, I would rank double entry bookkeeping near Newtonian physics and the common stock above the diesel engine in appraising the growth of modern civilization. Were I to measure the prospects of an area, I would be as concerned with its potential of credit flow and credit reserve as I would be with its rivers and mines.

Richard B. McEntire

Along with our advances in the control of physical energy has gone an advance in the science of what one might call "credit-energy." To create the techniques necessary to preserve savings, and to direct their flow into investment has required a skill as impressive as any for which the physical scientists can claim credit.

This development has been born of necessity. Without this flow of savings into investment, our kind of economy is simply impossible of achievement. Without it, we would be, from the standpoint of industrial and scientific progress, back somewhere in the early part of the industrial revolution.

It is this vital process in which we have a part. I say "we." You, in Canada, have a very direct and important role. I, as a regulator, or what is frequently called, with more candor than flattery, a "bureaucrat," am involved in many of its aspects. Of course, your role is that of a stock exchange. The major function of the stock exchange is to provide a trading market for securities rather than a source of new capital.

But without security trading markets our modern system of capital investment would be as impossible as a city without streets. The capitalist is no longer merely the man who has ventured on an enterprise to which he is willing to commit his wealth and his energies. Today's capitalists are millions of people whose possible need for ready cash some time in the future has made them extremely conscious of the need for liquidity and who therefore insist on being able to transform investments into cash or to switch investment at will. These people would not have ventured their capital at all, if making an investment meant to be indefinitely locked in with a venture.

Providing liquidity, and thereby making securities investment palatable to broad areas of the public, is one of the prime contributions of modern securities exchanges, of which the Montreal Exchange is certainly an outstanding example. But the service of an exchange does not end at that point. Quotations on a fair and orderly market have become prime indices of underlying values and economic behavior. Trading on a well-managed exchange not only determines the levels at which people buy and sell, but at times determines the values at which large amounts of wealth are merged and transferred through the medium of one of our new forms of capital-currency—i.e., the corporate security.

Government Regulation of Securities Marketing

Industrial enterprise and financial capital meet at the vertex of two lines of individual endeavor. The triangle has always been completed by another line—that of government regulation. In some form or other, government regulation of finance is as old as finance itself. The ancestors of our modern rules against stock-watering will be found in rules against the clipping of gold coins. And indeed, protection of coin of the realm against clipping and the integrity of a share of stock against dilution are pretty much of the same basic character.

In its elementary stages financial regulation may be administered as a code of "thou shalt nots." But as our economies grow and expand, as we discover that open channels of investment require a strong measure of public confidence in our financial processes, we have come to recognize that regulation and business are not counteracting forces, but that those of us in business and government alike share the common purpose of keeping our economy growing and prosperous.

There is a high premium on that growth and prosperity. It is one of the ironies of our time that a sound economy is no longer a mere internal fact. It has become, in a sense, a major job in the maintenance of our common security—in fact in our very survival. And I do not need to remind this audience that public confidence in our finance, the maintenance of a free flow of savings into investment, and the development of our maximum economic potentials, are locked together like the fingers of clasped hands.

Just as an independent Canada and an independent United States share most of a continent and a mutual border, so have we been highly and increasingly interdependent. Our geographical relationship, our common problems, our common concepts of justice, of human rights and dignity, and our common disdain for those forces in the world which stand for the exact opposite of our beliefs—all of these things provide a common ground of understanding and cooperation.

The extensive commerce between our countries is symbolic of this common bond. Every day the goods of life cross our boundaries in a two-way stream. And with this interflow of goods is an accompanying interflow of credit. It is important to the basic good will that has pervaded our relations that we should each have an understanding of the other country's ways in the fields of finance. Therefore, I should like to discuss the philosophy and the operations of the federal regulation of securities in the United States.

To many of you my remarks will seem elementary. But so much seems to have been said and written in our two countries about this subject which is so patently wrong, that I trust you and I are justified in spending a little time together tonight to get the record straight.

Development of Regulation

The history of regulation of securities sales, as we think of such regulation today, started in the United States with action by the various state governments, just as it did in Canada, with the enactment of provincial statutes. I speak with a little local pride, if not with any particular authority on the subject, since it was my own State of Kansas which passed the first such law in 1911. Interestingly enough, it was the Province of Manitoba which enacted the second such law in 1912. Following these enactments, over a period of years, 47 of our 48 states and all 10 of your provinces have done likewise.

I might mention in passing that it was my task to deal with the Kansas statute when for seven years I served first as a staff attorney and later as Chairman of the State Commission which administers the securities law along with public utility, railroad and other regulatory functions.

Out state laws vary widely. These statutes run the gamut of regulatory devices from the simplest general power given to a state attorney general to enjoin fraud, to the most detailed prescriptions of qualification of securities to be offered In between are notification statutes, and variations on the notification, fraud and qualification themes.

Important as were these state laws, the constitutional limitation of the authority of our states, and the complex nature of our modern economy, made a Federal approach to the problem necessary. That fact was dramatically demonstrated in the crash of 1929 and the depression that followed. The only word that can describe the feeling that permeated the markets before the crash is hysteria. Without adequate and current information about what they were buying, without the anchor of information that keeps markets close to reality, investors were tinder for the fire of tip, rumor and hunch.

In the rush for business, and often as uninformed as many of their customers, some securities houses had brought out issues at prices ballooned away from any relation to facts, and were impelled to give the markets a helping hand to keep those prices up. More conservative and informed houses had no choice but to do business at current market levels, or to stay out altogether. It was a banquet, and, as my fellow Commissioner Ed McCormick recently had occasion to say, it was a banquet whose main staple was ignorance.

Passage of Securities Act of 1933

It took many years and a war to get us through the attack of indigestion that followed that ban-

*An address by Commissioner McEntire at the Montreal Stock Exchange, Montreal, Canada, May 30, 1950.

quet. None of us would like to partake of another one. Faced with this problem, the Congress took steps to meet it in 1933. It had before it a whole range of possible plans—as varied as were the state statutes. Many ideas were advanced. In the main, there were two points of view. One of these urged a "regulatory" form of statute, where an agency would be created and, in effect, empowered to pass upon the merits of security issues — to sort out the good from the bad — the sound from the unsound—and to achieve protection of investors by the exercise of judgment concerning the wisdom of investment in an enterprise and the likelihood of its success.

The other viewpoint was simply to require that the relevant and pertinent facts be made available to the public, that such facts be placed in the hands of the potential investor—and nothing more. In a word, that there be achieved full and complete "disclosure." After that, having available those facts, the individual would be left entirely free to buy or not to buy, depending on his own judgment.

The Congress considered these two schemes, and chose. I think that it chose very wisely. It enacted the Securities Act of 1933, which is a disclosure statute. It invests the Securities and Exchange Commission with absolutely no power to pass upon the merits of security issues. It permits anything—I repeat, anything—to be sold, requiring only that information necessary to make possible a fair appraisal of the securities be given to those who are invited to purchase.

I trust that I can make this one point clear, and I emphasize it because first, it underlies the whole philosophy and operation of our system, and secondly, because so much misinformation seems to be extant concerning it. So often we see or hear comments about getting our "approval," or having us "pass upon" an issue of securities.

Not only are we neither required to, nor allowed to, "approve" a security, but the law even makes it a criminal offense to represent to anyone that an issue has our "approval."

If I may be pardoned for another purely personal word, I would like to mention another thing in this connection. A moment ago, I said that I thought Congress had chosen wisely in providing for a disclosure procedure instead of a regulatory formula. I meant that with all my heart. I have no quarrel with state or provincial laws giving adminstrative discretion and providing for the exercise of administrative judgment, when the availability of a limited market only is involved. Indeed as I have said, I administered such a law in my home State. But in so doing, I was affecting the possibility of sale to the people of that state, and only those people.

However, it is a very different thing to be dealing on a nationwide basis, and I do not believe that it is wise or proper in normal times to invest any group of five men (or fifty men for that matter) with the power and the responsibility to sit in judgment on the economic life of any and all enterprises which find it necessary to go to the public for capital. For myself, I would not undertake such a task, and I am sure that my colleagues on the Commission feel the same way that I do in this regard.

Law Merely Calls for "Full Disclosure"

The Securities Act of 1933 is not the only one which our Commission administers, but since it is the one which has primary relationship to new issues and hence to the process of capital formation, I have so far, and will largely hereafter, confine myself to it. Let me repeat, that this law calls for nothing more than a disclosure of the pertinent facts. It is sometimes called the "truth in securities" law. It gives no authority to any governmental agency to decide on the merits or lack of merits of a security to be issued. It requires that the truth be told, and leaves with the individual investor the responsibility of investment decisions.

While time does not allow a detailed recital of this statute in its entirety, I should mention that it carries certain exemptive provisions, it provides penalties for selling securities fraudulently, and it gives to a purchaser certain legal rights where a security has been sold in violation of the statute. All these are common provisions, going no further than the common concepts of legality and morality which both of our countries and our peoples hold.

The Registration Process

How does the Securities Act work? In general, before a security can be publicly offered the issuer must file with the Securities and Exchange Commission a registration statement. That statement is, in effect, a series of responses to prescribed items calling for material information about the business and financial record of the company. This filing is inspected by our staff of experts. If it appears that the statement needs to be corrected or supplemented the staff will send a letter of comment to the issuer, suggesting the matters upon which fuller disclosure is necessary. This letter is sent within a short time after we receive the filing — usually within 10 days.

I may note here that this technique of informal comment on registration filings is itself a deliberate choice of administrative method. The Commission has the legal power to wield the big stick. It can, without sending such a letter of comment, institute a formal proceeding under the law, alleging the deficiencies in the registration statement and (if after a hearing, the record sustains the allegations of deficiency) issuing a stop order which prevents any securities from being sold.

However, that technique, is very rarely used, and is used only where we are convinced that a wilful attempt has been made to flout the disclosure requirements, or there has been such gross negligence as to indicate that a letter of comment would serve no purpose. We have found that most issuers are anxious to give a full and correct statement and that more progress could be made, with less interference in programs of business financing, by the informal and cooperative technique of the letter of comment.

If the issuer's response to the letter of comment satisfactorily corrects the registration statement the staff will recommend that it be declared effective; and, upon effectiveness, the securities may be offered. Here, too, let me add a comment. Under the statute the Commission can either require an issuer to wait the statutory twenty-day period, after its registration statement is put into shape, or it can hasten the time of ef-

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10th Anniversary for Albert Frank Club Elects Miss Chandler

The AFGL Club, social organization of the officers and employees of Albert Frank-Guenther Law, Inc., New York City, is observing the 10th anniversary of its founding with publication of a commemorative brochure depicting some of the "good times" of club members during the past decade.

The club was the result of an idea formulated after a testimonial dinner held in the spring of 1940 for the late Harold E. Maples, General Manager and Vice-Chairman of the board of the 77-year-old national advertising agency.

Thought up by I. H. Mallin and Edward Wisbauer, who are still active, and Jacques Herts, former advertising account executive who has since retired, the club was formed in 1940 "in order to bring together all the officers and employees of the agency in a bond of friendship and a spirit of fraternalism."

In addition to sending gifts to members on such occasions as weddings, births, deaths, and times of sickness, the club has held many social affairs.

Mr. Mallin was the club's first President, serving from 1940 to 1944. Other Presidents included Joseph A. Fitzgibbon, 1944-45; John Ritchey, 1945-46; Gilbert E. Busch, 1946-47; George Green, 1947-48; Gregory Langley, 1948-1949; and Robert J. Fitzpatrick, 1949-50.

Helen Chandler, copywriter of Albert Frank-Guenther Law, Inc., has been elected President for 1950, becoming the first woman President of the club.

Miss Chandler joined the agency more than seven years ago to work on the house organs of client companies. As President of the club, she succeeds Robert J. Fitzpatrick of the publicity staff.

In addition to Miss Chandler, the following officers and governors were elected at the club's 10th annual meeting held in the agency's main office at 131 Cedar Street, New York: Vice-President, Joseph T. Condon, publicity department; Secretary, John J. Kelly, Assistant Account Executive; Treasurer, Robert M. Jenove, media director; Board of Governors; Joseph A. Fitzgibbon, publicity staff; Stanley F. Merritt, co-director of copy department; and Robert R. Slorah, production department.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has firmed slightly, with sentiment seemingly improved. The Korean affair is responsible in no small measure for this development. Despite the suddenness of events the government market took things pretty much in stride. Undoubtedly the market would have advanced if Federal had not been a seller of securities, especially the Vics. Nonetheless, the Central Banks in the past few days have not been aggressive sellers, and do not appear to want to push prices down as they have in the recent past. It may be that stabilization of the market would not be out of order for a period, at least untli the international situation can be appraised.

The ineligibles have been acting better, even showing signs of wanting to go ahead. The longer bank issues with good buying have displayed some resilience, after the recent decline. The shorts have been on the firm side, due in part to outside buying. The partially-exempts have not been very active even though prices have given ground, due to changes in the tax bill.

Korea in the Spotlight

The money market, like the other markets, is trying to evaluate the effects of the Korean affair. Unfortunately, the answer will come only with the passing of time. For the moment, however, no important changes in monetary policy are looked for unless the Far Eastern situation should worsen. The monetary authorities, it is agreed, have the money market under control and they are in a position to influence interest rates in whichever direction is deemed advisable.

Although there has not been as much selling of Treasuries by Federal as has been the case previously, they have supplied issues that were in demand. This has kept the Vics under wraps, when it looked as though these bonds would rally under a combination of investor and dealer buying. The Central Banks, it is believed in some quarters, might not be averse to having the ineligibles firm up slightly, pending clarification of the Korean incident. How much of betterment this might amount to is not clear even to those that expound the idea.

Market Pressure to Continue

On the other hand, there are those who feel the money markets will continue under pressure, unless the international situation should become more involved. It is pointed out the inflationary forces will be as strong as ever, and they might even be strengthened by events in Korea. For the time being at least no drastic action is likely to be taken by the authorities. Whether the deficit will be increased will depend upon the trend of expenditures and the taxes that are voted by the Congress.

However, barring an enlargement of the Far Eastern picture, it is believed by this group the government market will continue to be on the defensive, in an orderly way, and under control of the Federal Reserve banks.

Increased Buying by Individuals

Buying of government bonds by investors has increased somewhat, and this is attributed in some measure to the war scare. This feeling brings with it the opinion that money rates will be eased and prices of Treasuries will move ahead. Scale orders have been increased and quite a few buyers that were on the sidelines have gone into the market. This has been more noticeable in the restricted issues than in the eligibles. Institutions and funds have been the main buyers, although quite a sizable amount of money belonging to individuals has been put into governments. The latter represents idle funds or that which has been taken out of the equity market.

Long Bank Issues in Demand

Although the longer bank issues have not been able to make much progress on the up-side until the last few sessions, reports indicate there has been some real investment buy in these securities. Volume has increased and sizable amounts of the longer taxables and lesser amounts of the partially-exempts have been absorbed by the commercial banks. When blocks have come into the market, as they have recently, prices were quoted down, scale orders were put in, then came larger orders and without too much effort the securities were absorbed. The trend of the market was such (until yesterday) that orders were filled without attempting to push quotations up when buyers appeared. According to advices, the most aggressive buyers of the bank issues which came in for sale again were the New York City banks. They were after the taxables as well as the partials.

Market Briefs

Considerable swopping has been done between the September 1967/72s and the December 1967/72s, particularly by those that watched the four-point spread get away from them. The 1959/62s, the 1962/67s and the 1963/68s have had a rather substantial demand from institutional buyers. Most of it has come from out-of-town concerns. The refunding operation got some real help from the Central Banks, which is one way of making things appear favorable. When the 1⅜s of 1954 and the 1½s of 1955 were on the weak side, the larger deposit banks, according to reports, took on quite a few of them at more or less their own prices. There has been some buying of the September 2s for the "rights."

N. Y. Bank Introduces New Fund Raising Plan

Colonial Trust Co. offers personal checking accounts opportunity to donate part of charges to philanthropy

A radically new and different means of raising money for organizations, clubs and charitable institutions was presented to the press, organization heads and their public relations representatives, as well as a number of television, radio and musical personalities, in New York City, June 28.

Arthur S. Kleeman

Arthur S. Kleeman, President of Colonial Trust Co., explained the new fund raising plan as a medium through which persons could give to their favorite organizations without adding to their expenditures. The plan provides that one penny out of the usual dime charged by the bank on Personal Checking Accounts may be credited to the organization chosen by the depositor. In commenting on the plan, Mr. Kleeman said, "the idea was born out of a desire to make a great deal more money available for worthy causes in this city. We do not consider that the money which the bank will give for this plan is to be in lieu of our present contributions, but rather as an addition, and we hope an important addition.

"Our records show that the average person who uses a Personal Checking Account makes out at least 75 checks in the course of the year. Many people, especially housewives, use about 20 checks in the course of a month, or 240 checks a year, so that a Personal Checking Account should net anywhere from 75c to $2.40 to an organization named as beneficiary. . . . When multiplied by tens, hundreds, and thousands, such contributions can be important," Mr. Kleeman stated.

The number of Personal Checking Accounts in New York City has shown a tremendous increase during the past few years, particularly among salaried groups who appreciate the convenience and safety of checking accounts, but do not find it possible to maintain the minimum deposit required for *regular* checking accounts. In New York and Brooklyn, such deposits range anywhere from $300 to $5,000.

National Banks' Assets, Deposits Higher

Comptroller of Currency Delano, making public results of condition call as of April 24, reports gain of $3 billion in assets and $2.8 billion in deposits, compared with April 11, 1949.

The total assets of national banks on April 24 of this year amounted to more than $88,000,000,000. Comptroller of the Currency Preston Delano announced on June 21. The returns from the call covered the 4,982 active banks in the United States and possessions. The assets were $2,000,000,000 below the amount reported by the active banks as of Dec. 31, 1949, the date of the previous call, but were $3,000,000,000 greater than the total reported as of April 11, 1949, the date of the corresponding call a year ago.

Preston Delano

The deposits of national banks on April 24, 1950, were nearly $81,000,000,000, which is a decrease of $2,500,000,000, or nearly 3%, since December, but $2,800,000,000 greater than reported for the spring call last year. The decrease in deposits since December, is due mostly to net withdrawals in demand deposits of business and individuals of more than $1,000,000,000 and a reduction of almost a like amount in bank deposits. Included in the current deposit figures are demand deposits of individuals, partnerships, and corporations of $46,152,000,000, and time deposits of individuals, partnerships, and corporations of $19,149,000,000. The latter class of deposits increased since December by nearly $200,000,000, or 1%. Deposits of the United States Government were $1,940,000,000, a reduction of $87,000,000; deposits of States and political subdivisions of $5,358,000,000 were down $65,000,000, and deposits of banks totaling $7,196,000,000 were $1,084,000,000, or 13%, less than in December. Postal savings deposits were $4,000,000 and certified and cashiers' checks, etc., were $1,081,000,000.

Loans and discounts on April 24 were $24,135,000,000, which was an increase of more than $200,000,000 since December, and an increase of over $1,000,000,000 since April, 1949.

The banks held obligations of the U. S. Government of more than $37,000,000,000, which was a decrease of $659,000,000 since December. Obligations of States and political subdivisions held were $4,000,000,000, an increase of $442,000,000, or nearly 12%, since December. Other securities held of more than $2,0000,00,000 were $33,000,000 greater than in December.

Cash of $1,149,000,000, balances with other banks of $7,496,000,000 and reserve with Federal Reserve banks of $10,231,000,000, a total of nearly $19,000,000,000, decreased more than $2,000,000,000 since December.

Bills payable, rediscounts and other liabilities for borrowed money were $76,000,000, compared to $7,000,000 in December and $89,000,000 in April of last year.

The unimpaired capital stock of the banks on April 24, 1950, was $1,943,000,000, including $16,674,000 of preferred stock. Surplus was $2,681,000,000, undivided profits $1,122,000,000 and capital reserves $311,000,000. Total capital accounts of $6,057,000,000,000, which were 7.49% of total deposits, were $122,000,000 greater than in December, when they were 7.12% of deposits.

Piper, Jaffray Partner

Piper, Jaffray & Hopwood, members New York Stock Exchange, announce that R. Colgate V. Mann, a member of the Stock Exchange, has been admitted as a general partner in the firm as of July 1, 1950. Mr. Mann will make his office with the New York correspondents of the firm, Carl M. Loeb, Rhoades & Co.

Mr. Mann's admission to the firm was previously reported in the "Chronicle" of June 29.

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Investment Problem Of Pension Funds

trusteed funds in recent years has favorably considered preferred and common stocks. This trend in trusteed accounts toward equities has been motivated on the basis of income rather than on hope of substantial appreciation. In fact the higher income available from equities was one of the principal reasons for the recent change in New York laws governing investment of personal trusts and estates, as commented on elsewhere in this article.

By utilizing mutual investment funds with an investment policy of holding high-grade equities, it is possible to materially increase the return of the entire pension investment account. With many good equities returning from 4% to 6% it is possible to increase the overall yield of an entire fund up to 3.25% or 3.50%. For example, a typical mutual investment fund specifically designed for the conservative requirements of the institutional account (portfolio divided into high-grade bonds of about 47%, high-grade preferred stocks 28%, and good common stocks 25%) shows a return of about 3.25% at present quotations.

To illustrate the savings in net cost to a corporation if the average return is higher than available in "legal" investments or U. S. Government issues, let us take a hypothetical case. If $1 million is invested for a period of 30 years at a compound interest rate of 2¼% (the rate used as the basis for computation of cost on various insurance type contracts), at the end of the period principal and interest would amount to $1,949,400. At 3¼% (which is approximate return available in sound institutional type of mutual investment fund) $1 million compounded annually would accumulate to $2,610,400 at the end of 30 years. Accordingly, on each $1 million invested in a mutual investment fund to yield approximately 3¼%, the corporation would accumulate about $661,000 more as against an investment in "legal" or government bonds to yield about 2¼%. This increment, of course, applies directly to reduce the cost of the pension plan or possibly may result in larger pensions to beneficiaries.

Stocks as Inflation Hedge

Another prime consideration for many pension funds is the matter of the purchasing power of the dollar. The amount of the pension which the employee will receive must, of necessity, be fixed in terms of dollars. This serves to inextricably link the pension program to the vicissitudes of the American dollar. If purchasing power remains stable, the benefits of present pension programs will be great. But stability in purchasing power over the near and intermediate term is not indicated. Since 1900, according to the Consumers Price Index of the National Industrial Conference Board, purchasing power has declined about 66%. The administration appears committed to policies of unbalanced budgets and deficit spending which inevitably will result in further declines of purchasing power. The necessity for some form of hedge is apparent and ownership of selected common stocks offers at least partial protection.

A young worker in industry might very well prefer to participate in a pension fund whose reserves were invested in common stocks. Thus during periods of severe inflation, the increase in value of the equities might permit increases in benefits to make up for increased living costs. As it is now, a young man would have considerable reason to wonder whether a $100 per month fixed pension will be worth much by the time he receives it.

Furthermore, the manager of the pension fund investments must hedge, if possible, against many other factors including artificial interest rates, currency manipulation, increased tax rates, etc. Against all these influences, the experience of the past quarter century has demonstrated that selected common stocks have provided satisfactory protection.

The mutual investment fund with its constant expert supervision and diversification therefore provides an ideal medium for the equity portion of the pension fund as a hedge against inflation and other uncertainties.

Stock Fluctuations Unimportant in Pension Investments

An argument frequently advanced against mutual investment funds with investments entirely in common shares, or against direct ownership of individual shares, is their wide fluctuations in price. However, for pension fund investments, it is obvious that this argument has little application. A pension fund investment is designed as a permanent investment pool. Mutual investment fund shares or stocks individually owned are bought over a period of years at both high and low prices, resulting in effective dollar averaging. Furthermore, in a well balanced pension fund which includes not only stocks but also short-term and longer-term bonds, the need for forced selling of stocks should never arise. The normal payments are met out of the investment income of the trust account plus the annual contributions to the fund. Any unusual requirements can be readily met by liquidation of short term bonds which are included in a balanced portfolio primarily because of their slight market fluctuations.

Mutual Investment Funds Suitable for All Size Accounts

Skilled and experienced management is relatively expensive for the small and medium sized pension fund. Hence, mutual investment funds are of particular importance since they can provide time-tested investment management at reasonable cost.

Mutual investment funds are also welcome to the individual trustee or investment manager who is either lacking in experience in investment problems or does not have available the vast facilities that are necessary for scientific analysis and constant supervision of investments. To such managers, mutuals provide the same competent management, selectivity and wide diversification that are used by large investors.

It is interesting to note further, that the record of Mutual Investment Fund management over the past 20 years has been such that not only small trusts and funds but large scale investors have turned to their management. Harvard University with the largest educational endowment in the world (about $200 million) recently turned over the management of its entire investment portfolio to the company managing the investments of one of the leading Mutual Investment Funds.

Place of Mutual Investment Funds in Pension Programs

With a rapidly expanding pension investment program, it is logical to query as to the position of mutual investment funds in this development. The answer is indicated by the rapid growth of the mutual investment fund industry as well as ever-increasing acceptance by numbers of pension fund trustees, institutions, labor union funds, estates and religious organizations, who find that Mutual Investment Fund shares offer a simple and economical means of investing providing careful selection of portfolio securities, wide diversification and continuous expert supervision.

Various types of mutual investment funds are available for meeting the requirements of the common stock portion of the pension account, the preferred stock section, the bond section or as a completely balanced institutional type of investment account. Managements of leading mutual investment funds are realistic about the cost of their service and many funds of the institutional type have very moderate initial fees which decrease percentagewise with the size of the investment. Certain pension fund managers are now showing an inclination toward mutual investment funds and there is every reason to expect that a progressively larger percentage of the investments of realistic pension programs will be made in selected types of Mutual Investment Fund shares because of the many advantages they offer.

American Prosperity Best Aid In European Recovery

By PAUL EINZIG

Dr. Einzig, though agreeing Marshall Plan aid has greatly assisted European recovery, points out more important factor is maintenance of U. S. prosperity. Says any grave setback in U. S. business would eventually reverse European recovery and weaken stability of our price structure, with adverse consequences to British economic welfare.

LONDON, Eng.—Britain and other Western European countries have good reason for feeling they owe the United States a debt of gratitude for the part they played in European recovery. The gratifying increase in the figures of production all over Western Europe is largely the result of the help received from the American economy. Assistance in the form of Marshall Aid has been, of course, generally publicized. It is direct, concrete and obvious. What is not realized to nearly the same extent is that Western Europe has benefited equally by the favorable effect of prosperity in the United States. While the extent of Marshall Aid can be measured in terms of dollars, the extent of this indirect aid is not easily measurable and largely escapes attention. Yet it may be stated without fear of contradiction that, had it not been for American prosperity, Marshall Aid in itself could not have saved Britain and many other countries from crisis and chaos.

Dr. Paul Einzig

The setback suffered by Britain during the first half of 1949 as a result of the American trade recession gives some idea about the extent to which British economy depends on the United States. There was a sharp decline in the British gold reserve, owing to the reduction of American buying from Britain and the sterling area. Had it not been for the turn in the trend in the United States, the devaluation of sterling could only have produced passing improvement, and the outflow of gold would have been resumed by now on a large scale. The British gold reserve would be dwindling at a dangerous pace in spite of further drastic cuts in dollar imports. These cuts would have impaired Britain's food and raw material position, and would have resulted in a curtailment of production and unemployment.

Several members of the British Government frankly admitted on various occasions that, but for Marshall Aid, Britain would have experienced unemployment on a large scale. There has so far been no official admission that Britain owes her immunity of unemployment largely to the wave of prosperity in the United States. Apart from the extent to which American prosperity contributes towards an increase of sterling area exports to the dollar area through the increase of American demand, Britain has also benefited by the moderate rising trend of prices in the United States. But for that trend—or, rather, but for the absence of a falling trend—it would have been necessary for the government to resort to drastic deflationary measures in order to maintain the advantage gained through the devaluation of sterling. If prices in the United States were falling Britain would have to make the utmost effort to prevent the rise of her prices, for otherwise British exports would lose ground not only in the United States but also in third countries as a result of growing American competition.

It would be necessary, not only in order to save dollar imports but also in order to deflate, to curtail capital investment both in public works and in private industries. This would contribute towards increased unemployment. It would also cause a deterioration of the budgetary position, owing to the decline of the yield of taxation.

What is true of Britain is also true to a greater or less extent of other Western European countries. Had it not been for the American boom the indices of European recovery would not have been nearly as favorable. Moreover, adverse business conditions in the United States would have strengthened communist movements in all European countries both through material and psychological effects. The anticipation of a collapse of the American economy, which has been freely predicted by communists ever since 1945, would have brought many millions of converts into the communist camp, and would have contributed to industrial instability in Western Europe. The output would have suffered as a result of an increase in the number and extent of strikes.

It must be gratifying for an American to see the extent to which world economy is dependent on American economy. At the same time, however, the realization of this must increase the burden of responsibility that rests on the shoulders of the United States. Any grave setback in business in the United States would inevitably reverse the European progress towards recovery, and this would entail grave economic, social and political consequences. There is much discussion on the question what will happen when in 1952 Marshall Aid will come to an end. A much more urgent problem is to consider what would happen if the present boom in the United States should give way to a slump. The fact that the recession of 1949 was checked in good time is undoubtedly encouraging. Nevertheless, American opinion should realize the worldwide repercussions of a possible setback that might follow an exaggerated boom.

Nor is American influence on world economy entirely unilateral. One of the reasons for the boom in the United States is undoubtedly the recovery experienced in Europe and other parts of the world. But for the maintenance of the capacity of Europe to import from the United States as a result of Marshall Aid, American business would be much less prosperous. And American prosperity, by enabling Europe to buy more from the dollar area, tends to accentuate itself. Any relapse in Europe caused by a relapse in the United States would tend to accentuate the relapse in the United States, which in turn would tend to accentuate further the relapse in Europe. It would create a vicious spiral, and the setback in American business conditions would become both the cause and the effect of a setback in Europe.

The extent to which Britain and other Western European countries depend on American prosperity is likely to increase further as a result of the gradual abandonment of bilateralism and other forms of quantitative restrictions which at present tend to isolate their national economies to some extent. On the other hand, an increase of intra-European trade through the imminent creation of the European Payments Union and through other measures which are under consideration, will tend to reduce to some extent European dependence on the United States. European integration is not likely, however, to proceed far enough to make a fundamental difference in this respect.

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Capital for Development— Role of the Securities Act

fectiveness—a procedure known as "acceleration."

I have sometimes heard people accuse us of animosity against mining and petroleum developments securities issues; while they may concede that we cannot disapprove speculations, they do often insist that we strangle them in the red-tape of delay.

It is true that the registration process in this type of issue, as well as other types, is sometimes delayed by the time taken by the registrant to comply with the letter of comment. But once the statement is confirmed it is in the Commission's discretion how long a waiting period should elapse—up to the 20 days provided by the law.

So that I could appraise these arguments against the facts about some of the registrations, as a test of a representative sample I had the 28 mineral and petroleum issues originating in Canada, and registered with us in the past three years, surveyed on this score. Of that total, only two statements were held for the statutory period after being corrected according to the letter of comment. The average waiting period for all of the issues was 6.5 days and the median 5 days, as against the 20 days provided by law.

The Prospectus Requirements

Our Congress recognized that a piece of paper resting in a central file in Washington, D. C., was bound to be of limited use to investors. In order to bring the information to those who need it, distributors of registered securities are required to provide to investors prospectuses which contain the salient facts set forth in the registration statement. This requirement attaches to all securities registered under the Securities Act and it attaches to newly distributed securities as long as they are in the process of distribution.

To adapt an old aphorism, regulation is as regulation does. Disclosure, like any other form of regulation, can be made an instrument of oppression if ruthlessly administered. It can become a facade if supinely administered. We are neither ruthless nor supine. In early days, while we were still new at the game, we tended to insist on more disclosure rather than less. As we gain experience we learn to pick the wheat from the chaff and we learn too that neither business nor the investor is served by overdoses of disclosure.

The cry for simplifying our disclosure requirements used to come from business predominantly. Today the Commission itself is without doubt the single strongest exponent of simplification and streamlining. We want the basic purpose of our law fulfilled—i.e., that the prospectus containing the essential information shall be given to the prospective investor. And we have recognized clearly that the investor is little benefited by a formidable document filled with details and technicalities that discourage him from extracting the information he needs and can understand. Consistently, therefore, the Commission has jettisoned, paragraph by paragraph, much of the cargo with which prospectuses once were laden.

The task is not over by far. And those of us who have been in the middle of this can state that, paradoxically enough, the major objections to streamlining are made on behalf of business itself. Lawyers who profess to fear possible civil liability of their clients for omissions will often insist on cramming prospectuses with minutiae that may have little relevance to the basic investment merit of the security.

Progress of Simplification

I am glad to be able to report considerable progress in simplifying prospectuses. The progress has resulted not only from our efforts but from those of the issuers who have worked with us. On our part, we have maintained a constant, never-ending study of our disclosure requirements in order to simplify them. As a result of patient education many attorneys and others have learned how to draft prospectuses which are models of brevity and clarity. Right now, our staff is working out recommendations for further simplification which we expect to have before us for early consideration.

We at the SEC would have to be deaf not to hear the persistent and baseless criticism that the registration process is expensive. Quite apart from its exaggerations, that criticism often makes the rather startling error of confusing us with underwriters; for analysis demonstrates quite clearly that registration itself is not expensive. In a recent study by the Commission it was shown that for all issues of securities registered and offered for cash over a representative period the average cost, other than compensation to distributors — but including all registration costs—was only ½ of 1% of the aggregate offering price.

Expenses, other than distribution fees, are a minor factor. Yet only part of the items in the cost of distribution, other than distributors' commissions and discounts, is attributable to registration. Expenses such as issuance taxes, registrars' fees, cost of compliance with state securities laws and so forth are attributes of any distribution whether or not registered. The filing fee is one of the few expenses directly attributable to the registration process. It is, by law, one one-hundredth of one per cent of the maximum offering price of the securities to be registered.

Independent audits of financial accounts are made regularly by most corporations of any appreciable size, whether or not required by law, and we do not require special audits in connection with the basic registration form, although frequently the underwriters will insist on special audits for their own protection. Counsel fees are a traditional part of the underwriting process which long predates the Securities Act. So too are underwriters' commissions and discounts which, as I have indicated, are usually, by far, the largest part of the cost of a registered distribution.

The expense of printing and distributing the prospectus is frequently hammered at as one of the expenses incident to registration. But that criticism loses considerable force when it is considered that many corporations, without the prodding of regulation, are lavish in their expenditures on annual reports to stockholders and, when they feel free under the law to do so, spare no expense in preparing and distributing selling literature apart from the prospectus.

The plain fact is that the vast bulk of the expense loosely attributed to registration under the Securities Act is inherent in a public distribution whether or not registered.

Registrations with the Securities and Exchange Commission have represented every industry type and size. Securities in every step of the range, from gilt-edged to hopeless, have been registered to the tune of billions of dollars annually. The $57.5 billions of securities effectively registered under the Securities Act since its passage are a standing answer to any criticism that the registration requirements are a bar to securities offerings.

Proud of SEC Record

We are proud of that record, and we are proud of the fact that the laws we administer have become part of the working code of American business. We still hear complaints of course, as you do, and many of them come from the adventurous frontier of economic development represented by the wild-catters and prospectors. I have a soft spot in my heart for the wild-catter. I come from a part of the world where oil and gas resources were brought to the light of day by incorrigible mavericks (as the Texans call any non-conformist) who had the itch to search and the optimism to keep doing it in the face of disappointment. They are the men who are not so much in business as they are infected by one of nature's most intractable viruses—men who are either one foot from a million dollars or a million miles from one dollar.

I expect that kind of man to chafe at regulation. If he were the kind of fellow who obeyed the voice of caution and could live with the restraints of convention he would probably not be wild-catting or prospecting in the first place.

Canada stands on the eve of her century, and the wild-catter and prospector are important to her as they were, and are to us. For one of the hopes that she can bring to a world that needs the metals and hydrocarbons of the earth, is her still untapped vast resources. I said, earlier tonight, that it takes a lot to make a nation. Optimism, that conservative folks might call irrational, a sense of adventure foreign to the bond and guaranteed investment buyer, and dreams and hopes that get lost in the complexities of debits and credits, are essential ingredients in the making of a nation. We, south of the boundary, are proud of a tradition that I believe also exists in Canada. Even in the crowded cities our children's heroes whom they emulate in play and dress are the optimists, adventurers, and dreamers who carved our nation out of the frontier.

But from the range out in your West and ours the prospector may have to convince a conservative banker that he, the prospector, has something worth putting hard money into. Often, the process of financing carries the deal to the public. The banker will not, and we believe that the investor should not be expected to buy blind.

No Bar to Mineral Development

Fortunately this does not mean a bar to mineral development in any sense of the word. The promoter of a mineral development may be impatient with the requirements of disclosure, but when he discovers that these requirements permit him to tell the investor the objective facts upon which his own optimism is based he will be reconciled to them.

I have tried to outline for you some of the simple premises underlying our approach to securities regulation. We are not, and cannot afford to be, smug about our way. Year by year we accumulate experience that teaches us that changes should be made. What we can do by improving our rules and regulations we do that way. Sometimes the change we think necessary is basic enough to take to the Congress as a recommendation for legislative amendment. But the essential wisdom of disclosure as a working formula for securities regulation is confirmed by our continuous experience.

Our experience confirms the further fact that world security and well being are no respectors of boundary lines. North and south of our mutual border, we share a common stake in continental prosperity and in the free flow of goods and credit. We share a common need to pull from the earth the resources necessary for security and prosperity.

We, at the Securities and Exchange Commission, are very sensitive to that fact. We want, neither wittingly nor unwittingly, to stand in the way of the fullest exploitation of our skills and resources on either side of the border. The enterpriser on one hand, and the risk taker on the other, are essential parts of the process. We don't conceive it to be our job to discourage exploration or to prevent investors from taking risks. But we are committed to the idea that the risk should be an informed one.

It is an idea that forward looking enterprise shares with us. An investor who has been the victim of another's concealment and his own ignorance is likely to be a wasted field. The legitimate enterprise with some hope of development for the benefit of its economy and its shareholders is likely to find him unwilling to venture again. I couch my statement in less than positive terms because I know that there are confirmed psychopaths who, like Hindu believers, just cannot be burned. But their overall effect on priming the economic pump, as 1929 demonstrated, can be small indeed.

Our proximity, our common language and traditions, and our heavy interchange of people and ideas give Canadian enterprise an enviable advantage in the attraction of United States capital. I read recently an estimate that $5 billion of United States capital was already invested in Canada (both by United States corporations and individuals) and I have no doubt that the future will and must see an increase in that volume.

I have tried to demonstrate that I don't think of our countries as parties to isolated business transactions. Below the debits and the credits, below the exchange balances, is an economic organism living in a world environment that calls for stress on an organically unified purpose and attitude.

SEC Not a Policeman

I have tried to drive home the point that we, at the Securities and Exchange Commission, view our task under the Securities Act in a broad framework. We do not conceive ourselves as policemen patrolling a beat. We believe that what goes by the name of protecting the investor is fostering the maximum fulfillment of our best economic potentialities. For Canada and the United States that is what I have called an organically unified purpose. We have administered the law in that spirit. Our regulations and prescriptions are uniformly administered with respect to securities issues from either side of the boundary. And the maintenance of high standards in securities selling is at heart a common problem.

In a way, the part that my Commission plays in the big scheme of things has an importance that transcends the day to day problems we face. One cannot be committed, as we are, to the idea that the full realization of our economic potential depends on free markets—both capital and trading markets—and be expected to put much of a premium on such characterization as "strictness" or "leniency" of administration.

The job we have to do, the goal for which we reach is bigger than a reputation for being back-patters or wrist-slappers. The standards have to be kept high, surely, but rather than talk of strictness or leniency, let us remember that ultimately the business of securities regulation is to help the securities business play its important part in the big scheme of things. And securities regulation that strangles legitimate securities business is little better than the lack of regulation that permits the high-binders to strangle it.

I am not a cosmopolitan. I come from a relatively small city in a region of my country that is proud of its regional flavor. Let me add, if I must, that as much as I believe that circumstance has made us joint venturers in the big business of history I do not believe that circumstances either now or ever will require either of us to lost our unique national flavor or the opportunity to make our individual national contributions to the world.

To that common purpose we are, as we must be, commonly dedicated.

Chase Opening New Branch in Havana

Plans for the opening of a new branch in Havana, its second in the Cuban capital, have been announced by the Chase National Bank.

The new branch will be located on the ground floor of a recently completed modern four-story building at the corner of 23rd Street and J Street, in the center of a rapidly growing new business district of Havana. Interior finishing and installation of fixtures will be started immediately, with formal opening of the quarters planned for November.

Located six blocks west of the Hotel Nacional and two blocks north of the University of Havana, the new branch will serve the diversified businesses in the locality and will provide special facilities to business concerns and visitors from the United States.

The opening of this new branch, the bank announced, will be the first step in a long-range program of branch expansion in the Caribbean area. Chase's present branch, located at Aguiar 310 in the financial district, was established in 1925.

Earnest Smith & Co. Admits Max Freedman

On July 1 Max Freeman, manager of Ernest Smith & Co., 2 Broadway, New York City, members of the New York Curb Exchange, was admitted to partnership. On the same date Louis J. Newman, limited partner, withdrew from the firm.

Reports Mid-Year Business at Peak

Business Survey Committee of National Association of Purchasing Agents sees higher production, with more new orders and prices advancing on broad front.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., Division of Olin Industries, Inc., New Haven, Conn., reveals that the second quarter of the year ends with general business at the high point of the year. Purchasing agents report June held the advances of April and May, and moved substantially higher with production and new orders. Much of the increase in June activity was in anticipation of the July industrial vacation close-downs. Prices continued to advance over a broad front, with nonferrous metals in the van. Inventories increased for the second consecutive month, with turnover reported generally improving and satisfactory. Some find the turnover of materials is handicapped and production is unbalanced by the slow delivery of hard-to-get materials. Employment is at the highest point of the year. Improved employee productivity is indicated by 85% of those reporting. The predominant buying policy is being dictated by the production schedules for purchased requirements; it is on the high side of 30 to 90 days, with 8% exceeding this range by one to two months. The second quarter is closing with considerable optimism that business will remain at present high levels through most of the third quarter.

Robert C. Swanton

Commodity Prices—Sparked by sharp increases in copper, nickel and zinc, industrial prices advanced over a wide range. Lead was the only nonferrous metal to show weakness during the month. Buyers are watching the current price trend closely and are critical of sympathetic advances during the past two months. Companies are beginning to revert to some of of the lower cost substitutes used during other periods of high prices. Sharp competition, to maintain volume, is reported in fabricated goods.

Inventories—One-third of the purchasing agents contributing to the Survey show inventories moderately increased in June. Larger production requirements call for expanded protective stocks. The majority, however, report they are increasing or maintaining satisfactory turnover rates. A few are running into difficulties because the short supply of a few essential materials is causing inventories to become unbalanced.

Employment—A sharp rise in pay rolls is recorded for the month, following a steady increase since March. A part of it is seasonal and outdoor work, but industrial employment is still on the increase. Checking on employee productivity, Purchasing Agents report the most satisfactory condition in many months. Eighty-five per cent report improvement, much of it stemming from improved aids to manufacture and satisfactory labor relations.

Buying Policy — With prices showing an inflationary trend, buyers are taking as short a view of future coverage as possible. It is necessary, however, to support production schedules and allow for the increase in procurement lead time of many materials. The top side of the 30- to 90-day bracket is the general policy of the day, going one to two months further where necessary to assure deliveries. Caution is still the watchword.

Winfield Perdun With Smith, Barney & Co.

Winfield H. Perdun has become associated with Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. Mr. Perdun was formerly a partner in Laurence M. Marks & Co.

Dudley Atherton, Jr. With Third Nat'l Bank of Scranton

SCRANTON, Pa. — Dudley R. Atherton, Jr., former co-manager of the Philadelphia office of F. S. Moseley & Co., has become associated with the Third National Bank & Trust Co. of Scranton, as Assistant Vice-President.

Simpkins Partner in Mitchell, Hutchins

Willard S. Simpkins on July 1 became a partner in the New York Stock Exchange firm of Mitchell, Hutchins & Co. with headquarters in the firm's New York office at 1 Wall Street. Mr. Simpkins was formerly with Hornblower & Weeks. Prior thereto he was a partner in G. M.-P. Murphy & Co. and Callaway, Fish & Co. He is a director of F. A. Foster & Co.; Laboratory for Electronics, Inc., and American Austrian Export-Import Corp.

Reveals Upward Trend in Municipal Financing

Halsey, Stuart & Co. forecasts a new high in state and municipal issues for 1950. Sees Federal Housing bonds providing at least $1 billion of tax exempts this fall, with ultimate addition of $7 billion. Market for variety of issues still favorable, though drastic reduction in supply may be expected if foreign complications worsen.

With more than a billion dollars in new municipal bond issues in the first quarter of this year—a new quarterly record — and an estimated total of approximately 1.8 billion at the six-month mark, the year 1950 is continuing an upward trend in new tax-exempt financing that dates back to 1944, Halsey, Stuart & Co. Inc. pointed out in its annual "Mid-Year Survey of the Municipal Bond Market."

"It was freely predicted at the end of the last year that 1950 would set a new high far above any previous figure because a large volume of Federal Housing bonds was expected to swell the total," the survey said. "So far the latter has not happened, but 1950 is doing very well volumewise. It gives signs of making a new high without the help of the 'Housings.' At mid-year it is about $300 million ahead of its nearest competitor, 1948, and about $500 million ahead of last year. Only a few Federal Public Housing Authority bonds, if any, will be needed for 1950 to pass last year's record of $2.9 billion. State and municipal offerings in the first half of the year actually exceeded public offerings of utility, corporate and railroad bonds combined."

This record volume includes the same kind of issues that set previous records, Halsey, Stuart said. Large soldiers' bonus issues from Pennsylvania, Washington and Iowa, the first $50,000,000 of California's State school bonds, various other school, road, housing and varied-purpose issues went to make up the total.

"It is expected that by fall all details necessary to the offering of long-term Federal Public Housing Authority bonds will be ironed out so that an initial offering can be made," the survey continued. "This financing could provide $1 billion of tax-exempt bonds per year at least, so it is said, and an ultimate $7 billion are expected. Entirely apart from this new source of supply for the municipal market, the old sources can be expected to pour out large amount of bonds as long as they can be absorbed.

"The careful buyer of municipals will continue to find bonds to fill almost any requirements of security, salability and yield. And he will find it an increasingly good market in which to buy because of the steadily increasing activity in the secondary market. Never before has he had the variety of issues to choose from nor such a large number of bidders if he has bonds to sell."

"Prices in 1950 continued to move within a very narrow range," according to the survey. "This small variation in price level has featured the postwar money markets—as is well known. But tax-exempt prices achieved a new record in that respect, as measured by a well known average, by moving within 0.10 in yield basis—a fraction by which many a trader would have cut his price on a 'slow-mover' at almost any time during the period. This almost static price level was emphasized by the way in which succeeding issues of a frequent borrower came into the market at the same or very nearly the same prices.

"There were constant complaints by underwriters that the middle maturities of issues would not sell, but price concessions on such 'remainders' seemed not to show up in the average no matter how large the so-called 'remainder' loomed in the floating supply. This remainder has been much discussed in 1950—so much as to bring into general conversation an index which has been well known to the trade for many years. This index contains many of the offerings of most of the investment houses of the country, and the total of its listings each day has come to be an index of the market's digestion of (or indigestion from) new issues. As still another evidence of the municipal market's broadening and expanding, it is reported that it now has a substantial speculative following—which may have something to do with the steadiness of the averages.

"In considering the reasons for narrow price movements, however, no one should lose sight of the fact that the United States Government seems to prefer that price movements be narrow. That is a very excellent explanation of the whole thing.

"The second quarter was enlivened some by proposed legislation which will affect a segment of the municipal market. For some years it has been advantageous to investment dealers to own short term, high coupon bonds at high premiums because the premiums, at maturity, became capital losses in the Federal income tax returns. The Ways and Means Committee of the House of Representatives, in the process of 'plugging loopholes,' apparently is working on a plug for that one—so 1950 may see the last of those interesting combinations of short 6s and long 1s, which puzzled the public because the 6s were rarely offered and most people had no idea who would be interested in 1s."

1950 Prospects

In looking at prospects for 1950's remaining months, Halsey, Stuart said: "The second half should see the continued marketing of issues in quantity. Substantial volume is expected in the tardy Federal Housing bonds alone. The large supply of municipals may be expected to increase activity in the primary markets, and the growing number of dealer houses and banks offering these issues will create corresponding activity in the secondary markets.

"The tax-exempt status of municipals should become still more desirable to corporations and large banks in the higher income brackets upon the increase in corporate taxes that may result from legislative proposals now before Congress.

"Volume will largely determine the course of prices. Increased corporate taxes, however, together with U. S. Treasury policy with respect to rates on U. S. bonds to refund and supply new money, will definitely influence the prices of all sorts of tax exempt bonds."

The survey closed on a warning note.

"These opinions of the municipal market's outlook are based upon the premise that foreign complications will not intensify in the near future," it said. "In the event they do, however, a drastic reduction in the supply of new municipal issues and an increase in both individual and corporate taxes may be expected. Both of these factors should contribute to a strong demand for outstanding municipal bonds."

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The Job Is to Sell Ourselves

portance to the entire American economy, Mr. Hoyt went on to say: "At the present time there is a definite need for nationwide equity buying of common stocks and other industrial and commercial securities. One of the great reasons why more people do not buy stocks is because they don't know how to buy them. They think in terms of stocks as purely speculative investments and shudder when they think of 1929. If further proof were needed of this condition, we have the fact that a recent Federal Reserve survey showed that only 8 per cent of the population owned stock or securities, and that many were in relatively small amounts."

Have a Good Story to Tell

We in our industry have a good story to tell. We probably have the best bargain to offer in return for the customer's dollar that is offered by any business in the United States. At the present time the growth prospects of securities, and the prevailing ratio of dividends to the dollar invested, makes a truly attractive package for the investing public. It is up to us to figure how to encourage the buying public to come in through our doors.

There is an activity being planned as part of your public relations program right here in Los Angeles which illustrates the kind of imaginative, hard-hitting promotion needed on behalf of our industry. I speak of the proposed "Invest-in-America-Week." As I understand it, the idea is to wrap up in one package special events, industry tie-ups, speakers' bureau activity, trade association participation, sustained press coverage, radio and television, and the entire colorful gamut of aggressive promotion.

I particularly like your design to include an institute of industrial finance and stockholder relations, which will present to top management in this area a condensed program of helpful information about financing enterprise. The institute will also foster cooperation between other business and the securities business to encourage public participation in industry financing.

I hope this plan works out to its full potential. The full potential as I see it is adoption of "Invest-in-America-Week" by other cities to the point where it may become an annual national event directing public attention to the importance of the securities industry in the lives of all of our people.

It has been a part of your thinking here in Los Angeles, as well as an objective of your colleagues in other parts of the country, to develop a closer relationship between our industry and the general business community. Every business in the United States has a direct stake in the success of the securities industry, because the broker and the investment banker have a job of helping to get new business started and of helping established business to grow and remain healthy.

We must aggressively strive to gain the cooperation of all business and industry in telling our story. If our business is the bedrock upon which enterprise is built, let us make sure that the American people understand just why this is so.

Personally, I should like to see effective public relations work on behalf of our industry extended throughout the nation. The good work being done here can be done in other communities, so that the message reaches Americans everywhere. This work can be carried on by the combined aggressive efforts of all of our stock exchanges, our individual brokers, and the organizations connected with our industry.

The opportunities are endless. Our industry nationally, under the leadership of the New York Stock Exchange—which is in fact our national exchange — might well consider carrying its speakers' bureaus, its investment courses, its special events, its distribution of information, and its "Invest-in-America-Weeks" right down into the communities. Let the businessman, women's organizations, schools, commercial organizations, members of press, radio and television, and the general public everywhere be given full opportunity to understand that the securities industry belongs to them and exists to serve them—and that they have everything to gain by taking a greater part in it.

It is a happy fact of human history that when a good idea is born, it tends to grow because what is good in one place is good in another. The public relations work which has been started by our industry is good work, and all of us should encourage it to grow so that the harvest of good from it will be truly national in scope.

Selling our goods to make a profit is extremely important, as every one of us knows only too well. But there is something even more important—and that is *selling ourselves* and *selling our industry* to the public. Let us remember that in selling our business, we not only benefit ourselves but we benefit the general public. We strengthen the national economy, which provides income and employment for millions. We make it possible for increasing numbers of people to invest their savings with profit to themselves.

When we sell ourselves we help ourselves—but even more important, we help our fellow-citizens, and we help to make our country great.

With that inspiration, we have a great cause. May we be given the power to do an outstanding job!

Charles P. Atherton Opens in Boston

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles P. Atherton has opened offices at 53 State Street, to engage in a securities business. Mr. Atherton, a member of the Boston Stock Exchange, was formerly a partner in Schirmer, Atherton & Co.

With Waddell & Reed

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Owen G. Turnbull is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Blair Rollins

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Herbert S. Murdoch is affiliated with Blair, Rollins & Co. Incorporated, 314 North Broadway.

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A Realistic Approach To Economic Security

grams of various kinds, it could be fatal to base decisions on the national income that has been earned in recent years of unprecedented boon. Security plans are long-term projects, the cost of which must be carried in bad times as well as good. And in bad times, they become relatively a more serious burden.

For the last ten years, the United States, aided by continuous Federal deficits, and spurred on by government guarantees and subsidies, has been living in a boom which has gone higher and lasted longer than any previous one in the nation's history. If we base our security programs on the assumption that the current boom will smoothly and indefinitely continue its upward path, without the interruptions and readjustments history has taught us to expect, we are being incredibly naive.

A Realistic Approach to Social Security

But there is an approach to the problem of security for all, which I hope may commend itself as realistic. It is to study each demand for security in the light of the actual need for it, at the level where it does not replace individual accomplishment, and in the light of the country's present ability to assimilate it. The factual test of needs and ability to pay should be paramount. This is the accepted approach of the trained life insurance underwriter to the problem of the individual. Because the life underwriter recognizes the nature of the individual's problem, outlines the best means available for solving it, and offers the most practicable solution of that problem, he satisfies the individual's security aspirations. The same technique can be applied to the larger problems arising from demands for security programs on a national scale.

To continue the analogy, you as a life underwriter may study the insurance needs of an individual and find that he has a real need for $50,000 of protection. But you know that, on his present income, he can afford only $25,000. So you provide him with $25,000 of coverage now, establish his need for the additional $25,000 in the future, and issue it to him piecemeal when and if his income increases in the future.

Likewise, a study of some demand for a security program on a national scale might show a real need for it, but come to the conclusion that the country could not reasonably assume the full cost of the program now. Part of the program could be adopted immediately; the need for the balance in the future would be established; and then, as improved technology and other economic developments justified it, the remainder of the program could be adopted and paid for.

This was the basis for the original institution of life insurance. It underlies the Blue Cross Plan. It is inherent in current plans for insurance of surgical needs. It does not exclude governmental participation, but the requirements for that should be that the service is beyond the capacity of private initiative and funds, but within the capacity of a government operating on a balanced budget.

Also underlying all governmental participation, I believe, should be an awareness of the need for preserving the freedom and dignity of the individual. There is danger that this may be lost sight of, in the rush to get things done. There is danger that we may come to consider these vital principles as mere words. This is not so and never should be conceded by those of us who believe in them. The freedom and dignity of the individual are the highest attainments of civilization, after centuries and centuries of slavery and strife, and they were embodied in the Constitution of the United States. Freedom is the noblest concept of man. It must be jealously guarded and fought for, or it will be lost. It is not a gift. It is what man fights for and holds for himself. And sometimes it is at a price . . . the foregoing of greater immediate comfort . . . of greater and gratuitous immediate security . . . of immediate standards of living higher than we earn. But once we embark on the road of impatiently sacrificing freedom for greater immediate comforts and apparent solutions to our aspirations, we enter the long retrogressive road back to dependence on the almighty State, whether it be called communism, fascism, socialism, totalitarianism or simply statism. They are all the same in their fundamental philosophy that the State becomes the arbiter of our lives. Our freedom, our inherent dignity, are gone. Most emphatically, this does not mean we cannot have security plans. It does mean that all such plans should be screened both as to their concept and degree in order to preserve our priceless heritage of freedom.

A realistic approach to questions of security offers many advantages and avoids many pitfalls. It prevents an overstraining of the economic system. It reduces the deadening effect of excessive taxation. It prevents deficits that will otherwise mortgage the productivity and income of future generations. It avoids wasteful and unjustified expense, and provides real assurance that any programs adopted are fulfilling a genuine need.

It enables government and private enterprise to work jointly, with each doing the particular things for which it is best suited. It raises no threat to individual freedom or human dignity. And last, but far from least, it gives assurance that any program adopted can be successfully carried out.

Counting Upon a Long-Term Reality

Thus, security for all becomes, not a doubtful mirage, but a long-term reality that can be counted upon. And this can be achieved without sacrificing either a high living standard, or economic opportunity. Security of that sort—far from injuring the economy—will actually promote its growth and add a new factor of stability.

We who are engaged in this great business of life insurance yield to no man in our fervent desire to create real security for all. Our predecessors, who founded the institution of life insurance, dreamed that dream of security more than 100 years ago, when those of lesser faith thought it was unattainable by any except a few wealthy families. Those founders, and others who followed them, have devoted their lives to the creation of security on a sound and practical basis. And many millions of Americans have entrusted their security to us.

It seems to me that we, as life insurance people, have two primary duties to perform in the present situation. The first is to sell life insurance and more life insurance, because if more people have satisfactory personal security programs, there will be less demand for unsound plans. Our second great duty, it seems to me, is to preach the gospel of a sound approach to the whole subject of security and welfare, and thus make as many converts as we can to our way of thinking.

The 80 million life insurance policyholders in America have a great deal at stake in this matter. For if unsound views prevail, and the country enters into programs it cannot afford, the final result will probably be a dilution of the value of the dollar to a point at which the life insurance proceeds of those 80 million people will never accomplish their intended purposes. It is, I believe, our duty as leaders of this great enterprise to make our voices heard on this subject. It is our duty as life insurance men and women to preach sound doctrines of security for this great country of ours. It is our duty and our privilege to bring individual security and opportunity which is inherent in planned life insurance to as many as we can reach. To this end let us dedicate ourselves anew to the vital job of being "'Merchants of Security."

We Americans often become obsessed with the idea that we must solve our problems within some arbitrary time limit. So a program of the kind I have outlined may seem too slow and unspectacular to many people. But Rome was not built in a day; nor can plans for the economic security of 150 million people be accomplished overnight. However, let us review for a moment what we have already done to achieve our dream of security.

Life Insurance Role in Economic Security

Eighty million Americans, acting individually, have protected themselves and their families by private life insurance amounting to more than $215 billions. In addition to this, about six million veterans hold government life insurance totalling another $38 billions. More than 35 million Americans are protected by accident and health insurance. More than 61 million people are protected by hospitalization insurance; 34 million are insured against surgical expense; and some 13 million have coverage that reimburses them for medical expenses. Under the Social Security program 44 million people are entitled to benefits for themselves and their dependents. Under the bill now pending in Congress, the number of persons covered by Social Security will be greatly increased.

All this represents tremendous progress toward the objective of complete security for all. I think we can look forward to further progress along such lines, provided we do not make the mistake of straining or bankrupting our economy in an effort to achieve the final goal too quickly.

And what does this all mean to private life insurance? Irrespective of any national security program, there will always be a vast demand for private insurance. In a country as rich as this, millions of people will never be satisfied with the minimum provisions of national security plans. They will always want supplemental security, and they will obtain it chiefly by buying life insurance in private companies. The national, government-sponsored programs—far from reducing the market for life insurance—tend, I believe, to increase the demand for life insurance. The national programs focus public attention on the importance of security and protection, and furnish the average family, for the first time, with a base on which to build.

As long as national programs are kept within reasonable bounds and practical costs, they should help you—not hinder you—in your great work of supplying family protection. As the chief advocates of family security, we can not logically oppose the objectives of any plan that helps to achieve that. But we must, it seems to me, strenuously oppose any such plan that is economically unsound. If we, as life insurance people, can help the public to recognize that important distinction, I am certain that we will do much to achieve the objectives of security on a sound basis and, at the same time, build for ourselves an even greater business than we have had before.

Seven With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George V. Curry, Donn E. Foster, James T. Lambie, Harold J. McFarland, Ralph E. Vennum, and David Walker have become associated with Bache & Co., 135 South La Salle Street. Mr. Foster was formerly with Hicks & Price and Merrill Lynch, Pierce, Fenner & Beane.

Joins du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Mrs. Rosemary S. Weber has joined the staff of Francis I. du Pont & Co., 2809 Collins Avenue.

Joins Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Chan Ngok Sing has been added to the staff of Paul C. Rudolph & Company, 749 Market Street.

Canadian Securities

By WILLIAM J. McKAY

The United States emerged from World War I the world's leading creditor nation, but a spirit of disillusionment concerning undue involvement in world affairs and those of Europe in particular, tended to breed widespread economic isolationism. During the early '20's the mounting dollar gap was bridged temporarily by foreign loans and advances. Following their termination a fatal blow in the shape of the Smoot-Hawley Tariff of 1928 was delivered to any hopes that the rest of the world would be able to earn sufficient dollars to cover its indebtedness to the United States.

History commenced to repeat itself following World War II. The United States had become an even greater creditor nation, and devastated Europe and the rest of the world were more than ever dependent on its exports. Foreign loans, gifts, and ECA assistance served to fill immediate needs but these were frankly emergency measures that provided no basic solution of the world's economic problem. Happily, however, this time the U. S. outlook on world affairs had undergone a profound change. There was no repetition of the isolationist spirit that prevailed after World War I. Instead there was a profound appreciation of the fact that to avoid chaos, assumption of effective world leadership was essential.

As a result of recent events this new spirit has been put to a vital test and has not been found wanting. The challenge of the latest aggressor has been met in such a way that the world has no doubt of U. S. willingness and ability to assume world leadership. In the economic field however the outlook is not quite as clear. The announcement of the cancellation at the end of December next of the U. S.-Mexican trade treaty comes as bad news to Canadian exporters of lead, copper, cattle and fluospar, who had hoped for lower rather than higher U. S. tariffs. Similarly, Canadian exporters had entertained high hopes for the early passing by Congress of the U. S. Customs Simplification Bill, but it now appears there is no chance of passage in this Congress.

Such doubts however concerning U. S. intentions in the economic field have little foundation as the record clearly shows. Already a special committee headed by a Presidential appointee is studying the whole question of U. S. import policy. In the case of Canada, despite the "Buy American Act," this country will purchase certain arms requirements in the Dominion. The Treasury Department is pressing for the passage of the Customs Simplification Bill, the adoption of which in its opinion would "go far to remove the most serious obstacles in the U. S. Tariff Act to the increase of international trade." Also during the past 15 years the Reciprocal Trade Agreements program has been responsible for considerable reductions in the U. S. tariff, and a list of 2,500 items on which the United States may consider granting further concessions will be discussed at the forthcoming International Tariffs and Trade Convention to be held next September at Torquay, England.

Thus there is little doubt that this country will capably fulfill its destined role as the world's economic, as well as political, and military leader. As Canada in particular has long urged, a lowering of the U. S. tariff and simplification of U. S. customs procedures would remove one of the principal barriers in the path of a greatly expanded volume of world trade, the bridging of the dollar gap, and general convertibility of currencies.

During the week the international news and holidays kept activity at a minimum in both the external and internal sections of the bond market, although the price-level of Dominion internals was fairly well maintained. The corporate-arbitrage was also a shade firmer at 14¾%-14%, and free funds after easing to 9½% strengthened to 9¼%. Despite repeated rumors concerning an imminent upward revaluation of the official rate of the Canadian dollar, this is by no means likely under prevailing circumstances, although it can be considered as an eventual possibility. Stocks after staging a preliminary rally were subjected to successive selling waves that affected all sections of the market. Industrials and base-metals suffered heavily and Western oils and the golds after displaying earlier resistance finally followed the general market downtrend.

Louis Stirling to Be Betts Borland Partner

Louis J. Stirling

CHICAGO, Ill.—Louis J. Stirling will become a partner in Betts, Borland & Co., 111 South La Salle Street, members of the New York and Midwest Stock Exchanges, on July 17. Mr. Stirling has been resident manager in Chicago for Hirsch & Co.

Joseph J. Bodell

Joseph James Bodell died at the age of 68 after a long illness. Mr. Bodell from 1909 until his retirement in 1942 was head of Bodell & Co., investment firm of Providence, R. I.

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Estate Taxes Are Destroying Small Business

for using a capitalized earnings basis—if that is the higher—is that the resulting higher value represents the inclusion of "good will."

Obviously, the higher the value that the authorities can claim and sustain, the greater will be the tax collected; and, tax hungry as our governments have become, they invariably claim the highest possible value—and many times their claims are unrealistically and fantastically high. This they apparently do deliberately, without any regard to the fact that high death taxes are today impairing or destroying many small businesses each year.

To illustrate this point, I would like to summarize the findings of the last twenty consecutive cases that have been analyzed by our Trust Department. During the past fifteen years I have analyzed better than 400 families' estates, many of which contained closely-held business interests, and I can assure you that the findings in these twenty cases are typical.

I should explain that the figures I am about to give you are those that applied to each case as of the time that we first examined it—not after the individuals concerned had done everything they could to minimize their problems and their taxes, by "estate planning." These situations are typical because despite the most persistent efforts of lawyers, trust men and underwriters, very few people have "planned" their estates—or even realize the necessity of doing so.

To go back to my twenty cases, eight of them did not involve closely-held business interests; although three of these eight had at one time been the owners of close corporations, or had held substantial interest in such businesses, but they had sold them out—because of tax considerations.

Of the remaining twelve estates, all of which involved complete ownership of or substantial interests in closely-held businesses—mainly corporations — in every case the individual had someone to whom he wanted to pass his interest, usually to his children. However, ten of the twelve estates analyzed did not contain sufficent liquidity with which to pay the succession taxes that would be imposed by the time the estates reached the children. This meant but one thing—an eventual forced sale of part or all of the business holding. A minority interest in a closely-held business, of course, finds few purchasers.

In dollars, the total taxes that our analyses showed could be claimed on these ten cases—by the time both husband and wife were gone—amounted to approximately $2,100,000, and their total liquidity was less than $745,000.

These figures were arrived at by using in each case the higher of book value, or an average of each company's past three years' earnings capitalized at 10%, as being the probable claimed tax value of the business interest involved. You may well say that this is a purely arbitrary method of setting up the values that the authorities might claim—and it is —but their methods are arbitrary, and I do not think it is too far from the basis that would be used in valuing the business interests contained in these estates—if they were being administered today.

It is true, of course, that these figures are based on estates as we found them; estates in which there had been no more than the usual negligible amount of estate planning. It is also true that by certain rearrangements that we are all familiar with, the tax load could be minimized and their liquidity increased to some extent, but I am trying to illustrate what is happening under present tax laws to those estates that have been created in recent years, which contain a substantial interest in a closely-held business, and whose owners have not realized the necessity of "planning."

Difficulties of Estate Valuations

As we all know, for every valuation controversy that reaches the Courts, there are many, many others that are settled by the Executor and Collector of Internal Revenue by the "compromise" method and, therefore, it is impossible to know with any degree of accuracy how many valuation cases are actually settled on a basis that is higher than the value claimed by the Executor, and if so, at how much higher a figure. Recently, however, I ran across a compilation that you may have seen of sixty-two cases involving disputes as to the tax value of closely-held corporation shares. Of these sixty-two cases, only six—or 10%—were settled on the basis of the taxpayer's claimed value, and only nineteen—or 30% —were settled at or lower than the mean of the taxpayer's and commissioner's claimed values. In 66% of the cases the government's claim as to value was sustained, and in 4% of the cases a value somewhere between the mean and the commissioner's value was was upheld. Thus, in 90% of the cases a value higher than that claimed by the decedent's estate was established.

In dollars, the total of the taxpayers' claimed per share values was $18,800,000; the commissioner's claimed values were $37,700,000 (better than 100% higher) and the values finally established by the Courts were $26,500,000 (about 40% higher, on an average, than that claimed by the estates).

This would all seem to point up to the fact that this problem of a closely-held business interest being vulnerable to an arbitrarily high tax valuation is an actuality—and when coupled with our present high estate tax rates and the impossibility of an individual accumulating any substantial amount of liquidity, because of high income taxes—results in the forced sale or liquidation of part or all of many family-owned businesses each year.

As a consequence, our present system of levying succession taxes is picking off one-by-one the small businesses and either causing them to liquidate or sell out, usually to some larger company, at the same time our elected representative in the Federal Government are rendering lip service to "small business" and expressing great concern over its welfare.

As I said at the outset, a Socialistic form of government is not necessarily brought about by revolution or by voting Socialists into office. Taxes are the surest way of bringing it about.

Estate Tax Socialistic

The estate tax, of all forms of taxation, is the most socialistic in nature. It is a capital levy and for some years now has been employed by politicians to effect social reform. It is not, in light, our our tremendously high government expenditures, an important source of tax revenue. In fact, recently published figures show that if the government were to impose an immediate 100% capital levy on all life insurance cash values, city real estate, farm properties, and the net working capital of all the industries in the United States, they would only realize a total of approximately $138 billions — not quite enough to satisfy the Federal Government's budget requirements for three years.

I submit that this one aspect of the estate tax problem which has developed to serious proportions in the last ten years and which is still growing, and which threatens every small business in the nation, is but one more factor in our progress along the road toward a Socialist state, where all business—large and small—will be government owned.

* * *

A Relief Plan for Estate Tax Relief

Mr. Hackett appearing last December before the Joint Congressional Committee on the Economic Report in behalf of tax relief for small businesses stated then that high estate and inheritance levies, together with litigation costs in their settlement, are slowly but surely destroying small businesses by forcing their liquidation or preventing descent of enterprises from father to son. He then suggested as one solution to the problem, that individuals be permitted to acquire during their lifetimes some form of government bond redeemable at death for payment of death taxes; but a bond which, itself, would not be subject to the death tax; and to permit the individual who has a taxable estate to take out, if he is insurable, life insurance payable to the United States Treasury, which insurance would not be subject to tax at his death to the extent that such insurance was actually used to pay taxes.

"My experience leads me to believe," Mr. Hackett stated, "that our present high Estate and Inheritance Tax levies are slowly but surely destroying the small business. Their effect is less noticeable than, for instance, an increase in corporate income taxes, because they do not affect all property owners at one time; they pick them off one by one, so to speak, as the key-men-owners die. It is now proposed that Estate Tax rates be further increased; and if they are, they will still not produce a very substantial amount of revenue. In fact, if the government had levied a 100% tax on the estates that they collected from last year, the revenue so received would still not have been a significant amount, in light of the government's needs. I wonder, though, how many small closely held businesses were sold, liquidated or otherwise destroyed last year because of the combination of high Estate Tax rates coupled with arbitrarily high claims as to their tax value."

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Gregory P. Maloney to Gerald T. O'Connor will be considered on July 13.

Inez Hereford Brown and Nellie B. Keller, both limited partners in Paul Brown & Co., withdrew from the firm on June 30.

Sidney F. Ward, general partner in W. E. Burnet & Co., became a limited partner July 1.

David Allan Burt, Jr., member of the Exchange, general and limited partner in Hazlett, Burt & Watson, retired as a limited partner on June 28 but continues as a general partner.

Interest of the late Hurlbert C. Elmore in H. N. Whitney, Goadby & Co. ceased June 11.

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As We See It

delphia conference is not. It is, accordingly, a little difficult to say with certainty whether, or in what degree, the Philadelphia group is in sympathy with the stand of the Committee members. Word, guarded word, from Philadelphia suggests some differences of view, but what has been vouchsafed leaves little room for doubt that the Republican Advance is open to most of the strictures laid down in these columns last week. It would appear, indeed, that the "me-too-ers" in the party were *par excellence* the moving spirits behind the Philadelphia meeting.

Ubiquitous Fair Dealism

The fact of the matter is that a great many Republicans are very nearly if not fully as imbued with the New Deal and the Fair Deal philosophy as are the members of the other great party. Here and there a member of each of the parties has the understanding and the courage to stand up and declare himself in sympathy with the principles of individual freedom, of individual self-reliance, and all the rest which brought this great country of ours to its present position of eminence throughout the world. But their number is limited, and even those who pay homage to our way of life have all too often got into the habit of qualifying their positions in ways that compromise their avowals of faith in a degree of which they themselves are probably not always fully aware.

This it appears to us is, as the Republican Advance characterizes it, essentially negative in nature, but by the same token the position of the Republican Advance is itself a negative one. Its stand is, so far as may be judged by what they have confided to the public, essentially that of Governor Dewey and what has become known as the Dewey wing of the party. It is a policy of accepting "goals" and arguing about ways and means of reaching them, or upon occasion of accepting both goals and general procedures and pleading for more efficient and business-like administration. It often comes down to a plea for statism with assurances that we shall not have statism. Usually it is an argument for programs which imply by their very nature wide intervention of government into the affairs of individuals.

The term "goals" as ordinarily now used plainly implies something on the order of socialism. Such goals almost invariably are employed to mean government objectives; most of them are obviously of a sort which could conceivably be reached by government only if government assumed roles wholly out of keeping with American history and American tradition. "Full employment," "uninterrupted growth or expansion," "abolition of depressions," and the rest in this country, like "fair shares for all" across the water, are government objectives, not merely hopes or expressions of faith in what can be accomplished or may be expected as a matter of course by the natural workings of a free society.

An Old Trick

Now it is an old type of political trick for the New Dealers and the Fair Dealers to say that any one who opposes their particular programs does not want "full employment," "continued expansion," or an end to business depressions. It is such charges that cause the opposition to wince and retreat. So it is that these Republican politicians feel that they must continue to say that they are for the happiness and health of the people and against sin in general. And since the late President Roosevelt branded the men who made such avowals as these, but opposed the specific programs of the New Deal, "yes-but" men, the tendency has been to go much further than merely to curtsey to abstractions. That is to say most politicians, no matter to what party they belong, now feel that they must acquiesce in the notion that such "objectives" must be those of the state.

The Republicans gathered at Philadelphia last week evidently felt that it was "negative," indeed that it was political folly, not only to oppose these essentially European ideas but to fail to outshout the New Dealers and the Fair Dealers in their support. This left them, of course, with no issues at all except the sort of issues Governor Dewey did his best to employ effectively in two campaigns which ended disastrously to his party. This type of opposition or position seems to us to be "negative" in a very fundamental sense, far more so than what they seem to accuse all those who have no use for the Fair Deal or any other deal like it of being. That is to say, it is negative in the sense that they have nothing vital to offer in the place of what is now in effect. To be sure, there is gross lack of business-like management of governmental affairs; to be sure, inconsistencies and worse are to be found in governmental programs; but given the best of management and the most consistent form, they still would leave us in danger of a creeping socialism or something closely akin to it.

Negative?

And for our part, we cannot imagine how a plain, blunt statement that one is firmly convinced (as we are) that the best means of obtaining maximum economic welfare for all the people is found in the American system could be "negative."

All this New Dealism and Fair Dealism is a watered-down version of seventeenth and eighteenth century mercantilism and the guild system. So far as we are aware no one accused Adam Smith, whose influence had a large part in overthrowing all this, of being "negative" in his approach.

With Freehling, Meyerhoff

(Special to The Financial Chronicle)

CHICAGO, Ill. — William F. O'Brien has become associated with Freehling, Meyerhoff & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with Goodbody & Co.

Joins Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill.—Philip H. Kreisman has become associated with Hornblower & Weeks, 134 South La Salle Street. In the past he was with Adams & Co. and Taylor, Duryea & Co.

Cruttenden Co. Adds

(Special to The Financial Chronicle)

CHICAGO, ILL. — William E. Tague has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Faroll & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harry J. Discou is with Faroll & Company, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Savings Bank Deposits Increased $1 Billion in Last 12 Months

Rate of increase in May 1950 was 14% greater than gain in May of last year.

During May, deposits in the mutual savings banks of the United States continued to mount, according to A. Livingston Kelley, President of the National Association of Mutual Savings Banks and President, Provident Institution for Savings, Providence, R. I. The gain of $67,000,000 in total deposits, to reach $19,807,000,000, was 14% greater than the gain of $58,000,000 in May, 1949. Deposits have risen $1,004,000,000 over the last 12 months, or 5.3%.

The deposit gain for the month of May reflects the fact that, while deposit activity remains higher than last year, amounts deposited in regular accounts have risen more than have withdrawals. For the first five months of 1950, deposits are up 9% as compared with the same period in 1949, whereas withdrawals are up only 6%. During this period five-sixths of the growth in regular deposits represented new savings, as opposed to dividend credits.

Mortgage lending continued to be the chief source of savings bank investment during May, as evidenced by a rise of $103,000,000 in their mortgage portfolios. Funds for this purpose were obtained from the $67,000,000 monthly deposit increase, together with $31,000,000 from cash holdings, $4,000,000 from holdings of U. S. governments and $1,000,000 from corporate and municipal securities holdings. The concentration of the banks upon expanding their mortgage portfolio to help finance current housing needs is shown by the fact that since May 31, 1949, their holdings of mortgage loans have increased $1,098,000,000, or somewhat more than the increase in their deposits over the 12-month period.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—D. V. Rice has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Securities Salesman's Corner

By JOHN DUTTON

How about the legal profession in your community? Have you been obtaining the cooperation they can give you in your constant pursuit of new business? There is a natural tie-up between the securities dealer and salesman, and the lawyer. Time and again estate problems crop up that only a lawyer can handle. With estate taxes what they are today, it is very proper that securities men and lawyers work together in helping clients solve these problems.

Here is a recent case; one of many just like it that are happening daily all over the country, where alert securities salesmen are working closely with certain law firms, and to the advantage of both: This salesman called upon a man who had never bought securities before in his whole lifetime. It came out during the conversation that this man had a grandson that was very much the apple of his eye. The proposal was made that he set up a fund of $25,000 for the grandson. This money was placed in an investment fund. A legal trusteeship was established with the grandfather as trustee for the grandson. The services of an attorney were needed. In this case the salesman suggested the law firm. As a result a good piece of business was taken care of and both salesman and lawyer added a new account. A few weeks later the lawyer in question mentioned what had been done by this salesman in setting up this fund for the grandson, and one of his friends also set up a similar fund for his children. Here was a case where both the securities salesman and the attorney gave mutual help to each other, and good business resulted in a perfectly ethical way.

There are cases where you will find that business executives have a great deal of their assets tied up in frozen equities in a business, or farmers in land, or other similar cases where frozen assets exist. If they are approached along the lines of setting up a separate corporation which holds securities (or mutual funds shares), or any other similar type of liquid property, so that they will have enough to protect their interests, and those of their heirs in the event of their untimely demise, you may find a very attentive and interested prospect in such a proposal. If you will talk to some of your lawyer friends who specialize in this work they can tell you how to go about it. They may also tell you of some good prospects. You can then route as much business as possible into their office. This, too, is a natural procedure and could be the source of some very substantial business.

Then there is the law firm that handles estate work. Offer your services on appraisals, on over-the-counter check-ups, on market information. Try and get close to one or several of these firms. They can be the source of much desirable business. It may be possible for you to direct some business to them from time to time. Try and give business to lawyers who are in a position to help you get business. The only way you can do this is to make your calls on the properly selected law firms in your community, and establish yourself as a qualified expert on securities. Sometimes you will also find that lawyers are good prospects for securities in their own right. Again, it is a case of proper prospecting and work. There is business in this field and it can pay you well if you give some attention to the legal profession.

Continued from first page

Devaluation Boomerangs

government's budget and—by the opposite: by raising the family allocations (subsidies per child). Where this hodgepodge of contradictory policies will lead is anyone's guess. Growing demands for further increased wages show the direction.

Scarcely any country in the world is as dependent percentage-wise on foreign food and raw materials as is Norway. Her domestic equilibrium as well as her international position are vulnerable accordingly, especially so in view of her socialistic make-up: taxes are among the world's most "progressive," imports are compressed to a bare minimum, with subsidies holding down food prices to prewar levels. Thanks to devaluation, the nation's huge annual bill for food subsidies would have risen by 75% if the Norwegians had not decided that this would bankrupt their government, preferring to let prices rise. But then, sooner or later, her controlled wages—which are 40 to 50% above prewar, as against a 4% rise in the cost of living—must jump which will turn adversely the terms of international trade. As it is, the trade deficit is estimated for the current year at 1,200 million kroners ($170 million) even *before* labor costs have begun to rise. Already, all Western currencies turned "hard" in comparison with the soft Norwegian money.

Over-Investment

A great strain on Norway, as on France and Britain, is created by the policy of public works totally out of proportion to the nation's genuine savings. This is the Soviet pattern, of course, of forced investments for long-term planning. But Stalin makes the masses pay for their alleged future wealth by keeping their present consumption at the subsistence level. The occidental idea is to raise by leaps and bounds the current standards of living and simultaneously to keep building economic pyramids. The consequence is that violently progressive taxation and/or inflation, combined with a repressive bureaucratism to hold together the artificial structure, stifle incentives, distort the price mechanism, demoralize the capitalistic process and unbalance the international accounts.

A "classic" example of such self-bankrupting welfarism is that of Sweden. Enriched by "neutrality" in two world conflicts, she emerged from the last in an enviable financial position. So much so that she proceeded to revalue the krona upward (by 10%). By last summer her dollar shortage became acute. However, she managed at least to balance her domestic budget throughout these years, financing the wholesale capital expansion out of tax revenues. With the devaluation, the picture was reversed suddenly: the dollar shortage vanished but the 1949-50 budget went into the red, if only moderately. The coming fiscal year promises a substantially enhanced budget deficit thanks to boosted subsidies on imported food, cotton, leather, coffee, fuels and tobacco. They are to be supplemented by subsidies to domestic growers of "vital" products. At the same time, the dollar problem raises again its ugly head, in spite of the reduction of dollar imports to the barest necessities.

That is typical of the way Europe's managed economies stagger back and forth between the devil of unbalanced international accounts and the deep blue sea of unbalanced domestic budgets. To be sure, Sweden's technique of shifting the higher cost of food and raw materials onto the taxpayers can scarcely protect her much longer against a fresh cramp of "dollar shortage." Her collective wage contracts are loaded with cost of living clauses; the price-wage spiral soon will become effective, if it has not already. Instead of solving one problem at the expense of the other, the managed economy of Professor Gunnar Myrdal, the Swedish counterpart of J. M. Keynes and Harold Laski rolled into one, will be faced with both: accelerated inflation at home and deterioration of the krona abroad. A latest step in the collectivist direction consists in breaking the independence of the Central Bank (Ryksbank) which is being put under purely political (socialist) management.

Britain's depreciation experiment offers a striking illustration of R. C. Leffingwell's dictum that "Currency devaluation is a symptom of a disease; it is not a cure." But it also is an anesthetic, as we pointed out at one time; by dulling the pains and camouflaging the nature of the disease, it fools the patient—for a while.

In Britain, too, the fool's paradise created by the September devaluation is nearing its end. The export premium provided by the 30% discount on the pound sterling improved the British balance of trade to the extent of more than recovering the gold and dollar losses of the previous 18 months. (More precisely, she was retaining the instalments she received under the Marshall Plan of those months.) Even so, much of the "improvement" was due to non-recurrent items — previously withheld demand for British goods, temporary cessation of the flight out of the pound, etc.—plus two additional factors: a drastic reduction of dollar imports by virtual embargoes; and an unprecedented rate of increase in dollar exports at rising prices of Sterling Area raw materials, such as crude rubber, metals, wool, etc.

After six months' improvement in the United Kingdom's own balance of trade, that balance by April took a turn for the worse. In the first five months of this year the dollar deficit in "visible" trade was greater than in the same period of last year. (So does Holland's deficit, too, and for analogous reasons.) The reason is that domestic prices begin to catch up with the rise of import costs due to the devaluation, although wages have not risen appreciably as yet. But they cannot be held back much longer. Characteristically, the greatest pressure emantes from the nationalized industries: coal, railroads, electricity, docks, the workers of which apparently are the most dissatisfied. The Labor regime is searching frantically for a "new wage policy": one that would satisfy its own following without upsetting the precarious "stabilization." The solution is — new elections. For that purpose, some of the most unpopular controls (gasoline, restaurants) are relaxed and the voters are promised lower costs of living after the election: by way of squeezing retail margins. In effect, if Labor wins, small business will be next in straitjackets.

Britain's financial course means continuous over-investment, over-consumption and over-employment, all of which reduces her competitive ability. As if that were not enough, a self-defeating international trade policy is pursued, one that strives for autarchy on the one hand and for maximizing exports on the other. The capacity to earn dollars is further curtailed by an annual near-billion dollar volume of "unrequited" exports to release blocked sterlings and to build new capital nest-eggs abroad. Faced with the inflationary pressures which these methods entail, Labor tries to "muddle" through by incentive-killing and rigidity-creating taxation and regimentation. But one solid idea emerges clearly in London's preparation for the **pending crisis of the sterling:** it relies on more American aid. Which is what Acheson promised lately in Paris and London. Under the pretext of the Atlantic Pact's Article II, which implies economic collaboration, he has given assurances to the Europeans that **our financial aid will not cease** with the end of the Marshall Plan.

Come what may, we will take care of John Bull's international deficit, thereby encouraging him not only to live by deficit indefinitely, but also to do her best to impede Europe's financial recovery. Multilaterialism and restoration of normalcy are out of the question in Europe as long as the "key country" obstructs them. Nor do our own recent proposals offer anything truly constructive.

"The proposed Clearing Union," quoting Philip Cortney, "is to a great extent a denial of the very principles of multilateral trade which made the balancing of the accounts of the European countries possible. Without Great Britain the Clearing Union would be ineffective. If Great Britain joins the Union it will be only with so many reservations that it would still be ineffective. To a certain extent the Clearing Union is inflationary, and it will postpone the day when European currencies may become convertible against the dollar. Meanwhile the discrimination against United States goods will have to be reinforced."

Clearing Union is the latest panacea. Even if realized, it will fail to accomplish the purpose—all-round convertibility — just as the Anglo-American loan, the Bretton Woods set-up, Benelux and the Marshall Plan itself came to naught. They all end in fiasco because they try to put the cart before the horse: Dollars before Confidence.

Europe's Dollar-Bloc?

That the Swiss franc is as good as, if not better than, the dollar is no news. Nor it it surprising that free-economy-minded Belgium has lifted all foreign exchange restrictions, excepting the flexible control of major capital exports. What is surprising is the news that France and Italy not only are willing to enter an intra-European clearing, and to do so without the kind of defeatist hedges the British demand, but are discussing the return to convertibility. That would presage a Dollar-Bloc in Europe — succeeding the famous Gold Bloc of the 1930's, except that Holland would be out and Italy in. It is too good to be true; but it goes to show the imaginary nature of the ailment called dollar shortage. It tends to vanish with the lifting of bureaucratic and socialist curtains. Especially, the French balance of payments has improved almost exactly in proportion to the decline — of our dollar-aid to France.

Think of it: the French franc and the Italian lira as hard monies —hard at any rate in comparison to the sterling which is actually selling at a 10-15% discount against them! France and Italy are not free enterprise countries, not even to the extent as Belgium. Their ruling "Christian" parties are more collectivist than, say, the German Social Democrats or the British Laborites were in the 1920's. But the Latins moderate their "directed economies" by a dose of common sense; their public and officials unscrupulously violate foolish regulations. Both France and Italy are greatly helped by this year's record tourist traffic; France by the spectacular recovery of her agriculture which turned into a leading export industry; both France and Italy gain by the abolition of the worst features of exchange control and, above all, by—the decline of the dollar and of gold. That raises

A Neat Question

Did the black market price of the French franc go up, or did the premium on gold and the dollar go down? Gold has lost in Paris about 30% of its high ground of last fall, and the franc is quoted now on the open market, for the first time in a decade, at the official par (340 to the dollar).

The answer is that the two more or less independent streams—franc appreciation and gold depreciation—coincide and reinforce one another. The Paris market followed with a lag the world-wide fall of the gold price; once it hit home, it redounded to the benefit of the franc. The Frenchmen stopped running out of their own currency and began to disburse, if piecemeal only, their multi-billion dollars of hoards in yellow metal and "hard" monies. Hoarding is discouraged also by the almost total disappearance of war fears. But French experts who take a dim view of the whole situation point out, for one thing, the unrelenting rise of the Banque de France note circulation. It has grown last year by over 200 billion francs, aproaching the fantastic volume of 1.4 trillion francs! The semi-official comment, that this represents merely an advance discounting of the gold influx allegedly under way into the central bank's coffers, cannot camouflage the mounting national deficit financed by the printing press (while private business in France as well as in Italy is strangulated by strict credit restrictions and record high interest rates).

Add the fact that prices are moving upward on the Continent, due to domestic inflations, the American boom and in part also to the relaxation of controls. (That is how controls backfire: by upsetting the markets when they end, as they have to sooner or later.) The consequences may be soon tangible. Already, labor troubles are smoldering in Italy. In France, **strikes** are in progress or in prospect in every single major industry, with wage raise demands of 25 to 30% in the balance. The paper-house of exchange stabilization is likely to crumble again. But no one seems to worry too much. The certainty that Uncle Sam has to bail out his friends has become full entrenched in the sensitive European minds.

Germany's central bank has done a remarkable job in making the monetary reform of 1948 stick. It managed to avoid the psychological pitfalls stemming from the nation's inflation experience, its acute economic sufferings and the devaluation of last September. At the new rate, the deutsche mark stands up far better than the sterling does at its new par in spite of the similarity of barbed wire "protecting" both. Well, Germany has Europe's lowest tariffs (lower than Belgium's!) and enjoys a relative degree of economic freedom which permits more rapid recovery than almost anywhere else.

Yet, the mark's prospects are not too happy either. German labor, encouraged by the British, strives for managerial powers in the plants. And we have virtually forced her central bank to grant long-term discount facilities, on the foolish theory that credit expansion is the way to combat a rampant unemployment—one of a "structural" (non-cyclical) nature, brought about by the dumping of nearly 10 million penniless eastern Germans into the narrow space of the Western Federation. But at long last, Germany is being opened up to private capital investment from abroad; a fresh shot of commercial capital may be her salvation—for the time being. And Germany's recovery is now the last hope of salvaging the trade balances of Holland, Denmark and Sweden.

The futility of devaluations is documented by the growing strains on the European price-wage structures. **New devaluations** are a safe bet—unless more outside aid is forthcoming—or unless a thorough reform of European monopolism is instituted. But who would dare to lay hand on those frozen price and wage structures? Even in "free" Switzerland, the system is artificially supported, with floors under things like milk, meat and (of all things) machines. The procession is led by Britain, of course: there, some 1,100 trade associations are engaged in allocating raw materials and directly or indirectly fixing prices, to say nothing of the monopoly position of the trade unions and of the freezing policies of the authorities.

"Stabilization" means, so far as Europe is concerned, to bolster the framework of an all-round monopolistic system. The futility of the Marshall Plan is due to the fact that instead of softening up that rigid system, it helps to finance its maintenance. Some progress in the right direction has been made, largely on Belgian and Italian (!) initiative. But more often than not, it is offset by new tricks of neo-protectionism: in France, e.g., reducing import quotas and licenses is followed pronto by raising tariffs. Britain's national socialism remains one decisive obstacle in the way of Europe's self-adjustment: the spontaneous return to dollar-convertibility.

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Mutual Funds

six months to May 31, 1950, amounted to $179,575 compared with $140,877 in the six months ended May 31, 1949, equal to 46 cents per share and 38 cents per share, respectively, based on the number of shares outstanding at the end of each six-month period.

Market value of investments on May 31, of this year, was $7,681,887, which was $1,037,122 greater than the prices at which the securities were purchased.

The management, during the past six months, the report states, "has pursued the policy of reducing, on balance, common stock holdings in companies having a pronounced cyclical and volatile character and increasing investments in the common stocks of those companies with clearly established long-term growth trends."

As of May 31, 1950, the reserve of cash and high-grade bonds stood at 15.47% as compared with 6.82% on May 31, 1949.

During the past six months the company, which stresses growth and appreciation, added a number of comparatively lesser known companies with highly favorable growth characteristics to its investment portfolio.

Investors Mutual Reports

Net assets of Investors Mutual, Inc., as of June 26, 1950, were $200,908,717 with shares currently owned by more than 85,000 shareholders. Investors Diversified Services, Minneapolis, is the principal underwriter and manager.

Neuberger & Berman Form Guardian Fund

Guardian Mutual Fund, Inc. has been formed by Neuberger & Berman, members of the New York Stock Exchange. It is authorized to issue a total of 500,000 shares of $1 par value common stock. Assets as of June 1st were $150,000. Sales load will be 2%. This is one of the few funds which are operated by brokerage houses.

Bankers Express Concern About Future

In its July "Monthly Review of Credit and Business Conditions," Federal Reserve Bank finds, despite signs of prosperity, banks of district are concerned for future, feeling average wage-earner is over-extended.

Business conditions in the Second Federal Reserve District are good and banks are prospering, but farmers' income is below that of last year. This is the general tenor of reports made to the Federal Reserve Bank of New York by its field representatives, who have visited more than 600 banks during the past three months. Bankers say that extra shifts and overtime work are again appearing in a few industries and that improvement has been shown in the clothing and other soft-goods lines which were working on shortened schedules earlier in the year. Bank loans and deposits are also holding up well and bank earnings appear to be at rates equal to, or better than, those of last year.

Despite these signs of prosperity, however, bankers throughout the District are voicing a good deal of concern about the future. There is a feeling that the average wage earner is over-extended. The rather spotty situation in retail trade and the decline in soft goods are generally explained on the grounds that many people have committed so large a portion of their incomes to monthly payments on mortgages and instalment loans for the purchase of durable goods that they have little left over for new clothing. Bankers say that, while loan demand is active, it has deteriorated in quality. They point also to the lower incomes of farmers, particularly of dairy men and poultry farmers. This situation, it is said, has led to some tightening of credit and to more careful selection of risks.

Over-all, however, bank loans continue to increase. This increase has been accentuated during the past two months by the seasonal loan increases in the agricultural and summer resort areas and by the boom in the home construction industry, particularly in the New York metropolitan area and the suburbs of other large industrial cities. Mortgage loans and consumer credit loans have paced the advance and the demand for credit remains active.

There has been a slow but perceptible liberalization of instalment credit terms, led by the finance companies and dealers. On auto loans a one-third down payment is still generally required, but terms up to 36 months are increasingly common. In the durable goods field, some of the more aggressive lenders are financing sales with a down payment of only 10%, or even without any down payment. Delinquencies and repossessions, however, are still reported to be nominal.

Total commercial bank deposits in the Second District declined early in the spring, but this decline occurred almost entirely in New York City. Outside of New York City most banks reported gains in demand deposits, with time deposits showing only small changes one way or the other. Even those country banks whose demand deposits usually turn down seasonally in the spring have reported that the seasonal downswing has been less marked this year. In recent weeks, deposits in all sections are reported to be increasing.

During the first four months of this year, the growth of deposits in savings banks continued at a more rapid rate than was the case with savings deposits in commercial banks. In May, however, commercial banks made a somewhat more favorable showing. Interest rates on savings bank deposits continue to be a matter of concern to the commercial banks. The savings banks generally pay dividends of 2% now and many have been actively advertising this rate. Competing commercial banks, paying materially lower rates, have experienced some loss of deposits because of transfers to the savings institutions.

Business conditions are reported to be generally favorable throughout the District. Most manufacturing establishments outside New York City are working full time, and reports of large backlogs of future orders are occasionally heard. Weak spots still exist, particularly in the soft goods lines, but even here some improvement has been shown in recent weeks. In the dairy farming sections of the District, farm income is reported to be substantially lower, as farmers are being squeezed between lower milk prices and continued high prices for the things they buy. Competent farmers, however, are said still to have a margin of profit, although this has been considerably reduced. One reflection of this condition is a backing up of inventory in the hands of farm equipment dealers.

In addition to residential construction, which continues at high levels, a number of large industrial and civic projects are also under way in various parts of the District. Reports indicate that, in the next few years, very substantial sums will be spent on new schools, hospitals, and roads.

With Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert D. Cassell is with Hannaford & Talbot, 519 California St.

Sutro Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John S. Ehrlich is now affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

MOLINE, ILL.—John R. Pearson has become associated with A. C. Allyn and Company, Inc., Fifth Avenue Building. He was formerly with the First National Bank of Moline.

Public Utility Securities

By OWEN ELY

Market Record of the Utilities

During 1937-1941 utility stocks acted much worse than the general market, the Dow utility average dropping 61% while the Dow industrial average declined only 38%. This was probably due to fears that the holding companies' portfolios would be dumped on the market to effect the so-called "death sentences" imposed by the SEC. By the end of 1949, however, the utility stocks had fully regained their market popularity in relation to the industrial issues, and were in fact slightly ahead of the latter, having advanced 23% in 1949 compared with only 11% for industrials. However, in 1950 they have been slowly losing ground in relation to the industrial average: comparing June 29 with Jan. 5, utilities showed a dip of about 4% compared with a net rise of about 3% for industrials. However, during the recent sharp decline due to the war scare, the utility average dropped 8% or about the same for industrial stocks.

Utilities have doubtless made a relatively good showing in 1950 considering the threat of higher Federal taxation. Under the new tax bill recently passed by the House and now awaiting action by the Senate, the Federal corporate income tax rate is to be raised from 38% to 41%. This would reduce electric utility earnings available for common stocks by about 4 to 5%, it is estimated. Moreover, there is now a possibility that, due to speeding up our defense program, President Truman might call on Congress to increase the rate still further. If actual war should ensue, there is of course the probability that an excess profits tax would again be imposed, and the utilities might then have to ask the state commissions for rate increases. This is always a slow procedure, and in the meantime earnings (and possibly some dividends) might suffer.

So far as the present outlook for earnings and dividends in 1950 are concerned the utilities should continue to make a good showing. Revenues of the larger electric utilities for the month of April were 8.5% over last year, gross income was up 14.9%, and net income gained 17.8%. Increases in net income for previous months were as follows: March, 9.6%; February, 9.9%; January, 17.6%. The calendar year 1949 showed a gain of 14.7%.

These figures do not indicate corresponding gains in share earnings for the average utility, since they must be adjusted for preferred dividend payments and then for the increased number of common shares resulting from new-money stock offerings, which have been numerous in the past year.

One way of analyzing the trend of utility earnings vs. prices is to compare average price-earnings ratios at present with those of a year ago. On June 27 a group of 28 representative large utilities were selling at 11.6 times recent earnings, and showed an average yield of 5.9%. On the other hand a large group of very small utilities were selling at 10.1 times earnings and showed an average yield of 6.8%. A year earlier, high-grade stocks were selling at 12 times earnings, to yield 6.3%; and the smallest companies at 9.9 times earnings, to yield 7.6%. Based on the change in yields, the big company stocks gained about 7%, and the small companies 12%. Based on the changes in price-earnings ratios, however, the gains were only 4% and 2% respectively. This indicates that, following the recent market decline, utility prices are still somewhat higher than a year ago in terms of earnings and dividends. This reflects the increased demand from investment quarters both here and abroad, and this may now be augmented by investments of legal trust funds, which after July 1 are permitted to invest up to 35% in non-legal, listed securities.

Last year the electric utilities were able to make very substantial earnings gains because of big fuel savings. For the calendar year they produced more electricity than in 1948, yet saved $68 million on fuel expense. Thus they did not feel any bad effects from the decline of 3.2% in industrial sales. This year fuel savings will be smaller, reflecting principally gains in efficiency from installation of new generators and transmission lines. However, there may also be some slight gains due to lower fuel prices —coal prices are showing an easier trend in spite of the increased wages granted to John Lewis' union. Also, the supply of water for hydro-electric properties is showing up favorably: April hydro output was the largest on record for that month (up 1.7% over last year).

In the month of March, electric residential revenues gained 10.3% over last year—about the same rate of gain as in the calendar year 1949. Gains in commercial revenues were also about the same, while the industrial and miscellaneous divisions made a better showing and the overall gain was 7.7% vs. 4.9% for the year 1949.

Thus while fuel costs are running higher—along with other expenses and fixed charges—the utilities are still able to maintain about the same rate of gain for net income as they did last year. Since the dividend payout remains fairly steady around 70%, this will mean that occasional increases (such as the recent jump from $1 to $1.20 by General Public Utilities) may appear in the news. Thus the anticipated increase in earnings and dividends may in the end out-weigh (as a market factor) the fears of impending higher taxes and wartime restrictions.

Have We Learned Yet?

"Back in the days of Hitler and Mussolini, the young people of Germany and Italy were regimented in organizations dedicated to the idea of racial hatred and war. They were shut off from the influence of their families and their churches and sacrificed to the ambition of the tyrants who led them.

President Truman

"Today, the young people of Communist-dominated countries are being mobilized and marched, in the same fashion, under the Hammer and Sickle. These boys and girls are being given a completely distorted picture of the world and prevented from learning the truth about other countries. They are being taught to place the State above the obligations of family life. They are being brought up to despise religion and to believe that God does not exist. They are being made into tools of power politics, and their masters will not hesitate to sacrifice their lives if that will advance the cause of Communist imperialism.

* * *

"The United States, together with the other free nations, is striving to build a world in which men will live as good neighbors and work for the good of all. Our program for peace is not directed against the people of any land. It is designed to bring to all people the benefits of justice and freedom."

—President Harry S. Truman.

It may serve a good purpose at that to call attention to the fact that—believe it or not—leaders in this country apparently did not foresee that precisely this would be the behavior of Russia once we had helped her to destroy Germany.

We can only hope that we shall not be as naive in our striving today!

Continued from page 8

Balanced Growth of Competitive Transportation—A Federal Aim

ways, and he predicted in 1900 that a continental highway system "as a matter of national importance is a thing of the past."

Henry Ford and the other early makers of automobiles were not discouraged by Hadley's forecast. Our citizens bought their products in increasing numbers. In 1900 there were 3,200 motor vehicles registered. Twenty years later there were 7.5 million automobiles, trucks and buses. Twenty years after that, in 1940, the total reached 30.6 million, and last year registration of motor vehicles reached 44.1 million. Good roads became important and, at first under state auspices and later with Federal help, the nation paved itself out of the mud.

Today, the Public Roads Administration, in the Department of Commerce, which administers the Federal grants in aid to the states for highway development, does not have to create a demand for highways and highway traffic —it cannot keep up with demand. Its most generous estimates of future traffic volume are always low.

During the 20s, and especially during the 30s, the Federal Government promoted another form of transportation—air. The promotion of airmail, passenger and air cargo service brought results. Between 1938 and 1949 the operation of scheduled trunk lines changed as follows: from 480 million to 6.57 billion passenger miles; from 7.4 million to 40.9 million ton-miles of mail; and from 2.7 million to 128.6 million ton-miles of cargo.

This rapid expansion of air transport has affected the earnings of other types of common and contract carrier and has intensified the problems of maintaining a sound surface-transport system.

Advantages of Private Ownership and Operation

I would like to emphasize the point that one of the advantages in our transportation system is private ownership and operation. With very few exceptions — like the Inland Waterways Corporation, which accounts for about 5% of barge traffic on the Mississippi and Warrior River Systems — the Federal Government has not been and is not now interested in public ownership and operation of ships, railroads, trucks or airplanes.

The Federal Government promotes, through furnishing facilities or by payment of construction and operating subsidies. The Federal Government regulates transportation in the public interest. But the Federal Government relies on the initiative and energy of private enterprise to move our people and the products they make. This pattern of government encouragement of private industry has achieved for all people in the United States the most efficient and the least expensive transportation system in the world.

However, we are not satisfied. As a people, we are not content with what we have so long as we believe there is room for improvement. This applies not only to the way our business operates but also to the way our government operates. Steps have been taken to achieve greater coordination of the activities of government agencies presently concerned with transportation. The most recent big step was the approval by Congress of President Truman's Reorganization Plan No. 21, which transferred the United States Maritime Commission to the Department of Commerce and, in addition, created in the Department the position of Under-Secretary of Commerce for Transportation.

Of the 13 agencies of government directly concerned with transportation problems, six are now in the Department of Commerce. They are the Civil Aeronautics Administration, the Maritime Administration, the Bureau of Public Roads, the Inland Waterways Corporation, the Coast and Geodetic Survey and the Weather Bureau.

The President has honored the Department of Commerce by saying that it is his purpose "to look to the Secretary of Commerce for leadership with respect to transportation problems and for the development of over-all transportation policy within the executive branch" of government. I have seen enough of government to know that having six transportation agencies put together under one roof is no guarantee that improvement will result automatically.

I have lived long enough to know that, where many people are involved, very few problems —especially problems as complicated as those connected with transportation—can be solved by drawing up one master blueprint. Frankly, I do not see how it is possible to blueprint competition. We do have competition in transportation—not only within each form of transportation, not only among the various forms, but also among the government agencies concerned with transportation problems.

Wants "Healthy" Competition

We know the benefits that healthy competition brings, in transportation as well as in other areas. It is our policy that no competitor, or class of competitors, should have special privileges or undue advantages. In this respect competition among the various forms of transportation presents some perplexing problems; Federal actions, certainly, do result in some inequality of treatment of the various forms of transportation.

The great difficulty with giving Federal funds is knowing when to stop. Aid that is freely given, because it is necessary for adequate development toward independence, must not be prolonged to the point where it becomes an unnecessary crutch, the use of which develops unhealthy dependence.

In my Transportation Report I recommended that studies be made concerning the development of a system of adequate user charges. Such charges would not only be a businesslike test of the usefulness of government-promoted facilities, but would also help to repay what the railroads have already repaid, namely, the government's investment in new industries. They would, in addition, tend to place all forms of transport on a more equitable competitive basis.

It is, of course, much easier to estate a broad general principle than to work out the details of application. Unless carefully developed and applied, the worthy principle of user charges may have results worse than the absence of that principle. Should user charges for Federally-provided facilities be based on all costs—past at well as future—of installation, operation and maintenance? How shall the charges be apportioned among the different types of users? How shall the charges be collected — by licenses, fuel taxes, income taxes, tolls, or gross receipt taxes? In the case of highway users particularly there is much controversy as to user charges.

Progress is being made in the development of a system of user charges. Many states are making studies of highway traffic and revenues; the Senate is obtaining much useful information; and in the Department of Commerce the Civil Aeronautics Administration has presented for the use of the House Appropriations Committee some preliminary findings on the problems involved in fixing user charges on the Federal airways.

Government subsidies are probably necessary in international transportation operations when such subsidies enable U. S. firms to compete with foreign firms which are subsidized or whose lower operating costs are the result of lower wage standards. For domestic transportation, subsidies should be decreased and eventually abandoned unless there is a clear finding that national defense requires certain services which could not exist except with government support. Such defense subsidies should be direct, and wherever practicable, budgeted with other defense needs.

Rate Readjustments Advocated

Two major areas of Federal activity—those of rate-making and regulation—lie outside the jurisdiction of the Department of Commerce and are the immediate concern of the Interstate Commerce Commission and the Civil Aernautics Board. I believe, and so stated in the Transportation Report, that the regulatory agencies should consider establishing rates—for each type of transport —in close relationship to the full cost of providing service. Otherwise we cannot get the most efficient use out of our transportation plant with each type of carrier doing the job it can do best. I realize that it will be a long, hard job to change rate structures that have been built up through years of work. I realize also that progress in changing our present rate system must be slow and gradual so as not to disrupt businesses which have been built and operated on the basis of our present system. I believe, however, that a start should be made toward basing rates on the actual costs of furnishing transportation.

I am not in favor of regulation for regulation's sake. I am against regulation which unduly interferes with managerial discretion, regulation which causes transportation companies to continue unprofitable services or to maintain service in an inefficient manner. I am opposed to regulation which so restricts the volume of transportation as to deny the shipping and traveling public an adequate supply of transport service and which, at the same time, unreasonably denies to American businessmen the opportunity to establish transportation enterprises.

Although the transportation industry is more regulated by government than most other industries, there is plenty of room for private initiative to work, and work hard, at cutting costs, improving operating efficiency and modernizing equipment. All forms of transportation can and should make improvements in their handling of traffic at terminals, especially the handling of smaller units of cargo, in the handling of the less-than-carload lots and merchandise freight.

Savings Possible for Railroads

In the case of railroads, substantial savings are possible through consolidation and improvement of terminal facilities and perhaps in operations themselves. Water carriers can improve their operations by developing new techniques of loading and unloading cargo. Truck operators can progress in arranging for cost-saving interchange of equipment. Savings in airline operations are possible through elimination of marginal services, reducing duplication of routes and facilities and a general tightening of managerial efficiency.

Progress along the lines I have indicated is being made. The Association of American Railroads has established a research program at the Illinois Institute of Technology. Experts at this Institute are making studies to improve railroad operation, to solve mechanical and engineering problems, refrigerator car problems and the problems connected with the use of containers for shipping goods. Many forward-looking railroad managements are proving that passenger operations, if fast and efficient, can bring in profits instead of losses. The American Trucking Association is studying the problem of trailer interchange. The Maritime Administration is now determining the feasibility of a design for a new ship which will carry loaded trailers between ports on the West Coast. These and other signs of progress should remind all of us that the problems — including transportation problems — connected with today's growing and expanding economy are different from the problems of twenty years ago.

American business is continuously changing — in techniques, location and size of markets, range of products and sources of raw materials. Our citizens like change. They like to travel. They demand foods and fuels and a great variety of manufactures which must be transported quickly, safely and cheaply over great distances. This nation's transportation system must keep pace with these vast changes, and if possible keep ahead of them.

To promote vigorous and balanced growth of a competitive transportation system, at the same time safeguarding the public interest, is extremely difficult. There are no master plans, no easy formulas to follow. It is only by making common sense adjustments that we can move toward our major objectives. The most important objective is to make sure that improvements in transportation continue.

Our transport system furnishes the veins and arteries of our economy. We want no hardening of the arteries or clots in the veins. Our objective must be a constant and uninterrupted flow of the vital blood of commerce throughout every part of our great national economy, thus to maintain the strength and the growth of the outstanding example of a successful capitalist system built upon foundation of private enterprise and individual freedom.

Cleveland Bond Club Elects New Officers

CLEVELAND, Ohio—At a meeting of the Board of Governors of the Bond Club of Cleveland the following officers were elected for the ensuing year:

President—William H. Watterson, Fahey Clark & Co.

Vice-President — Carl Doerge, Wm. J. Mericka & Co.

Secretary — Corwin L. Liston, Prescott & Co.

Treasurer — Guy W. Prosser, Merrill Lynch, Pierce, Fenner & Beane.

Retiring President is Clarence Davis of The First Cleveland Corp.

Joins Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Raymond P. Olesen has become affiliated with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Revel Miller

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert C. Lowry has been added to the staff of Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Is Security Desirable?

By ROGER W. BABSON

Mr. Babson, asserting self-reliance is diminishing and too many want to lean upon government, preferring security to opportunity, condemns false gospel of security as destroying individual incentive and threatening the nation's progress.

Webster's Dictionary definition of "Security" includes freedom from fear, freedom from risk, danger, harm or the like.

Roger W. Babson

I have sometimes heard men say that it was too bad peace didn't seem to provide quite the stimulus for greatness and distinction that war does. War often calls forth not only a man's ability but his capacity. Dwight Eisenhower has often stated that we human beings could not keep on living if there were no struggle and we were kept in "perfect security." Would Columbus have ever discovered America if he had been seeking freedom from risk? Would Patton have been a great fighting General if he had been afraid to swim the rivers or storm the bridges with his men? Would Gandhi have been the beloved leader he was to his people if he had sought first of all to protect his own physical health and life?

Ralph Waldo Emerson once said, "Nothing can bring you peace but the triumph of principles." Do we admire or gather inspiration from any of our heroes, poets, or philosophers because they were *first* seeking security for themselves? James Byrnes in a speech at the last Conference of Southern Governors is reported to have said, in effect, that the people who settled this country did not come here to establish a government. They came to escape the tyrannies of government. They were not seeking security, but an opportunity to enjoy freedom—the freedom of self-development and accomplishment. Today the spirit of self-reliance is unfortunately departing; too many want to lean upon the government; too many are thinking of security instead of opportunity.

Too Many "Dependents"

Who or what has encouraged this leaning, this moral weakness in the United States? Our Government itself is encouraging it in every new proclamation. It urges more aid to farmers, more loans to small business, more health insurance and employment security. Each and every suggestion amounts to a promise to spend more as a charity to support this group or that—out of the people's own hard-earned tax money. Moreover, may I ask if the politicians are doing this for the good of the nation, or to get the votes?

What happens when a man knows he's going to be supported whether he does a good job or a poor one? He loses all incentive to excel. The public must realize by now that too many of their Government's employees feel "secure" in their jobs. Yet, they don't have to produce anything which must stand factory or retailer's or consumer's inspection. Even more discouraging is the attitude of some of our youth in the schools. A friend of mine, who is a teacher, says that healthy young men, in their early twenties, claim to be interested only in jobs which will offer them old age pensions and other benefits. As Americans, they should be ashamed of themselves. They should be looking toward jobs where there's a chance to work up, to earn advancement in an incentive system, not in a "sure thing" system. Pension systems should boom Florida and California real estate; pensions may help level retail sales over a period of years, but most pension systems will never increase the total national income.

Decay or Growth?

Bernard M. Baruch, adviser to Presidents, said in a recent speech that we are swapping our independence for a "false gospel of security," that the greatest threat to our freedom is "too much government." Do the American people want to be treated like babies, to be cared for by their Government from the cradle to the grave? What happens to children who are given everything—except responsibility? They become greedy. They come to expect more and more. They become dependent and parasitical. A strong moral fibered character is never developed at all. There can be no personal or national development without risk, challenge and struggle.

Potter Co.-Mgr. For Moseley in Phila.

PHILADELPHIA, Pa. — F. S. Moseley & Co., members of the New York Stock Exchange, announce that James H. Potter has become associated with the firm as Co-Manager of its Philadelphia office, 1421 Chestnut Street. Mr. Potter formerly was Manager of the municipal bond department of G. H. Walker & Co., New York.

Ed. Murray & Co.

PHOENIX, Ariz.—Ed. Murray & Co. has been formed with offices at 206 West Adams Street to engage in a securities business. Ed. Murray, formerly with King Merritt & Co., Inc., is sole proprietor.

Join Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William D. Bell, Henry C. Carlson, Jack L. Hayden, and Walter W. Hudson have been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert R. Rosborough is now connected with Dempsey-Tegeler & Co., 210 West Seventh Street.

E. F. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Howard A. Frame is now with E. F. Hutton & Company, 160 Montgomery Street.

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Stocks for Income—And Korea

uct for a diminution in car production or home building.

There may still be a large demand for new cars and new houses, but what will become of that demand if higher wages and higher material costs again develop buyer resistance as they did in early 1949? The purchase of a new car and a new home can be deferred more easily than can many of the real necessities of life.

The Credit Stimulant

The machinations of the Administration to keep down interest rates and to liberalize credit are playing their part in sustaining the boom. "Never a borrower or lender" has been replaced by the college boys' slogan "A penny charged is a penny saved." It is a dangerous philosophy upon which to base future security of income. But it is causing many of our more prominent but less sound economists to make unqualified statements that the government has practically committed itself to keeping the economy on an even keel.

Judging from a recent address of President Truman, he is not only committing the government but taking the full credit for present prosperous conditions and the salvation of American enterprise. Does he not realize that free enterprise under a free democratic system without any socialistic frills made this country a prosperous nation for 150 years before the advent of the New Deal? True, we had our ups and downs. We shall have them again. You cannot keep 60 to 70 million people continuously employed, if people cannot, or are unwilling to, buy all the goods that can be produced.

The Truman Boast

It is an impertinence for any man to give credit to any particular party for the preservation of the American way of life. We might ask Mr. Truman what would have happened to our economy under a New Deal or a Fair Deal ideology had it not been for a war, which for five years stimulated production while at the same time it created a shortage of necessities, and the type of luxuries that have almost become necessities.

There was nothing wrong with free enterprise *per se* in the 1920s. There was something wrong with our investment and speculative manipulations. We give the Democratic party credit for correcting the abuses. There was intrinsically nothing wrong with Public Utility Holding companies, excepting size, and it will probably prove generally beneficial to the country that holding companies were destroyed, as the independent units will operate more efficiently. That Labor has obtained more power, may or may not be due to the Democratic Administration, but it is also questionable whether the help that Labor has received from government has benefited the country as a whole or Labor alone.

But all of these have not in themselves kept free enterprise alive. It has been rather the innate independence, initiative and competitive spirit of the American people; and if truth be told the government has done all that it reasonably could to destroy these. Certainly fixing farm prices; encouraging featherbedding; threatening erection of steel mills; punitive taxation; destroying interest rates; discouraging thrift by lessening the purchasing value of the dollar, are not incentives to keeping alive a free enterprise system.

Nor will the free enterprise system remain healthy by running into debt during both boom and bust periods; by encouraging the populace to follow the example of the government; by negating the desire to save by promising old-age support; nor by all the other manifestations of a Welfare State. The dole has always been the most devastating disease from which a nation has suffered.

Basis of Prosperity

We are having prosperous times because for many years an unsatisfied demand existed, and during that period money has been accumulated. If this were the alpha and omega of the situation we could more easily time our purchases and sales not only of securities but of merchandise as well. But the continuous expansion of all types of credit makes the timing more difficult.

Still we shall have to find in the available statistics of production, sales and inventory accumulation an answer to the problem rather than in the number of shares traded in daily or in the type of security that is being bought. And we shall have to give full cognizance to the income returns on equities. Perhaps, too, we shall get some clue from the number and quality of new issues offered to the public.

Dangers Ahead

There are as many potential dangers ahead as there are evidences of prosperity at present. But the dangers ahead are such as to make it unwise for investors to depend to too great an extent on equity dividends for future security.

The Korean situation has merely highlighted this apparent truism. It has been the spark plug that has set off what may develop into a major decline. Should a major decline occur, sooner or later earnings and dividends will be affected. A cloudless sky—such as we have enjoyed in the financial picture—is frequently described as a "weather breeder." Let us hope the hurricane will be of minor proportions.

Railroad Securities

As mentioned in our column last week, the rail market has had a lot to contend with this year: The coal strike and strikes within the industry itself; severe weather in the Pacific Northwest and the delayed opening of the Great Lakes because of ice conditions; some unfavorable dividend announcements; the outbreak of hostilities in the Pacific. All of these factors have increased nervousness toward a class of security that even earlier had been pretty much out of public favor. Nevertheless, and even with the sharp break that followed the invasion of Southern Korea, railroad stocks as a whole just about held their own in the first six months of 1950.

At the end of 1949 the Dow Jones railroad average stood at 52.76. At the close of business on June 30 this same average stood at 52.25. The decline of 51 cents amounted to less than 1%. As usual, there was a wide variation in the action of the individual stocks. Regardless of the general market trends, it is almost always possible in the rail field to realize substantial profits, or sustain substantial losses, in specific securities. The first half of 1950 was no exception to this generalization. While day by day railroad stocks may appear to move in concert; this is not true of any period as long even as six months.

With the averages virtually unchanged during the period, individual stocks gave performances ranging all the way from an extreme advance of 89% to a decline of more than 18%. Of 60 common and speculative preferred stocks listed on the New York Stock Exchange, 33 scored advances and 27 showed declines during the six months. Of these, a third had net fluctuations of less than a point. There were 21 on the upside and 19 on the downside that closed the half year with net price changes of more than a point. The widest change in point of actual dollars was a rise of 9½ points for the high-priced Santa Fe common, nearly matched by an 8½ point decline for Denver & Rio Grande Western preferred.

In the industrial field the bulge that took place between the beginning of the year 1950 and the Korean difficulty was to a considerable degree concentrated in the higher grade so-called "name" stocks. This has not been true in the ralroad list. A large percentage of the railroad "name" stocks were about unchanged to lower during the six months. Exceptions were Santa Fe, Louisville & Nashville and Southern Pacific but even in these instances the percentage gains were of modest proportions. Even for Santa Fe the price advance amounted to less than 10%.

Of the 60 stocks covered by this survey there were 11 that were up more than 10%. There were 9 that were down more than 10%. In this latter group appeared such names as Chesapeake & Ohio, Pennsylvania and Great Northern. Chesapeake & Ohio and Great Northern were, of course, affected by unfavorable dividend news. Southern Railway common, however, also had unfavorable dividend news to contend with but was off only 3.2%. Others prominent on the down side were more or less specialty situations such as Pittsburgh & West Virginia, Western Maryland and Central Railroad of New Jersey. St. Paul and Denver & Rio Grande Western preferred stocks were additional weak spots, the former in sharp contrast to a large percentage gain for the common.

To a considerable degree the wide percentage gains were in the low-priced stocks, and where dividend prospects are, to say the least, remote. Chicago & Eastern Illinois common led the parade—it was up 88.9% from the 1949 close. Missouri Pacific followed with a gain of 60%, while both the preferred and common stocks of Central of Georgia were up more than 40% during the period. This preferred, incidentally, was among the leaders in actual dollar gain also—up 6¼ points.

Other names prominent on the upside were Chicago and Eastern Illinois "A" stock, Chicago Great Western (both issues), Monon (both issues) and St. Paul common. Of these, only Great Western preferred has been a dividend payer. The other stock that acted well during the period was Seaboard Air Line common, up 5¾ points or 26.7% from the 1949 close. This showing was probably the most logical of the material percentage price gains, as the company's improved credit was acknowledged by the low coupon refunding of its 1st Mortgage bonds and the common went on a regular quarterly dividend basis this year.

Continued from page 5

The State of Trade and Industry

critical developments." He undoubtedly had in mind the Korean incident.

The union was reported to have stated that it does not believe "at this time that we can restore rail service for nothing, especially when small effort has been made by both the railroads and the board to bring about a settlement of the current dispute." The union added, it would move only "emergency shipments."

* * *

The consistent rise in the rate of new business incorporations as compared with a year ago was maintained during May. The number of charters granted last month totaled 9,216, the largest for any previous month since April, 1948 with 9,223, according to Dun & Bradstreet, Inc. They were 23.8% above the 7,445 recorded in May a year ago, with only four of the forty-eight states reporting fewer charters this year than last. The May total of 9,216 showed a rise of 10.0% over the 8,375 for April.

Steel Output Cut Due to Independence Day, Holiday

American industry this week is facing one of its greatest challenges according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. It knows that it will be called upon for high production for many months to come—but it doesn't know whether the production will be for war or peace.

The steel industry is ready for war or peace. In 1941 the nation's annual steel capacity was 81.6 million ingot tons. Capacity today is about 100 million tons and steel companies are still expanding at an average annual rate of more than 2 million tons. Carbon steel producers could change over to a wartime footing almost overnight. But alloy producers would probably encounter some problems resulting from large scale demand for special heat resisting alloys required for jet aircraft.

So far there have been no directives from Washington for accelerated military ordering, allocations, priorities or any of the other wartime controls. However, the ground work is being laid this week for initiating them if and when they are needed, states this trade authority.

Regardless of the international situation, civilian demand for peacetime goods will be insatiable in many lines. People who have held back from buying automobiles, refrigerators, washing machines and other items will now rush into the market, lest stark military necessity deny them such purchases for a long time.

Basic steel is in greater demand than ever and all the expensive ways of obtaining additional tonnage are becoming more attractive. Items like plate and bars that were fairly easy 60 to 90 days ago have been added to the critical list. It has been estimated that as much as 25% of all steel used in the automobile industry, for example, is coming in at more than mill prices. This includes warehouses, conversion, scrap deals and premium prices.

This should be viewed in connection with an authoritative prediction that the auto industry will build 8 million cars and trucks this year. Such a record would be head and shoulders above any previous accomplishment. But this same source has been uncannily accurate in the past. The tip-off for the future is that automobile output for the first half comes to 3,724,000 vehicles, observes this trade magazine.

The trend in steel is still up and steel production men are becoming more and more concerned about rising costs. Scarcely a week goes by but what some ingredient in steelmaking is increased in price. As a result, some steel items are now being produced without profit. This is building pressure under the general steel base price level, in spite of the fact that most steel companies have officially denied that they are contemplating a general price increase, concludes "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 92.6% of capacity for the week begining July 3, 1950.

This week's operating rate is equivalent to 1,765,200 tons of steel ingots and castings for the entire industry, compared to 1,929,100 tons a week ago. A month ago the rate was 101.3% and production amounted to 1,931,000 tons; a year ago it stood at 61.2% and 1,128,200 tons.

Electric Output Scores New All-Time High Record

The amount of electrical energy distributed by the electric light and power industry for the week ended July 1 was estimated at 6,115,119,000 kwh., according to the Edison Electric Institute.

Output of this week again reached a new historical peak. Prior to last week's all-time high record the previous high level was reached during the week of Feb. 4, 1950, when output totaled 6,062,095,000 kwh.

It was 12,831 kwh. higher than the figure reported for the previous week, 704,727,000 kwh., or 13.0%, above the total output for the week ended July 2, 1949, and 949,294,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Hit Highest Weekly Level Since Nov., 1948

Loading of revenue freight for the week ended June 24, 1950, totaled 810,152 cars, according to the Association of American Railroads. This was on an increase of 4,472 cars, or 0.6% above the preceding week, and was the highest for any week since November, 1948.

The week's total represented an increase of 7,211 cars, or 0.9% above the corresponding week in 1949, but a decrease of 78,216 cars, or 8.8%, below the comparable period in 1948.

Auto Output Cut by Elimination of Overtime

According to "Ward's Automotive Reports" for the week ended June 24, motor vehicle production in the United States and Canada dropped to an estimated total of 194,259 units, compared with the previous week's total of 205,334 (revised) units.

Elimination of overtime operations was reported as the cause of the decline.

Total output for the current week was made up of 155,238 cars and 39,551 trucks built in the United States and a total of 6,180 cars and 2,290 trucks built in Canada.

The week's total compares with a combined output of 137,802 units produced in the United States and Canada in the like 1949 week.

Business Failures Increase Moderately

Commercial and industrial failures rose to 156 in the week ended June 29 from 147 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were 12% less numerous than a year ago, but remained above the 103 in the comparable week of 1948. Although failures increased, they were 41% below the prewar level of 264 in the similar week of 1939.

The week's increase appeared in all industry and trade groups except manufacturing.

Four of the nine major regions reported weekly increases in casualties. The New England States reported the only marked decline, to nine from 13, the lowest in 1950. The East North Central, South Atlantic and Mountain states declined slightly.

Food Price Index Attains New 18-Month Peak

A general upward trend in food prices last week pushed the Dun & Bradstreet wholesale food price index for June 27 up to $6.04, a rise of 8 cents, or 1.3% over last week's $5.96. The current figure marks a gain of 6.2% above the comparable 1949 index of $5.69, and represents a new high for almost eighteen months, or since January 11, 1949, when it stoo dat $6.08.

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

Commodity Price Index Moves a Trifle Higher

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range during the past week and closed slightly higher at 266.57 on June 27, as compared with 265.43 a week before. On the corresponding 1949 date the index stood at 238.15.

Trading in grains on the Chicago Board of Trade was less active last week.

Prices were firm but irregular throughout most of the period and moved sharply upward at the beginning of the current week on news of the outbreak of hostilities in Korea.

The cash corn market showed independent strength influenced by Government forecasts of a larger Spring and Fall pig crop. Weather conditions were generally favorable and the new corn crop was said to be making good progress. Cash wheat closed well above a week ago aided by increased export inquiries and brisk weather conditions in Spring wheat areas. Oats prices fluctuated in a narrow range as harvesting operations moved northward.

The domestic flour market was featured by active trading in Spring wheat flours late in the week following price reductions of 20 cents per hundredweight. Aggregate bookings were the largest in many weeks. Export flour business remained slow. Cocoa prices advanced sharply to new high ground for the season. Tightness in the spot market reflected expanded consumption by confectioners, increased demand from European countries and fears of short supplies. Demand for both green and roasted coffee broadened considerably last week with prices showing further gains.

Further easiness in lard reflected slow export demand, weakness in oils and publication of the June pig crop report, indicating a total of 99,000,000 pigs for this year, the largest number in peacetime history.

Cattle prices declined as market receipts expanded to the heaviest volume in almost two months. Hog prices fluctuated irregularly and closed slightly under a week ago. Spring lambs were firm following recent sharp price upturns.

Following early easiness, domestic cotton prices moved steadily upward to close with moderate net advances for the week. Early weakness was influenced by reports of favorable weather conditions in the belt, continued large loan repossessions, and the belief that the new cotton crop may turn out to be much larger than had been anticipated. Strengthening factors in the latter part of the week included mill and export price-fixing, increased activity in the cotton goods market, reports of continued heavy weevil infestation and the report that the ECA had allotted further funds to Norway for the purchase of cotton.

Withdrawals of 1949-loan cotton during the week ended June 15 were reported at 148,177 bales, or only a trifle below the previous week's peak of 149,224 bales. Withdrawals for the season through June 15 totalled 1,827,000 bales, leaving a net stock still in the hands of the CCC of 1,363,000 bales.

Trade Volume Advances Mildly for Week and Year

Consumers spent slightly more money in the period ended on Wednesday of last week than during the week preceding. Much buying was in preparation for the impending holiday week-end. Retail dollar volume for the country was very slightly above the level for the similar week in 1949, states Dun & Bradstreet, Inc., in its latest review of trade. The past week there continued to be an increase in apparel buying by shoppers; sportswear for both men and women was high on the list of items sought. The demand for cotton dresses rose slightly, as did the interest in hosiery, Summer blouses and accessories. While the purchasing of men's wear did not entail an increase in the volume of suits, there was a large interest in shirts and straw headwear. Shoes were prominently requested by shoppers in many localities.

The retail purchasing of food rose slightly last week with the increase in dollar volume stimulated by the approaching four-day week-end. The demand for fresh fruits rose noticeably, as prices generally remained low. Following excessively warm weather in many parts of the nation, the interest in soft drinks, ice cream, and cold cuts rose appreciably. The buying of meat and vegetables was largely unchanged from a week ago.

Spurred by a generally high demand for furniture in many sections, the volume of house-furnishings sold last week increased moderately.

Dollar sales were fractionally above the relatively high level for the corresponding week a year ago.

Intensified promotions in housewares brought about a noticeably increased demand for them in scattered areas. The interest in appliances was practically unchanged, while requests for television dropped from last week's high level.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 3% above to 1% below a year ago. Regional estimates varied from last year's level by these percentages.

New England, South, and Midwest +3 to —1; East and Northwest +2 to —2; and Southwest and Pacific Coast +1 to +5.

With apparel ordering continuing to rise moderately, buying in the nation's wholesale markets increased somewhat in the week. Total order volume was slightly above that for the comparble week a year ago. There was a noticeable dip in the number of buyers attending many wholesale centers.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 24, 1950, rose 1% from the like period of last year. An increase of 6% was recorded in the previous week from that of a year ago. For the four weeks ended June 24, 1950, sales showed a rise of 3% from the corresponding period a year ago, but for the year to date a drop of 2%.

Retail trade in New York last week rose in response to a favorable demand for summer goods. As a consequence, department store sales were lifted to about 6% above the like week of 1949.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 24, 1950, declined 2% from the like period of last year. In the preceding week no change was registered from the similar week of 1949. For the four weeks ended June 24, 1950, the same held true. For the year to date volume decreased by 5%.

Notes Paradox in Federal Deficits

"The Guaranty Survey," monthly publication of Guaranty Trust Co., points out incongruity of government deficits in time of full employment and general prosperity, in light of "managed economy" doctrine of government surpluses in such periods.

The paradox of governmental deficits in this time of relatively full employment and general prosperity was featured in current issue of "The Guaranty Survey," the monthly publication of the Guaranty Trust Company of New York.

"The real irony is discernible under the heading of 'economic planning' and the 'managed economy' that recall the political doctrines and shibboleths of the depression of the 1930's," it is stated in the feature article of the issue, titled, "Mismanaging a 'Managed' Economy."

"If the attainment of full employment is the basic aim of social policy, then that condition is here now for all practical purposes. In the troublous period of the 1930's the advocates of managed or compensated economy argued that deficit financing was justifiable in times of widespread unemployment. Heavy government spending, it was believed, would create jobs, swell purchasing power, 'prime the pump' of recovery.

"Spending heavily during bad times, the managed economy would provide budgetary surpluses during good times for reducing the national debt. So it was thought," continued "The Guaranty Survey."

"These are good times in 1950," declared the bank monthly, "so what of the managed or compensated economy as it affects the debt burden? In the concept of a 'managed economy,' what is happening to the managing? If ours be a 'planned' economy, then what has become of the 'plan' for debt reduction during good times?

"Cheapening the dollar by attrition jeopardizes the whole Federal policy of 'social security' for the masses of citizens," continued "The Guaranty Survey." "In fact, social security can become social insecurity if and when the dollars paid in old-age pensions, life insurance and other fixed obligations are dollars of declining purchasing power. In 1940 a pension of $100 a month provided as much in necessities and comforts as one of $168 does now. The $25 received by a citizen today for a maturing United States Savings Bond has 21% less purchasing power than the $18.75 paid for the bond ten years ago.

"The thinking American does not desire public parsimony at the sacrifice of good government or adequate military preparedness," in the opinion of "The Guaranty Survey," "but he has the right to expect his government to exercise enough fiscal prudence to live within its income in a time of full employment and general prosperity. This is a social responsibility that is as binding on the 'liberals' as on anyone else — especially those who have dogmatically preached the virtues of 'compensatory' governmental spending, and held out the prospect of financial security and paternalistic benefits from the public treasury."

Woods Heads Dept. at Walston, Hoffman

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, announce the opening of a commodity department at the New York office, 35 Wall Street, under the management of Robert J. Woods. Establishment of the new department follows the firm's election to membership in the New York Cotton Exchange, Chicago Board of Trade, New York Produce Exchange and Commodity Exchange, Inc. and marks another step in the firm's expansion of its services.

Mr. Woods is well known in the commodity futures trade, having been associated over the past 25 years with a number of leading Wall Street firms in the development of futures business. He was with Paine, Webber, Jackson & Curtis for 13 years and later with Dean Witter & Co.

Walston, Hoffman & Goodwin, one of the leading investment and brokerage firms on the Pacific Coast, extended its operations into eastern territory with the opening of an office in New York in November, 1948. Since that time eight additional offices have been established in eastern cities, making a total of 30 offices from coast to coast now maintained by the firm. The principal offices are in New York, San Francisco, Los Angeles and Philadelphia.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John D. Gould has joined the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The universal explanation for the break of last week is the Korean explosion. As if an explanation makes the losses any the less palatable. Whether or not the market will now snap out of it and shoot up is something I don't have the answer to.

* * *

This does not mean I am going to avoid answering the question. The chief trouble is that it will have to be an answer based on factors I am probably not capable of explaining. Primarily the solution, or rather the clue to the solution, is to be found in the market itself. This means a spy-glass view of the technical performance in the face of certain news, the depth of the recent reaction and the by-products of public action in the face of fears and hopes acquired through many years of study.

* * *

First let me point out that according to a strict Dow interpretation, the market now finds itself in the position where it has to go through the old highs, 228.39 in the industrials, and 54.37 in the rails to affirm the continued prevalence of a bull market. Should the averages fail to go through a strict Dow interpretation we have been in a bear market since the middle of June.

* * *

To the theorists this interpretation of market movements will probably make provocative conversation and double talk. To the market participant all this is "jabberwocky." If they go up, we will be in a bull market; if they go down, we won't. You can't make any money playing them that way—at least I can't.

* * *

I prefer a second interpretation, one based on the average action during the past hectic week. If you take a look at the averages, you will notice that the lows last week were all in the immediate region of 206-207. At the same time the highs were on the descending scale. For the point of this argument the highs can be disregarded, but I call your attention to the lows as being of more than minor significance.

* * *

To be more specific, a list of stocks should be lined up, the action of which is similar to that of the averages, and the lows should be computed on the lows made by the same averages. The stocks which did not go down as much as the averages would be in the first group; the stocks which acted with the averages would be in the second group, while those which went lower than the averages should be put aside as candidates for short sales on any subsequent rallies.

* * *

To sum it up, the stocks in the first list would be the ones to buy, but even there reservations are called for. Should any of these stocks break below the lows of last week they should be dumped. A stop might be placed to do the thing for you even though stops are two-edged weapons in a breaking market, but until something better is devised the stops will have to suffice.

[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.]

First New Jersey Corp. Formed in Jersey City

JERSEY CITY, N. J.—The First New Jersey Corp. has been formed with offices at 921 Bergen Avenue to engage in the securities business. Officers are Hubert D. Gallagher, President; Bernard Rodetsky, Vice-President and Treasurer; Hugh A. Kelly, William Heppenheimer and Harry E. Roche, Vice-Presidents (Mr. Roche is also Assistant Treasurer); and Ruth I. Mulligan, Secretary.

Mr. Gallagher in the past conducted his own investment business in Jersey City. Messrs. Rodetsky, Kelly and Heppenheimer are officers of Bailey, Dwyer & Company.

Continued from first page

The Construction Outlook

The intimate relation of government policies urging and supporting the private operator is abundantly clear in the field of residential construction, which accounts for 54% of the turnover in the private total of $3.3 billion this first quarter. This work has been handled with such a makeshift capital structure that housing has well been called the industry that capitalism forgot. Where else do you find an enormous volume of money being manipulated with so little risk capital? And where else do you find the customer financing the product so meekly?

On this angle of the construction outlook I recommend re-reading your library copies of "Fortune," August, 1947, "The Industry Capitalism Forgot." The editors of "Fortune" detail for you the concoction of credit which serves private developers so that they can produce new dwellings of every size and shape. "Fortune" remarks could be rewritten to apply to the non-residential and other types of construction which comprise the private work set out in Table I.

Construction Industry Will Be Kept at Peak

Make no mistake: the construction industry will be kept at peak capacity indefinitely by the assortment of latent demands, and by government aid. But the capacity of the industry is shrinking in terms of the manpower available to operate it. Hence the peak capacity in locality after locality, is being pulled down.

Speaking literally, the life blood of the construction industry is unique in the American scene. The manpower which builds is skilled in crafts which require long apprenticeship and on-the-job training, beyond the patterns common to other businesses. The construction industry is skilled right down to the laborers, and experience counts when contractors use laborers to handle materials and equipment, and to keep the job in shape for the trades to come in, work, and make way for those who follow in sequence.

Most of you will realize, if you but stop to reflect on history for the last 25 years, that the manpower of the construction industry has not been revitalized for so long that **we could have a major collapse if the men nearing 65 were to drop out summarily.**

Apprentices were being recruited and sent to school and shop in 1925. By 1928 their apprenticeship was being rewarded with journeymen's cards in their unions. But construction was slowing, and by 1930 many unions were "cool" toward increasing their own competition in their local areas.

Apprenticeship faded out of the picture as the union men got hungrier and hungrier. By 1937 business was better, but the men in the "locals" saw no merit in large scale apprenticeship, because they knew the local conditions did not have year-round continuity, and annual earnings were poor. Too poor to make building tradesmen attractive customers for home-ownership. But there was a trickle of apprentices coming into the national picture, and by 1940 the prospect of apprentices to swell the union rosters was "comfortable" if not generous.

The Selective Service Act of 1940 set up a scheme for military training, and presently the building trades apprentices found themselves sought after by the gentlemen who had to fill quotas for the armed forces. The apprentices were prime physical specimens, single, and with good educational background, and not "indispensable" to the home town affairs.

By 1941 building trades apprentices were flockging to the "See Bees" of the Navy, for they could see the shape of things to come, and wanted to keep their identity with the construction industry by enlisting for military building operations.

The apprenticeship system ground to a stop during the war. Subsequently a good number of men with construction experience in the armed forces tried to make their way into the ranks of journeymen in the respective trades, but they found themselves beyond the age limits set in prewar years for apprenticeship and the road looked too tedious for others who had family obligations and needed jobs with substantial income quickly. They just couldn't wait for the training and experience which is essential to the specialized crafts.

Apprenticeship in Bad Way

Apprenticeship today is in a bad way because the on-the-job phase of their training programs is handled as a quasi-charitable activity charged against the payroll of the contractor who has a job in progress and has enough journeymen on the individual job to maintain the requisite ratio of apprentices to skilled mechanics. The vast bulk of contractors do not have enough men on a single job to give the apprentice the kind of training which is required. It is not helping the apprentice to use him in lieu of a janitor. He must work with the tools and materials of his trade, under skilled guidance.

One of the anomalies of this problem is the fact that general contractors see the need for apprentices, but they do not place apprentices. That is the task of the contractor specializing in a specific trade. If the subcontrator does his job with very small crews, he can't include apprentices, for training rules stipulate ratios of learners to skilled men.

The age pattern of the manpower in the respective trades is rapidly getting toward the retirement level. Actually, many union "locals" are working hard on this problem for the financial security of the union itself is at stake. The dues-paying members are fading away, and new men are not coming in as fast as the old ones drop out.

The financial losses taken by contractors who didn't know their costs and how to run their jobs in recent months, is quietly returning many so-called contractors to their former status as foremen. This doesn't help make job openings for apprentices. The key is the number of skilled men working on the job at the time the apprentice is to be there.

I have outlined the national picture with these brief statements because the problem is concealed in the "grass roots," in the local labor market, and in the hands of men who have to make a living day by day, and who have little time or financial margin with which to engage in a job-training program which is sure to be costly in both time and money.

But the men of the skilled trades age every day, and the typical age of skilled workmen, town by town, is likely to be over 55. You can get your local data from the union secretaries who handle insurance fund collections and claims. They seldom publish their facts, but they know and will tell you if you go about it right.

Problem Should Be Treated Locally

This aspect of the construction industry is basically a local problem and should be treated by methods which will alleviate it locally, because the skilled workman should be a local asset, not an itinerant seeking better jobs far away. But the time element is running out and the cracks are showing in the foundation of our labor force for the construction industry

Full understanding of the construction industry outlook requires that the products to which our credit and savings are going should be scrutinized. Speaking broadly, the construction industry is producing structures ordered by sponsors conversant with their requirements or market. In the non-residential fields, no one will cavil at the judgment of the investors. Nationwide, we seem to be doing a fairly good job of keeping our factories and utilties up-to-date. State and Federal taxation policies will speed or slow our willingness to follow our judgment of what should be done. But the demand for maintenance and replacement of facilities is geared to the ever-expanding capacity of our people to use more and produce more of everything.

The field of residential construction merits much more study than non-residential, because we cannot be at all sure the typical products are fitted to the long-term market. We may be heading into real trouble in the residential

TABLE I
NEW CONSTRUCTION ACTIVITY
(Millions of dollars)

Type of Construction—	1st 3 Mos. 1950	Percent Change From 3 Mos. 1949
*Total new construction	4,391	+ 18
Total private construction	3,332	+ 17
Residential (excluding farm)	1,800	+ 44
Nonresidential building	741	— 9
Industrial	208	— 33
Warehouses, office and loft buildings	73	— 10
Stores, restaurants and garages	153	— 3
Other nonresidential buildings	307	+ 14
Religious	84	+ 12
Educational	61	— 3
Hospital and institutional	72	+125
Social and recreational	52	— 10
†Remaining types	38	— 7
Farm construction	42	+ 5
Public utility	689	— 2
Total public construction	1,059	+ 21
Residential	68	+162
Nonresidential building	433	+ 27
Educational	230	+ 25
Hospital and institutional	124	+ 44
Other nonresidential building	79	+ 13
All other public construction	558	+ 10

*Joint estimates of the Department of Commerce and the Department of Labor.
†Includes hotels and miscellaneous.
• SOURCE: Architectural Forum, May, 1950.

field because the businessmen directing the production of houses feel inclined to build something on which they know they can make a profit, even though less familiar or less profitable products would serve the customers better.

As a nation we need about a million dwelling units per annum, to serve the net increment of family demand, and to replace the dwellings which become uninhabitable. But surely we don't need vast suburban development; and rental housing in the form of tiny apartments at luxury prices is unrealistic when we consider the assortment of families to be accommodated.

The need for publicly-owned housing is largely a reflection of the fact that the building industry hasn't devised ways to serve customers who are unable to pay economic rates to occupy brand new buildings. Easier terms are part of the story. Today we see new houses out-selling more adequate but older structures because the customer can meet the terms for the one, and can't show savings and credit rating adequate to command the other.

We have a vast need for types of buildings at locations which will serve the market for years to come, but the construction industry can't see its way clear to handle the assignment at an immediate profit. The capital structure is incompetent! The potential profits are not spectacular, and the volume of capital required is prohibitive if the work is financed by the customers. Basically there is nothing wrong that couldn't be cured by true risk capital, but there has never been a housing boom based on risk money. (True, the mortgage investors of the '20s lost their loans in the '30s, but the builders took their profits in the '20s and left the customers to worry it out.)

Larger Rental Apartments Needed

We need rental housing in generous sized apartments, and we need to rebuild our towns and cities in their older neighborhoods. In many ways these twin goals could be met by one operation, if the production of suitable apartments could be handled as part of the neighborhood redesign.

Americans live longer than they did in earlier generations. Thus, there is a growing segment of our families who want places to live, but they should not have the burdens of property maintenance and repair, and their health limits their ability to climb stairs. They should have the benefits of the construction industry in the form of pleasant, comfortable quarters, at reasonable rates, and in locations which are attractive and convenient. And many should be elevator-type buildings for middle-aged families!

The figures on 1949 housing production (Table II) would lull one into a false sense of security.

Since most rental housing is built in cities, the bulk of 1949 production should be contrasted with the record for urban production. The indicated ratio of some 40% of 1949 urban housing as being for rent, must be qualified. Too much went into too few urban areas, and too much was small apartments at higher rents than the bulk of market demand.

One way to tackle the problem of producing adequate, modern apartments at monthly charges which are not too great, has been undergoing test in Chicago for almost 30 years. There is a way to do the job, if we follow the pioneering which has marked the trail. We can see how to expand the potential usefulness of the method, by combining it with other features familiar to American merchandising.

Merchant builders agree that there are ways to economize in the production of buildings. They also have the bugaboo of rising wages in the building trades, offset by lowering productivity as the mechanics age and become scarce. Note their views, as quoted from "Architectural Forum."

TABLE III

MERCHANT BUILDER SURVEY, By "Architectural Forum," 1950

List in the order of their Dollar-and-Cents importance the various techniques and materials you use to reduce costs?

Power tools	11%
Precutting of lumber	11
Preassembly of parts	7
Site fabricat[illegible]	6
Close supervision	14
Dry wall construction	12
Quantity buying	7
Volume production	4
Standardization of [illegible]	5
Uniformity of design	3
Slab floor construction	6
Asphalt tile flooring	2
Subcontracting	4
Asbestos cement sliding	4
No subcontracting	2
Forced air heating	1
Prefabricated parts	1
	100%

Which of the Following Costs, in Your Opinion, Is Furthest Out of Line?

Building material costs	11%
Building labor wages	49
Mortgage interest rates	10
Land costs	19
Land Improvement costs	11
	100%

With Reference to Building Labor Wages, Which Trades in Your Opinion, Are Farthest Out of Line?

Plumbers	24%
Plasterers	17
Masons	17
Bricklayers	16
Carpenters	11
Others	15
	100%

Builders can increase their efficiency in better tools and better supervision. More economical materials are introduced daily. But builders can't reduce wages when available manpower is shrinking. Within the framework of factors which builders can control, we need to stimulate the kind of apartment production which I referred to above.

TABLE II

HOUSING STATISTICS

(Source: Bureau of Labor Statistics)

Permanent Nonfarm Housing Started

	1949		1948
December	*79,000	December	52,000
First twelve months	*1,019,000	First twelve months	931,300
	1950		1949
April	*126,000	April	88,300
First four months	*394,700	First four months	258,100

*Preliminary.

Urban and Rural Nonfarm Housing

	September 1949	1st 9 Mos. 1949	September 1948	1st 9 Mos. 1948	January 1950	January 1949
Urban	62,400	423,100	44,200	413 100	48,200	29,500
Rural	40,500	323,900	38,000	328,300	30,500	20,500
Total	102,900	747,000	82,200	741,400	78,700	50,000

Rental-Type Housing Starts (Total two-family and multi-family)

	September 1949	1st 9 Mos. 1949	September 1948	1st 9 Mos. 1948	January 1950	January 1949
Total	25,200	173,200	12,900	130,500	16,300	12,900

The Chicago Community Development Trust

Buildings built in Chicago by the plan devised for the Community Development Trust, are today, offering apartments with three bedrooms, living room, dining room and kitchen in walk-up or elevator type buildings, at monthly charges comparable to 1941 "frozen rents." Older buildings handled under that plan have paid off their mortgages, and apartments are going at rates as low as $38 per month, for six-room units including amenities such as natural fireplaces, dish washing machines, and garage space for the family car.

This is not the time to tell you the working details of the scheme, but the essence of its success lies in combining a modest payment by the tenant monthly, with an initial investment in a trust fund, both being managed by a panel of building industry and real estate specialists employed by the trustee who holds title to the apartment buildings.

Conventional mortgage financing is used to span the difference between the initial trust fund and the cost of the land, buildings and services. When the mortgage is liquidated, the trustee still owns the property, but the monthly charges drop to a level of actual operating costs; hence, less than $50 per month. Many are priced in the $38 to $45 range.

The limitations on the method are partly technical, and in some ways education of the construction industry is as urgent as educating the prospective tenants. At two points in the scheme capital is needed, beyond the volume which has appeared to date. I see no reason to feel the lack of capital is a basic limitation. I mention it for I realize that the method can be used anywhere in the country with just the customers' funds as the basis of operation. But if capital were made available to facilitate installment purchase of trust certificates the eagerness of promoters to use the method would promptly launch the educational campaign which is needed to bring the story before the public.

Apartment construction is the size of job that uses enough journeyment in each trade to justify having an apprentice on the job, too. If you will read the presentation in "Architectural Forum," January, 1950, of the Community Development Trust you will have the general outline. Then the way out of the manpower impasse may become clear in each locality where apartment building will serve the market. The task of devising a capital structure for one segment of the construction industry might also be met by channelling capital in quantities to the trust accounts which would be created for the ownership of the buildings in each locality.

Having worried you about three phrases of the construction picture and offered one cheerful comment, I urge you to go into these three interrelated problems in your respective localities. Remember, the construction industry is a nation-wide composite of local activities, and you can help strengthen it at the grass roots.

Field & Co. Add

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John O. Cowman has joined the staff of Field & Co., Cascade Building.

With Chas. N. Tripp

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—A. A. Lesseg has become connected with Chas. N. Tripp Co., American Bank Building.

Continued from page 15

Teaching Capitalism By Making Capitalists

various productive activities as well as through the purchase of small shareholdings in various companies.

The individual with limited funds is often told to invest only in savings deposits, bonds, or some other highly liquid asset. Certainly everyone should hold part of his assets in such investments to provide for emergencies. But the holding of all of one's assets in this manner may prevent the individual from advancing his material position. America was founded by individuals who were willing to assume risk in return for the possibility of advancing their economic level.

We all remember Aesop's Fable of the dog and his bone. The dog lost his bone by grabbing at its reflection. People who attempt to find security by limiting their investments to highly liquid assets may find that their actions are making such security impossible. The Federal Government then finds it necessary to resort to deficit financing to offset the reduced amount of risk funds flowing into capital projects. Deficit financing often results in a loss in the purchasing power of the dollar. Thus those who attempt to find security by holding assets with a fixed dollar value may find that they lose more in purchasing power than they gain in security.

In the last century the purchasing power of the dollar has declined an estimated 72%; in the last half-century, 62%, and in the last decade, 41%. Those who placed $1,000 in Series E savings bonds a decade ago and added to the $1,000 the accumulated annual interest compounded at 2.9% find today that their purchasing power of this investment and its income is equivalent to only $766 of the 1940 dollars. Instead of obtaining security as expected, they have been losing while saving.

Every American has the opportunity of participating in the ownership of industry and should take advantage of this privilege by purchasing at least one share of stock in one of the private corporations whose stock is traded on a public securities market. The expenditure will be repaid many times over in the educational value gained from such a purchase.

At the Baldwin-Wallace College students are learning the importance of a continuous flow of savings into private investment channels. They know that investors with moderate means can intelligently participate in the ownership of shares of stock in private corporations. They realize that successful investment requires hard work but that those who do work hard are well rewarded in our economic system for their efforts. These young Americans are learning to understand capitalism in the most effective way possible, that is, by becoming capitalists. If the interest expressed by these young people is at all typical then there is still a great latent strength present in the American capitalistic economy.

Wm. Covington With Bacon, Whipple Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William S. Covington has become associated with Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Covington was formerly associated with the Chicago office of James H. Oliphant & Co.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles H. Eldredge has become associated with Reynolds & Co., 208 South La Salle Street. He was formerly with Talcott, Potter & Co.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David B. Belmont is with Samuel B. Franklin & Company, 215 West Seventh Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 9	92.6	101.2	101.3	61.2
Equivalent to—					
Steel ingots and castings (net tons)	July 9	1,765,200	1,929,100	1,931,000	1,128,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	June 24	5,354,750	5,347,400	5,118,000	4,944,050
Crude runs to stills — daily average (bbls.)	June 24	§5,636,000	5,565,000	5,591,000	5,322,000
Gasoline output (bbls.)	June 24	19,626,000	19,034,000	18,704,000	18,462,000
Kerosene output (bbls.)	June 24	2,001,000	2,033,000	2,327,000	1,653,000
Gas, oil, and distillate fuel oil output (bbls.)	June 24	6,868,000	7,065,000	7,201,000	5,148,000
Residual fuel oil output (bbls.)	June 24	7,461,000	7,467,000	7,421,000	7,856,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 24	115,036,000	116,374,000	122,757,000	115,715,000
Kerosene (bbls.) at	June 24	20,165,000	19,507,000	16,075,000	23,313,000
Gas, oil, and distillate fuel oil (bbls.) at	June 24	50,580,000	47,717,000	40,607,000	63,043,000
Residual fuel oil (bbls.) at	June 24	41,291,000	40,740,000	39,308,000	66,146,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 24	810,152	805,680	780,959	802,941
Revenue freight received from connections (number of cars)	June 24	667,761	655,076	676,532	572,550
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 29	$287,582,000	$256,200,000	$206,467,000	$180,900,000
Private construction	June 29	177,294,000	141,592,000	100,340,000	96,484,000
Public construction	June 29	110,288,000	114,608,000	106,127,000	84,416,000
State and municipal	June 29	88,994,000	88,598,000	95,493,000	61,621,000
Federal	June 29	21,294,000	26,010,000	10,634,000	22,795,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 24	10,540,000	*10,440,000	10,085,000	11,934,000
Pennsylvania anthracite (tons)	June 24	950,000	886,000	1,042,000	1,139,000
Beehive coke (tons)	June 24	134,000	*137,200	115,300	73,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 24	250	302	282	247
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 1	6,115,119	6,102,288	5,631,934	5,410,392
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 29	156	147	168	177
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 27	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	June 27	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	June 27	$37.67	$39.00	$37.25	$19.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 28	22.200c	22.200c	20.200c	15.700c
Export refinery at	June 28	22.425c	22.425c	20.425c	15.925c
Straits tin (New York) at	June 28	78.500c	76.875c	78.000c	103.000c
Lead (New York) at	June 28	11.000c	12.000c	12.000c	12.000c
Lead (St. Louis) at	June 28	10.800c	11.800c	11.800c	11.850c
Zinc (East St. Louis) at	June 28	15.000c	15.000c	12.500c	9.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 3	102.15	101.95	102.54	102.83
Average corporate	July 3	115.04	115.24	115.82	113.12
Aaa	July 3	120.22	120.43	120.63	119.00
Aa	July 3	118.80	119.00	119.41	117.40
A	July 3	114.85	115.04	115.24	112.37
Baa	July 3	107.09	107.44	108.34	104.48
Railroad Group	July 3	109.42	109.97	110.70	107.44
Public Utilities Group	July 3	116.41	116.61	116.80	114.66
Industrials Group	July 3	119.61	119.61	120.02	117.60
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 3	2.34	2.35	2.31	2.29
Average corporate	July 3	2.90	2.89	2.86	3.00
Aaa	July 3	2.64	2.63	2.62	2.70
Aa	July 3	2.71	2.70	2.68	2.78
A	July 3	2.91	2.90	2.89	3.04
Baa	July 3	3.33	3.31	3.26	3.48
Railroad Group	July 3	3.20	3.17	3.13	3.31
Public Utilities Group	July 3	2.83	2.82	2.81	2.92
Industrials Group	July 3	2.67	2.67	2.65	2.77
MOODY'S COMMODITY INDEX	July 3	411.2	401.0	396.5	333.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 24	208,738	205,526	187,300	158,700
Production (tons)	June 24	211,027	209,448	209,350	169,612
Percentage of activity	June 24	94	93	93	80
Unfilled orders (tons) at	June 24	390,879	395,147	333,486	241,787
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 30	121.1	120.6	120.6	127.9
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	June 17	27,376	29,623	29,697	20,572
Number of shares—Customers' total sales	June 17	833,176	904,850	918,137	560,201
Dollar value	June 17	$38,337,323	$41,289,592	$39,906,201	$19,165,927
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 17	30,777	34,629	35,199	19,061
Customers' short sales	June 17	168	321	189	383
Customers' other sales	June 17	30,609	34,308	35,010	18,678
Number of shares—Customers' total sales	June 17	866,107	994,556	983,165	527,860
Customers' short sales	June 17	5,960	11,038	7,179	15,314
Customers' other sales	June 17	860,147	983,518	975,986	512,546
Dollar value	June 17	$35,526,685	$39,737,085	$37,448,207	$16,938,143
Round-lot sales by dealers—					
Number of shares—Total sales	June 17	306,310	342,130	339,310	165,510
Short sales	June 17	------	------	------	------
Other sales	June 17	306,310	342,130	339,310	165,510
Round-lot purchases by dealers—					
Number of shares	June 17	246,220	243,570	277,160	204,750
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 27	157.0	157.1	156.8	153.5
Farm products	June 27	165.0	166.2	167.5	166.2
Grains	June 27	169.3	167.9	171.9	151.2
Livestock	June 27	217.5	224.0	229.4	208.2
Foods	June 27	162.7	162.5	161.5	160.5
Meats	June 27	241.5	*241.0	238.7	225.1
All commodities other than farm and foods	June 27	148.6	148.3	147.7	145.4
Textile products	June 27	136.3	135.9	135.6	139.2
Fuel and lighting materials	June 27	133.0	133.1	132.9	129.9
Metals and metal products	June 27	173.1	173.0	171.3	166.9
Building materials	June 27	201.2	*201.1	199.6	191.4
Chemicals and allied products	June 27	114.2	113.9	116.0	116.6

*Revised figure. §Includes 528,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (bbls. of 42 gallons each)	163,068,000	165,799,000	162,700,000
Domestic crude oil output (bbls.)	149,052,000	151,213,000	150,354,000
Natural gasoline output (bbls.)	13,999,000	14,569,000	12,335,000
Benzol output (bbls.)	17,000	17,000	11,000
Crude oil imports (bbls.)	15,229,000	*14,614,000	11,952,000
Refined products imports (bbls.)	11,315,000	12,332,000	5,832,000
Indicated consumption—domestic and export (bbls.)	192,031,000	*216,360,000	174,649,000
Decrease—all stocks (bbls.)	2,469,000	*23,747,000	‡5,835,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of May	9,216	8,375	7,445
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,313,632	*6,087,079	6,349,900
Oven coke (net tons)	5,865,380	5,662,620	5,814,400
Beehive coke (net tons)	448,252	*424,459	535,500
Oven coke stocks at end of month (net tons)	718,111	700,164	1,747,700
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of May 15:			
All items	168.6	167.3	169.2
All foods	200.3	196.6	202.4
Cereals and bakery products	169.6	169.3	170.1
Meats	239.5	227.9	232.3
Dairy products	177.8	179.3	182.6
Eggs	144.4	150.5	190.9
Fruits and vegetables	206.5	200.5	220.7
Beverages	299.2	307.6	207.2
Fats and oils	137.3	135.2	144.4
Sugar and sweets	174.6	175.2	176.1
Clothing	185.1	185.1	191.3
Rent	123.5	123.1	120.4
Fuel, electricity and refrigerators	138.8	141.4	135.4
Gas and electricity	97.1	97.2	96.9
Other fuels	189.1	195.6	182.7
Ice	146.6	146.6	140.1
House furnishings	185.4	185.6	189.5
Miscellaneous	155.3	154.8	154.5
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of May:			
Cotton Seed—			
Received at mills (tons)	94,580	183,349	19,319
Crushed (tons)	275,850	365,151	261,911
Stocks (tons) May 31	495,029	676,299	343,442
Crude Oil—			
Stocks (pounds) May 31	65,083,000	*82,539,000	118,896,000
Produced (pounds)	90,610,000	120,814,000	87,873,000
Shipped (pounds)	106,798,000	*127,349,000	125,727,000
Refined Oil—			
Stocks (pounds) May 31	251,672,000	*285,761,000	227,587,000
Produced (pounds)	98,983,000	*116,520,000	115,419,000
Consumption (pounds)	130,694,000	118,392,000	125,584,000
Cake and Meal—			
Stocks (tons) May 31	178,625	182,209	104,700
Produced (tons)	124,140	162,095	117,678
Shipped (tons)	127,724	166,332	108,784
Hulls—			
Stocks (tons) May 31	79,151	82,277	113,443
Produced (tons)	64,727	85,943	61,751
Shipped (tons)	67,853	88,323	57,345
Linters (running bales)—			
Stocks May 31	98,504	107,258	201,612
Produced	78,497	106,685	79,908
Shipped	87,231	126,201	90,076
Hull Fiber (1,000-lb. bales)—			
Stocks May 31	219	257	1,918
Produced	251	300	1,019
Shipped	289	547	1,121
Motes, grabbots, etc. (1,000 pounds)—			
Stocks May 31	4,475	5,813	10,064
Produced	1,772	2,535	1,169
Shipped	3,110	3,029	1,734
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of April (000's omitted)	22,396,907	22,564,518	20,401,121
Revenue from ultimate customers—month of April	$410,075,600	$414,263,200	$374,735,300
Number of ultimate customers at March 31	43,478,939	43,289,183	41,355,734
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:			
All manufacturing (production workers)	11,592,000	*11,551,000	------
Durable goods	6,191,000	*6,071,000	------
Nondurable goods	5,401,000	*5,480,000	------
Employment indexes—			
All manufacturing	141.5	141.0	141.8
Payroll indexes—			
All manufacturing	337.1	*333.3	319.2
Estimated number of employees in manufacturing industries—			
All manufacturing	14,153,000	*14,101,000	14,177,000
Durable goods	7,546,000	*7,418,000	7,656,000
Nondurable goods	6,607,000	*6,683,000	6,521,000
HOUSEHOLD WASHERS AND IRONERS—STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of May:			
Factory sales of washers (units)	304,640	333,072	214,000
Factory sales of ironers (units)	27,400	31,600	19,500
Factory sales of dryers (units)	16,122	25,140	3,910
PORTLAND CEMENT (BUREAU OF MINES)—Month of May:			
Production (bbls.)	19,950,000	18,088,000	18,622,000
Shipment from mills (bbls.)	22,834,000	18,375,000	19,426,000
Stocks (at end of month) (bbls.)	20,043,000	*22,928,000	22,170,000
Capacity used	90%	85%	86%
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of March:			
Net railway operating income	$75,706,315	$15,236,247	$66,102,660
Other income	16,459,294	15,265,580	17,350,913
Total income	92,165,609	30,501,827	83,453,573
Miscellaneous deductions from income	4,616,875	2,613,449	2,847,313
Income available for fixed charges	87,548,734	27,888,378	80,606,260
Income after fixed charges	52,752,210	§6,140,013	45,258,406
Other deductions	3,315,608	3,161,444	3,100,845
Net income	49,436,602	§9,301,457	42,157,561
Depreciation (way & structures & equip.)	34,920,312	34,842,685	33,111,890
Amortization of defense projects	1,317,026	1,374,594	1,357,574
Federal income taxes	31,548,927	9,630,674	23,897,270
Dividend appropriations:			
On common stock	11,595,049	20,983,673	23,214,687
On preferred stock	4,945,685	14,308,456	4,133,401
Ratio of income to fixed charges	2.52	0.82	2.28

*Revised. ‡Increase—all stocks. §Deficit.

Continued from page 4

Federal Reserve Views Credit Aid to Small Business

their regular business lending activities and are designed for small business. The response to these programs, as evidenced by inquiries, loan applications, and loans granted by the bank, indicates an unsatisfied demand for credit on the part of small business which, while it may not be large in terms of total dollar volume, is none the less real. While the loan terms under these special programs have varied from one bank to another, they generally include (1) maturities up to 24 months on miscellaneous loans, and up to 5 years on loans for equipment and other longer-term needs; (2) repayment of principal and interest in regular instalments; and (3) flexibility as to security depending on the circumstances of the particular case. The loans have been granted for a variety of purposes, including financing of working capital requirements, payment of taxes and trade indebtedness, purchase of machinery and equipment, construction of buildings, and acquisition of partnership interests. The number of different types of business represented by borrowers is surprisingly large — one bank sent me a listing which showed loans outstanding to small businesses in 38 different industrial and trade groups, ranging from advertising, drugs, and furniture to radio supplies, stove manufacturing, and wholesale plumbing. Among the borrowers were candy jobbers, hardware stores, jewelers, used car dealers, electrical contractors, truckers, surgical supply dealers, and ice manufacturers, to mention just a few among many.

Inquiries elicited by these programs revealed that in a number of cases those engaged in small business were unfamiliar with the various services that commercial banks can offer, or with the different types of credit available to meet business needs. In some instances, the banks found that small businesses were seeking managerial advice as much as they were additional funds, while in others it was determined that bank credit was not adaptable to the particular situation. At the same time banks were able to place funds at the disposal of many concerns which had previously been unable to obtain financing.

Appraisal of Conflicting Views

It is difficult to give a satisfactory answer to the question: "How great is the need of small- and medium-sized business for special and additional financing facilities?" I do not subscribe to extremists' views on either side of the question. Many of the so-called statistical facts cited in support of one viewpoint or another are merely opinions. Despite opinions that all legitimate needs for bank credits are adequately served, banks that have recently undertaken to explore the field have discovered an unsatisfied group of borrowers. At this stage, however, there is no way of saying how big that group is.

I would sum up the situation this way:

(1) There are pockets in which, for one reason or another, existing financing facilities do not fully meet the needs of small business.

(2) Short- and medium-term financing generally presents no great problem, except perhaps in some localities and for very small and often new concerns. Commercial banks generally have demonstrated their willingness to provide such credit for the latter group. However, many banks, particularly the smaller banks, have not developed the necessary facilities to assure adequate coverage.

(3) Easy availability of short- or medium-term credit may encourage businessmen to rely on it too heavily, even using it to finance long-term needs. Should profits decline or credit conditions become tighter, they may then find themselves in serious financial difficulties. What these small businesses really need is financing that will not be too burdensome when the going gets temporarily rough—in other words, equity capital and long-term credit. Moreover, they often need more equity capital in order to qualify for short- and intermediate-term loans from banks.

(4) Small business concerns do not have access to equity and long-term borrowed capital in the way that large companies do. For one thing, the costs of preparing and marketing a small equity or long-term debt issue are prohibitive. For another, there is frequently neither a new issue market nor a secondary market for the equity or long-term debt instruments of small businesses, either in the community where they are known or on the outside.

(5) Neither stock nor bond financing in the forms generally available is what the small businessman is looking for. The sale of bonds and preferred stock is generally impractical, except to relatives and close friends. Frequently, the small businessman does not want to sell common stock. The sale of common stock to outsiders, unless to institutions especially authorized to participate on a limited basis, means that the small businessman will have to share the control of his business with others, or perhaps relinquish control. Most small businessmen value their independence highly—that is one of the primary reasons why they go into business for themselves. Debt may prove to be a financial "strait-jacket" in times of economic adversity.

(6) The tradtional suppliers of equity and long-term credit funds to small business—the friend-of-the family or the local financier—are becoming less and less important in the local financial picture. The growing difficulty of finding a partner, silent or otherwise, is due in part to tax considerations. Also, it is due in part to a change in investment preferences of individuals. There have been indications in recent years of a trend away from equity investment to life insurance, tax-exempt securities, and other highly liquid assets.

(7) There are very few institutions in existence equipped to supply small business with both long-term credit and equity capital. There are, undoubtedly, many cases in which some combination of equity capital and long-term credit would prove more suitable than either one by itself. To meet such needs, financing must be tailored to the requirements of each individual business, and not offered in exactly the same form on a take-it or leave-it basis to all comers.

Some Problems in Establishing Special Financing Institutions

If this summary poses the problem fairly, as I think it does, the question which Congress will want to weigh is what kind of solution will prove most constructive. I am sure that Congress will want the private banking system to continue to provide short- and intermediate-term credit to commercial and industrial borrowers. The main question before you is what kind of supplementary facilities are needed.

Facilitating the flow of equity capital into small business channels is undoubtedly the most difficult problem. In seeking a sound and workable solution to this problem, the Congress will want to explore all possibilities, for it is important to the maintenance of our system of competitive free enterprise that small business make its maximum contribution to sustained high levels of production and employment. There is a great deal to be said in favor of testing experimentally the feasibility of any proposed solution that appears to be sound.

As a believer in a private free enterprise economy, I feel very strongly that any new institution especially established for the purpose of making equity capital and long-term credit more readily available to small business should eventually be privately owned. Such a new institution, however, would have to be experimental because its operations would involve a substantial element of risk. Under these circumstances, I think it very doubtful that capital in sufficient amounts for an effective trial would be subscribed initially by usual private sources. Therefore, I have concluded that the most practicable solution is to have the initial capital of the investment companies advanced as outlined in the bills before you. The experience of similar institutions has made it abundantly clear that substantial capital is necessary if the newly formed investment companies are to avoid deficits during their first years of operation.

There are two reasons why institutions newly established to provide equity capital and long-term credit to small business may incur operating deficits. In the first place, maintenance of an adequate technical and administrative staff to review applications, grant, and service equity capital or long-term loans, and to provide customers with such managerial and technical advice and assistance as they may require will mean substantial payroll and overhead expense. In the second place, it will take time for a newly established institution of the type envisioned to invest any sizable proportion of its resources in small private businesses. Therefore, if deficits are to be avoided, the initial capital should be large enough to permit coverage of operating expenses through income from temporary investment in government securities.

I think it is essential that definite provision be made for transfer of the ownership of the new institutions to private hands as quickly as possible. This is important because the new type of institution, if it is to become a permanent part of our private economy, should compete for its funds in the market place. The judgment of the market place may not always be acceptable to the individual business concern, but it is much sounder than the use of public funds for risk financing of private enterprise. Continued public financing of private concerns in competition with other private concerns is unsound in principle and inconsistent with the precepts of a free enterprise economy.

The provisions of S. 3625 and S. 2975 stipulate that the proposed new investment companies may be organized by the Federal Reserve Banks, who in turn may also provide part or all of the initial capital when necessary. With the Federal Reserve System providing the initial capital, sufficient operating funds would be assured to launch these institutions and to determine whether they could operate profitably. We heartily approve the provisions in these bills which stipulate that commercial banks and other private institutions and individuals may at any time purchase stock of these investment institutions from the Federal Reserve Banks. We see no reason why, if these institutions prove their profitability, ownership will not pass to private hands. Given time to develop a useful pattern of operations and to grow, there are some grounds for believing that this new type of institution may play an important supplementary role in our private financial organization.

From the beginning, we have thought that the approach through these new institutions should be experimental. No one can predict with confidence in what financial areas they will prove successful. We would favor starting off with enough of them to gain experience and to test their potentiality. The sound approach is to feel one's way and to learn how to meet the over-all problem most effectively.

In view of the difficult operating problems that the proposed new institutions will be up against, it is desirable that their managements be given ample latitude to meet effectively and flexibly the varied financing needs of small business. They should have authority to purchase preferred or common stock in small business, to extend long-term credit on such terms and conditions as individual circumstances may warrant, including participation with banks, or to undertake package financing in which both equity and long-term credit are combined. They should also have authority to supply technical assistance on a reasonable fee basis where lack of technical skill in some phase of an applicant's operations seems to be critically related to his financing problems. In other words, the proposed institutions must be in a position to tailor the assistance which they supply in accordance with the type of problem which is presented by the individual small business approaching them for help.

From the advice which various bankers have given us, an important part of the business of the proposed investment institutions would represent package financing. Such financing avoids the pledge of all of a borrower's assets as a security loan, thus leaving him in a position to obtain short-term financing from commercial banks if necessary. One banker told me that he knew of a number of small business financing' cases which could be made bankable if some additional equity or equity and long-term debt could be provided. He indicated that his bank, and he thought other banks, would want to cooperate closely with the new investment institutions in working out constructive financing programs for promising small enterprises.

Finally, there is the problem of adequate earnings for the new type of investment institution in view of the costs and risks of financing small businesses. The riskiness of the business in which the proposed institutions would engage cannot be too strongly emphasized. If the institutions are to perform a useful public service, they must be prepared to incur losses. The interest rate on loans may be prohibitive if it is set high enough to reimburse costs of investigating an application, servicing a small long-term loan, providing such managerial or technical assistance as may be required, and assuming the attendant risks. Participation through equity financing in the gains of successful ventures will be an essential to offset the high costs of operation as well as losses.

Various critics of the proposed legislation have expressed apprehension that the suggested new type of investment institution would constitute a competitive threat, on the one hand, to the existing commercial banking system and, on the other, to our existing investment banking facilities. I do not share this apprehension.

The new type institution would have to supplement its capital funds by borrowing from banks or in the capital market at market rates of interest. On the basis of this feature alone, it could not compete in its charges with rates of interest which banks, using depositors' funds, can charge their customers. In addition, both the credit appraisal and risk costs of an institution specializing in long-term capital and credit would run much higher on the average than in the case of commercial banks which make shorter-term and better-secured loans. The success of this new type institution would depend largely on its effectiveness in working through commercial banks and in supplementing the facilities which they are able to offer small business customers.

I should like to stress particularly the point just made that the success of the new type investment institution will depend largely on its effectiveness in working through commercial banks. The local bank is in a unique position to discover and evaluate investment opportunities for such institutions, even if the bank itself is not in a position alone to extend direct long-term aid to the business. Moreover, the local banker is in a strategic position to handle the servicing and supervision of longer-term investments of the new institution, if such assistance is deemed helpful. The credit analysis and administration which the local banker is in a position to provide cannot be duplicated elsewhere under existing financial mechanisms.

As for competition with established investment banking facilities, these facilities are not now adapted to meet the equity and long-term credit needs of small business. This fact, which is generally admitted and fully substantiated by objective evidence, constitutes the principal case for providing for new, specialized investment facilities for small business.

Thiers Heads Dept. For Bache in Phila.

PHILADELPHIA, Pa.—Bache & Co., members of the New York Stock Exchange and other stock and commodity exchanges, announce the appointment of John A. Thiers as manager of their mutual funds department in the Philadelphia office, 121 South Broad Street.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aeroquip Corp., Jackson, Mich.
June 21 filed 162,010 shares of common stock (par $1), of which 16,455 shares are offered by the company and the remainder by 45 selling stockholders. **Underwriter**—Watling, Lerchen & Co., Detroit. **Price**—To be filed by amendment. **Proceeds**—To pay for construction of a new plant for production and storage use. **Business** — Flexible hose lines.

Alabama Gas Corp.
June 12 (letter of notification) 1,479 shares of ($2 par) common stock, at $8.30 per share, being offered pro rata to stockholders of record June 27; rights expiring July 19. Southern Natural Gas Co., parent will subscribe for 118,759 additional shares. No underwriter. Proceeds to construct improvements.

Allied Electric Products, Inc. (7/13)
May 24 filed 160,000 shares of 45 cent cumulative convertible preferred stock (par $6) and 100,000 shares of common stock (par $1), to be offered in units of one preferred share and one-half share of common at $7.50 per share; remaining 20,000 common shares at $4.50 per share. **Underwriter**—Hill, Thompson & Co., New York City. **Proceeds**—To repay bank loans and accounts payable, for machinery, equipment and other corporate purposes. Statement effective June 23.

• Altuda Mines, Inc., Gila Bend, Ariz.
June 28 (letter of notification) 50,000 shares of capital stock at $1 per share. No underwriter. Proceeds for mine development.

• American Alliance Aluminum Smelting Corp.
June 20 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital to finance operations. **Office**—1107 American Bldg., Seattle, Wash.

American Motorists Insurance Co., Chicago
June 28 filed 100,000 shares of capital stock (par $5) to be offered to stockholders of record July 25 at rate of one new share for each three held. **Price**—At par. **Proceeds**—For general corporate purposes. **Business**—Casualty insurance.

American Radio & Television, Inc., North Little Rock, Ark.
June 16 (letter of notification) 301,686 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriters**—Gearhart, Kinnard & Otis, New York City. **Proceeds**—For additional working capital. **Office**—Fifth and Cornish Streets, No. Little Rock, Ark.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel.

Arkansas Power & Light Co.
May 23 filed 155,000 shares of cumulative preferred stock (par $100). **Proceeds**—To be applitd 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; and (b) the carrying forward of the company's construction program. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of $100.003 per share, with a $4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12.

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.

• Berven Carpets Corp., San Francisco, Calif.
June 27 (letter of notification 1,000 shares of capital stock (par $100). **Price**—$137.50 per share. **Underwriter** None. **Proceeds**—For additional working capital and to repay notes. **Office**—301 Golden Gate Ave., San Francisco, Calif.

• Bettinger Enamel Corp., Waltham, Mass.
June 28 (letter of notification) 59,576 shares of common stock (par $1). **Price**—$3.50 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Gore and Grove Sts., Waltham, Mass.

Cameron (Wm.) Co. (7/12)
June 14 filed 179,833 shares of capital stock (par $7), of which 120,833 will be sold to the public and 59,000 offered to employees. Of the total offering, 91,333 shares will be sold by the company and 29,500 by three stockholders. **Underwriter**—Reynolds & Co., New York. **Price**—To be filed by amendment on offering to public; $16.95 per share for stock to employees. **Proceeds**—To reduce a loan and for general corporate purposes. **Business**—Distributor of building materials.

• Camp B Mining Co., Wickenburg, Ariz.
June 23 (letter of notification) 35,000 shares of common stock to be offered at ($1 per share). No underwriter. Proceeds to develop mine. **Address**—Box 392, Wickenburg, Ariz.

Canadian Superior Oil of California, Ltd. (7/17)
June 27 filed 2,150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Dillon, Read & Co. Inc. **Proceeds**—For geological and drilling operations in Canada.

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

Caspers Tin Plate Co., Chicago, Ill.
June 16 filed 150,000 shares of common stock (par $1), of which 50,000 shares are to be sold by company and 100,000 shares by three stockholders. **Price**—To be filed by amendment. **Underwriters**—F. Eberstadt & Co. Inc. and Shillinglaw, Bolger & Co. **Proceeds**—Proceeds to company, together with term loan of $1,000,000 from insurance firm, will be used to pay existing long-term obligations and the balance to be used as working capital.

Citizens Credit Corp., Washington, D. C.
June 2 (letter of notification) 3,000 shares of class A common stock (par $12.50) and 1,000 shares of class B common stock (par 25 cents), to be sold in units of three shares of class A stock and one share of class B stock. **Price**—$44.50 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—For general funds. **Office**—1707 Eye St., N. W., Washington, D. C.

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.

• Color Television, Inc., San Francisco, Calif.
June 22 (letter of notification) 16,000 shares of class A convertible preferred stock. **Price** — At par ($10 per share). **Underwriter**—Hooker & Fay, San Francisco. **Proceeds**—For further design and devepolment of television equipment. **Offered**—To public on June 29.

Combustioneering Inc., Cincinnati, Ohio
June 5 filed 30,000 shares of class A capital stock. **Underwriter**—None named as yet. **Price**—$100 a share. **Proceeds**—For offices and equipment, expenses and working capital. **Business**—Research in field of smelting and heating-treating of metals.

• Consolidated Engineering Corp., Pasadena, California
June 27 (letter of notification) 200 shares of common stock (par $1) to be sold directly to Armand F. Dufresne upon exercise of stock option. **Price**—$5 per share. **Proceeds**—For working capital.

Consumers Power Co., Jackson, Mich.
June 23 filed 499,903 shares of common stock (no par) to be offered present holders at the rate of one new share for each 10 held on July 12 with an oversubscription privilege; rights to expire about July 27. **Underwriter**—To be named in an amendment, along with offering price. Five months ago an offering of 454,457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. **Price**—Expected to be not less than $33 per share. **Proceeds**—For construction.

• Continental Copper & Steel Industries, Inc.
June 30 (letter of notification) 18,750 shares of common stock (par $2) and 1,500 shares of 5% cumulative preferred stock (par $25), to be issued at par (to satisfy certain claims amounting to $75,000). **Underwriters**—P. W. Brooks & Co., Inc., New York.

Cristina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). Underwriter—Max Wolberg, a director of company. **Price**—$1 per share. **Proceeds**—For development of tonnage and mining and shipment of ore.

• Dental Research Associates, Inc. (Pa.)
June 27 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital and operating expenses.

• Diamond Lil Corp., Las Vegas, Nev.
June 23 (letter of notification) 30,000 units of unspecified type of security, to be offered at $5 per unit. No underwriter. Proceeds for construction and furnishings.

• Diana Stores Corp.
June 28 (letter of notification) 12,200 shares of common stock, of which an offer of rescission will be made of 6,700 shares heretofore sold during February and March, 1950, at an average price of $8.37½ per share and the remaining 5,500 shares will be offered at market (estimated at $7.75 per share). **Underwriter**—Hardy & Co., New York. **Proceeds**—To selling stockholder.

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.

Eastern Stainless Steel Corp.
June 7 filed 100,000 shares of capital stock (par $5) to be offered to stockholders at the rate of one new share for each three held, with oversubscription privilege. **Underwriter**—Allen & Co., New York. **Price**—To be filed by amendment. **Proceeds** — To pay bank loans and for working capital. **Business** — Stainless steel plates and sheets. Offering postponed.

• Electro Refractories & Alloys Corp. (Del.)
June 28 (letter of notification) 4,400 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For additional working capital. **Office**—344 Delaware Avenue, Buffalo 2, N. Y.

• Elliston (Mont.) Consolidated Mining Co.
June 20 (letter of notification) 100,000 shares of common stock (par $1) to be offered at 50 cents per share, with 10,000 additional shares to be issued to agents as commission. No underwriter. Proceeds to develop mining property and cover costs of incorporation.

Fedders-Quigan Corp. (7/12)
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) to be offered to common stockholders of record July 12 on basis of one preferred share for each 12 common shares held; rights expected to expire July 28. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**— Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital.

Fleetwood Airflow, Inc., Wilkes-Barre, Pa.
April 20 (letter of notification) 79,050 shares of common stock (par 50 cents) to be offered first to common stockholders. **Price**—$1 per share to stockholders and $1.25 to public. **Underwriter**—None. **Proceeds**—For working capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave., Wilkes-Barre, Pa.

• Fleming-Hall Tobacco Co., Inc., N. Y.
June 30 (letter of notification) 180,000 shares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—Carstairs & Co., 1421 Chestnut Street, Philadelphia 2, Pa., will act as financial adviser. **Proceeds**—To be added to general funds. **Office**—595 Fifth Avenue, New York, N. Y.

• Flint & Horner Co., Inc., N. Y. City
June 29 filed voting trust certificates for 1,612 shares of first preferred stock (par $100), 500 shares of second preferred stock (par $100) and 5,000 shares of common stock (par $1). **Voting Trustee**—Matthew McCartin of Flushing, N. Y., and four others.

• Florala (Ala.) Telephone Co.
June 29 (letter of notification) 1,200 shares of 4% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To extend and modernize plant, lines and other telephone facilities.

Front Range Mines, Inc. (7/10-14)
June 2 (letter of notification) 100,000 shares of common capital stock (par $1). **Price**—$1.25 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—For operating capital. Expected week of July 10.

General Radiant Heater Co., Inc.
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 next week.

• General Shoe Corp., Nashville, Tenn.
June 30 filed a maximum of 32,885 shares of common stock (par $1) to be offered on a share-for-share basis in exchange for outstanding preferred stock of W. L. Douglas Shoe Co. No underwriter.

General Telephone Corp.
June 12 filed 199,350 shares of common stock (par $20) to be offered to common stockholders in the ratio of one new share for each six shares held. The offering will include an oversubscription privilege. **Price**—To be filed by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Mitchum, Tully & Co. **Proceeds**—To purchase additional common stock of operating subsidiaries, and to make advances to these companies pending the permanent financing of new construction. Temporarily postponed.

Geneva Telephone Co., Geneva, Ohio
June 13 (letter of notification) $25,000 of 15-year 3¼% series A first mortgage bonds, due 1964. **Underwriter**—The Ohio Co., Columbus. **Proceeds**—To purchase equipment. **Price**—Expected at 101.75.

• Georgia Pacific Plywood & Lumber Co.
June 27 (letter of notification) 4,000 shares of common stock (par $1). **Price**—$14.50 per share. **Underwriter**—Reynolds & Co., New York. **Proceeds**—To selling stockholder.

Globe Hill Mining Co., Colorado Springs, Colo.
May 26 (letter of notification) 5,885,000 shares of common stock. **Price**—At par (one cent per share). **Underwriters**—George C. Carroll Co., Denver; Inter-Mountain

Shares, Inc., Denver; and M. A. Cleek, Spokane, Wash. **Proceeds**—For mining equipment.

Haloid Co., Rochester, N. Y. (7/7)
June 16 filed 47,183 shares of common stock (par $5) to be offered common stockholders of record July 6 on basis of one share for each three shares held. Rights will expire July 24. **Underwriter**—The First Boston Corp. **Price**—To be filed by amendment. **Proceeds**—For general corporate purposes. **Business**—Sensitizing photographic and photocopy papers and manufacturing photocopy cameras, papers and other photographic supplies.

● **Haydock Fund, Inc., Cincinnati, Ohio**
June 30 filed 10,000 shares of capital stock. **Underwriter**—Haydock & Co. **Business**—Investment company.

Higgins, Inc., New Orleans, La.
May 23 (letter of notification) 300,000 shares of common stock to be sold to present stockholders. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For general purposes. **Office**—Industrial Canal Plant, New Orleans, La.

● **Imperial Television Mfg. Co., Vernon, Calif.**
June 19 (letter of notification) 75,000 shares of capital stock (par $1). **Price**—$4 per share. **Underwriters**—Morgan & Co. and Pacific Co. of California, Los Angeles. **Proceeds**—To buy raw materials, pay debt and increase working capital. **Office**—2034 E. 48th St., Vernon, Calif.

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. Expected this month.

● **Industrial Television, Inc., Clifton, N. J.**
June 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To buy machinery and equipment and for working capital and general corporate purposes. **Office**—359 Lexington Avenue, Clifton, N. J.

● **Investors Mutual, Inc., Minneapolis, Minn.**
June 28 filed 1,000,000 shares of capital stock (par $1). **Underwriter**—Investors Diversified Services, Inc., Minneapolis. **Business**—An investment company.

● **Kauai Engineering Works, Ltd., Lihue, Hawaii**
June 23 (letter of notification) 98,000 shares of common stock (par $1). **Price**—$1.10 per share. **Underwriter**—Ross & Co., Box 2665, Honolulu, T. H. **Proceeds**—For working capital. **Co.'s Address**—Box 1589, Lihue, T. H.

Kentucky Utilities Co., Lexington, Ky. (7/11)
June 2 filed $3,500,000 of first mortgage bonds, series C, due July 1, 1980. **Underwriter**—For the bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; The First Boston Corp. and Lehman Brothers (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For property additions. **Bids**—For bonds to be received until 11 a.m. (CDT) on July 11 at Room 2154, 20 No. Wacker Drive, Chicago 6, Ill. Statement effective June 29.

● **Kentucky Water Service Co., Inc., Louisville, Kentucky**
June 23 (letter of notification) 2,000 shares of 66% cumulative preferred stock (par $25). **Price**—$27.50 per share. **Underwriters**—The Bankers Bond Co. and Smart, Reid & Ebinger, Louisville, Ky. **Proceeds**—To construct extensions to water system.

● **Lakeland Marine Base, Inc.**
June 29 (letter of notification) $25,000 of 10-year 6% debentures due Jan. 1, 1960, and 2,500 shares of common stock (par 20 cents), to be offered in units of $1,000 of debentures and 100 shares of common stock at $1,000 per unit. **Underwriter**—Pulis, Dowling & Co., New York. **Proceeds**—To purchase property and for working capital. **Office**—Lake Hopatcong, N. J.

● **Leadville Lead Corp., Denver, Colo.**
June 27 (letter of notification) $17,000 of first mortgage notes (convertible into common stock at rate of 133 shares for each $100 note prior to July 12, 1950). No underwriter. Proceeds to pay mortgages on machinery. **Office**—509 Kittredge Building, Denver 2, Colo.

● **Leigh Foods, Inc. (N. Y.)**
June 30 (letter of notification) 300,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—630 Fifth Avenue, New York 20, New York.

Louisiana Power & Light Co.
May 23 filed 90,000 shares of preferred stock (par $100). **Proceeds**—To be used to redeem, at $110 per shart plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., $100.40 per share with a $4.65 dividend; Blyth & Co., Inc., and Equitable Securities Corp. (jointly), $100.10 with a $4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.80 dividend. Statement effective June 12.

Loven Chemical of California, Newhall, Calif.
May 31 (letter of notification) 282,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To buy land, build a plant and equip it to produce so-called "impact" plastics. **Office**—244 S. Pine St., Newhall, Calif.

NEW ISSUE CALENDAR

July 7, 1950
Haloid Co. ____ Common

July 10, 1950
Front Range Mines, Inc. ____ Common

July 11, 1950
Kentucky Utilities Co., 11 a.m. (CDT) ____ Bonds
New York, New Haven & Hartford RR.
Noon (EDT) ____ Equip. Trust Ctfs.

July 12, 1950
Cameron (Wm.) Co. ____ Common
Central Illinois Public Service Co.
Noon (EDT) ____ Common
Central & South West Corp., noon (EDT) ____ Common
Erie RR., noon (EDT) ____ Equip. Trust Ctfs.
Fedders-Quigan Corp. ____ Preferred
Kentucky Utilities Co., noon (EDT) ____ Common
Panhandle Eastern Pipe Line Co. ____ Debentures
Public Service Co. of Indiana, Inc.
Noon (EDT) ____ Common
Wisconsin Power & Light Co., noon (EDT) ____ Common

July 13, 1950
Allied Electric Products, Inc. ____ Preferred & Com.

July 15, 1950
Tele-Tone Radio Corp. ____ Class A & Com.

July 17, 1950
Canadian Superior Oil of California, Ltd. ____ Common
Sightmirror Television Corp. ____ Common
Southern Electrical Corp., Inc. ____ Preferred

July 18, 1950
Chicago, Rock Island & Pacific RR.
Noon (CDT) ____ Equip. Trust Ctfs.
Texas Illinois Nat'l Gas Pipeline Co. ____ Notes & Com.

July 20, 1950
United States Plywood Corp. ____ Preferred

July 25, 1950
Mutual Telephone Co. ____ Bonds & Pfd.
Public Service Co. of Colorado ____ Debentures & Pfd.
Southern Co., 11:30 a.m. (EDT) ____ Common

Magnavox Co., Fort Wayne, Ind.
June 19 (letter of notification) 5,500 shares of common stock (par $1). **Price**—$18 per share. **Proceeds**—To Richard A. O'Conner, President of the company. **Underwriter**—Francis I. DuPont & Co., Chicago. **Office**—2131 Bueter Road, Fort Wayne, Ind.

● **Market Wholesale Grocery Co., Los Angeles, California**
June 19 (letter of notification) 5,000 shares of preferred (par $50) stock and 5,000 shares of common stock (par $10) in units of one share of preferred and one share of common stock at $60 per unit. No underwriter. Proceeds for working capital. **Office**—1600 E. 6th St., Los Angeles, Calif.

● **Maxon, Inc., Detroit, Mich.**
June 22 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $50) and $200,000 of 7% bonds (in units of $200 each). **Price** — At principal amount of each. **Underwriter**—None. **Proceeds**—To provide working capital and funds for the "ultimate purchase of the common stock of retiring executives and subsequent resale on credit to junior executives." **Office**—2761 E. Jefferson Ave., Detroit, Mich.

Merry Brothers Brick & Tile Co., Augusta, Ga.
June 15 (letter of notification) 1,250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—Johnson, Lane, Space & Co., Inc. **Proceeds**—To Ernest B. Merry, Jr., Vice-President and General Manager, the selling stockholder.

Middle South Utilities, Inc.
June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries—Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. **Underwriter**—Equitable Securities Corp will serve as "dealer-manager." **Deposits** — May be accepted between June 26 and July 14. (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

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.

● **Miles Laboratories, Inc., Elkhart, Inc.**
June 23 (letter of notification) 2,500 shares of common stock (no par). **Price**—$16.50 per share. **Underwriter**—Cohu & Co., New York City. **Proceeds**—To two selling stockholders.

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.

Mississippi Power & Light Co.
May 23 filed 85,000 shares of cumulative preferred stock (par 100). **Proceeds**—To be used to redeem at $110 per share plus dividends, the outstanding 44,476 shares of $6 preferred stock and for construction and other corporate purposes. **Bids**—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., $100.10 per share with a $4.80 dividend; Lehman Brothers, $100.551 with a $4.85 div.; W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.90 dividend; and Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), $100.19 with a $4.90 dividend. Statement effective June 12.

● **Murphy Ranch Mutual Water Co., Whittier, California**
June 19 (letter of notification) 273 shares of assessable common stock, with assessments limited to $5 per share. **Price**—$9.18 per share. **Underwriter**—San Gabriel Development Co., Whittier, for account of Murphy Ranch Land Development Co. The stock accompanies the sale of residential lots in East Whittier.

Mutual Telephone Co., Honolulu, Hawaii (7/25)
June 27 filed $1,000,000 first mortgage bonds, series G, due 1980, and 100,000 shares of preferred stock, series C (par $10), the new preferred stock to be offered initially to common stockholders and employees of the company at rate to be filed by amendment. **Price**—Of bonds to be filed by amendment; of preferred, at par. **Underwriter**—Kidder, Peabody & Co. **Proceeds**—For construction and expansion program.

National Automotive Fibres, Inc.
June 19 filed 140,000 shares of capital stock (par $1). **Price**—To be related to the current market price at the time of sale. **Underwriter**—Reynolds & Co., New York. **Proceeds**—To purchase assets of Federal Leather Co. (An additional 10,000 shares were to be sold to Louis M. Plansoen, President of Federal, at the same price.) Proposed offering cancelled on June 29. Deal off.

Norris Oil Co., Ventura, Calif.
June 9 (letter of notification) 5,000 shares of common stock (par $1), to be sold at the market price (of from $5 to $5.50 per share) through First California Co., Holton, Hull & Co., Dempsey-Tegeler & Co. and Morgan & Co., Los Angeles; and James Ebert Co., Bakersfield, Calif. Proceeds go to Eva M. Halliburton, Fresno, Calif., the selling stockholder. **Office**—182 W. Ramona St., Ventura, Calif.

● **North American Acceptance Corp.**
June 26 (letter of notification) 20,000 shares of 60-cent dividend series cumulative preferred stock (par $5). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To increase notes receivable and for working capital. **Office**—765 W. Lancaster Avenue, Bryn Mawr, Pa.

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 Insurance Co., N. Y. City
June 1 filed 80,000 shares of capital stock (par $12.50) first offered to stockholders of record June 20 on a share-for-share basis with rights to expire on July 11. **Price** — $37.50 per share. **Underwriters** — First Boston Corp and Wood, Struthers & Co. **Proceeds**—To increase capital and surplus. Statement effective June 20.

Northwestern Public Service Co., Huron, S. D.
June 9 filed 49,200 shares of common stock (par $3) to be offered to stockholders of record at rate of one share for each 10 held. **Underwriter**—A. C. Allyn and Co., Inc., New York. **Price**—To be filed by amendment. **Proceeds**—For construction expenditures. Postponed temporarily.

● **Oceanic Oil Co., Los Angeles, Calif.**
June 19 (letter of notification) 197,672 shares of capital stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—To pay bank loans and increase working capital. **Office**—811 W. 7th St., Los Angeles, Calif.

● **Pacific Petroleums Ltd., Calgary, Ala., Canada (7/27)**
June 30 filed 900,000 shares of common stock (par $1-Canadian). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—To pay bank loan and for corporate purposes, including development of oil and gas lands.

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.

Panhandle Eastern Pipe Line Co. (7/12)
June 19 filed $20,000,000 of debentures, due 1975, and $15,000,000 of serial debentures, due $1,500,000 each year from 1953 through 1962. **Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, and Halsey, Stuart & Co. **Price**—To be filed by amendment, along with interest rates on both issues. **Proceeds**—To

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pay promissory notes, for general funds and for construction. **Business**—Production and transmission of natural gas.

Pennzoil Co.
June 9 (letter of notification) 21,145 shares of common stock (par $10). **Price**—$14 per share. **Underwriter**—None. **Proceeds**—To modernize Rouseville refinery and for expansion of marketing facilities. **Offering**—To be offered minority common stockholders of record June 16 on basis of one new share for each eight shares held; rights will expire July 7. In addition, 58,171 additional shares are being offered to South Penn Oil Co., owner of 73.34% of Pennzoil common stock at the same price.

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.

Public Service Co. of Colorado (7/25)
June 26 filed $7,000,000 of convertible debentures, due 1960, and 100,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding, along with prices, interest rate on debentures and dividend rate on preferred stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); Lehman Brothers; First Boston Corp.; Harris, Hall & Co., Inc.; Kidder, Peabody & Co. Probable bidders for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers; First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co.; Kuhn, Loeb & Co. and Harris, Hall & Co., Inc. (jointly.) **Proceeds**—For construction.

○ **Queen of Hills Mining Co., Salt Lake City, Utah**
June 21 (letter of notification) 750,000 shares of capital stock (par 5 cents). **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—To purchase additional mining equipment. **Office**—514 First Security Bank Bldg., Salt Lake City, Utah.

○ **Refrigeration, Inc., Reno, Nev.**
June 19 (letter of notification) 200,000 shares of common stock to be offered at par ($1 per share), through Gerald B. James, Reno. Proceeds for equipment, installations, manufacturing and reserve.

○ **Rochester (N. Y.) Telephone Corp.**
June 29 filed 125,000 shares of common stock (par $10) to be offered to present stockholders at rate of one new share for each four held about July 18-19, with rights to expire Aug. 3. **Price**—To be filed by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For general corporate purposes, including construction and repayment of a loan.

○ **Royal Television & Electronics, Inc., Washington, D. C.**
June 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To buy television set components. **Office**—714 Fifth St., N. W., Washington, D. C.

Safeway Stores, Inc.
June 8 filed 321,000 shares of cumulative preferred stock (par $100) and 257,064 shares of common stock (par $5). The common will be offered to common stockholders of record at the rate of one new share for each 10 held. Of the preferred, 205,661 shares will be offered in exchange for 186,965 shares of outstanding 5% preferred stock, along with an unspecified cash payment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will offer the unsubscribed common shares as well as 85,114 shares of preferred not needed for the exchange and 30,225 shares which will be created by converting that many of the old 5% shares brought in under the exchange into new preferred stock. Any old preferred not exchanged will be redeemed on Oct. 1. **Price**—To be filed by amendment, along with the dividend rate on the new preferred. **Proceeds**—To redeem the unexchanged 5% stock, make cash payments on exchange, and toward the prepayment of $20,000,000 in bank loans. **Offering**—Temporarily postponed.

○ **Segal Lock & Hardware Co., Inc., N. Y. City**
June 29 (letter of notification) 177,777 7/9 shares of common stock (par $1), to be offered in satisfaction of certain claims. **Price**—At market (about $1.12½ per share). No underwriter. **Office**—395 Broadway, New York 13, N. Y.

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.

○ **Shelter Island (N. Y.) Farmers' Cooperative, Inc.**
June 23 (letter of notification) 500 shares of 5% cumulative non-convertible preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment and for other corporate purposes. **Office**—Shelter Island, Suffolk County, New York.

Sightmaster Corp., New Rochelle, N. Y.
June 20 (letter of notification) 18,500 shares of common stock (par 5 cents). **Price**—20 cents per share. **Underwriter**—Butler, Moser & Co., 44 Wall Street, New York, N. Y. **Proceeds**—To selling stockholder. **Office**—111 Cedar Street, New Rochelle, N. Y.

Sightmirror Television Corp. (7/17-21)
June 21 (letter of notification) 749,000 shares of common stock (par 1 cent). **Price**—40 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For payment of patents, etc., and for working capital. **Office**—111 Cedar Street, New Rochelle, N. Y. Expected week of July 17.

● **Skiatron Corp., New York City**
June 27 (letter of notification) 500 shares of common stock. **Price**—At approximate market ($1.50 per share). **Underwriter**—Hirsch & Co., New York City. **Proceeds**—To selling stockholder.

Skiatron Corp., New York City
June 22 (letter of notification) 2,500 shares of capital stock (par 10 cents) of which there will be presently sold 1,500 shares at $1 per share, the remaining 1,000 shares, to be offered later at $1.50 per share. **Underwriter**—d'Avigdor & Co., 63 Wall Street, New York City. **Proceeds**—To selling stockholder. **Office**—381 Fourth Avenue, New York City.

● **South Shore Oil & Development Co.**
June 26 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—At the market (approximately $4.87½ to $5.12½ per share). **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—401 Carondelet Building, New Orleans, La.

Southern Co., Atlanta, Ga. (7/25)
June 23 filed 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders are: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To purchase shares of subsidiaries in order to assist them in financing new construction. **Bids**—To be received at office of the company, 20 Pine St., New York, N. Y., up to 11:30 a.m. (EDT) on July 25.

Southern Electrical Corp., Inc. (7/17-18)
June 21 filed 16,000 shares of 6% cumulative preferred stock (par $50) with 64,000 stock purchase warrants to buy 64,000 shares of common stock (par $3), and 15,000 shares of common stock with 15,000 warrants to purchase an additional 15,000 shares of common. The preferred stock is offered by the company with four stock purchase warrants offered wtih each preferred share. The common stock is offered by three stockholders, with an option warrant accompanying each share. **Underwriters**—Courts & Co.; The Robinson-Humphrey Co. and Clement A. Evans & Co., Inc., Atlanta, Ga. **Price**—$50 per share, plus accrued dividend from July 1 for the preferred with purchase warrants at 5 cents each; $8.25 per share for the common, plus 5 cents for each warrant. **Proceeds**—From the sale of the preferred, together with a $750,000 loan ,will be used to expand the company's operations. **Business** — Drawing aluminum and copper wire from rods and stranding aluminum, copper and steel wire into cable.

● **Southwest Natural Gas Co., Shreveport, La.**
June 26 (letter of notification) 13,500 shares of common stock to be sold by Ronald M. Craigmyle, at market (about $7.37½ per share) through Craigmyle, Pinney & Co., New York City.

● **Story-a-Day, Inc., Washington, D. C.**
June 22 (letter of notification) $298,000 of 7% cumulative preferred stock (par $100) and 2,980 shares of common stock (no par), to be offered in units of one preferred share and one share of common stock at $100 per unit. No underwriter. Proceeds to promote a weekly magazine.

Suburban Propane Gas Corp.
June 9 (letter of notification) a sufficient number of common shares (par $1), so that aggregate offering price of shares offered shall not exceed $100,000. **Price**—At close of June 5, $15 per share. **Underwriters**—Anticipated that Eastman, Dillon & Co., New York, will sell shares in over-the-counter market. **Proceeds**—To SBN Gas Co., West Orange, N. J.

Sudore Gold Mines Ltd., Toronto, Canada
June 6, 1949, 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.

Tele-Tone Radio Corp., N. Y. City (7/15)
June 22 filed 135,000 shares of common stock (par $1). **Price**—$6 per share. **Underwriters** — Sills, Fairman & Harris; Straus & Blosser. **Proceeds**—To 15 selling stockholders.

Tele-Tone Radio Corp., N. Y. City (7/15)
June 22 filed 100,000 shares of cumulative convertible class A stock. **Price**—At par ($10 per share). **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds** — For additional plant facilities and for working capital.

● **Television Associates, Inc., Michigan City, Ind.**
June 26 (letter of notification) 15,623 shares of common stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To cancel existing indebtedness and for working funds. **Office**—East Michigan Street, Michigan City, Ind.

Texas Illinois Natural Gas Pipeline Co. (7/18)
June 26 filed $12,000,000 of interim notes, due Jan. 1, 1952, payable upon maturity by delivery of cumulative preferred stock at the rate of one share for each $100 principal amount; 120,000 shares of cumulative preferred stock ($100 par) to be used in paying off the notes, and 1,750,000 shares of common stock (par $1). The common stock will be offered to holders of outstanding common at the rate of one new share for each 3½ shares held and will be sold 50% to Peoples Gas Light & Coke Co. and remainder to other stockholders, with Peoples taking up all shares not subscribed for. **Underwriters**—White, Weld & Co. nad Glore, Forgan & Co., will underwrite the notes. **Price**—Of common stock, $10 per share; of notes, to be filed by amendment along with interest rate. **Proceeds**—For construction of pipeline facilities. **Business**—Natural Gas pipeline transmission.

Transvision, Inc.
June 13 filed 300,000 shares of common stock (par $1). **Price**—2.75 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—To increase working capital and repay loans from RFC and Croydon Syndicate, Inc.

● **United Profit-Sharing Corp.**
June 28 (letter of notification) 1,400 shares of common stock (par 25 cents). **Price**—At market (about 75 cents per share). **Underwriter**—Tucker, Anthony & Co. will handle sale on the New York Curb Exchange. **Proceeds**—To selling stockholder.

United States Plywood Corp. (7/20)
June 19 filed 60,000 shares of series B cumulative convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co., New York. **Price**—To be filed by amendment along with dividend rate. **Proceeds**—To increase working capital and for other corporate purposes, including the erection of a new plant at Anderson, Calif.

● **Univis Lens Co., Dayton, Ohio**
Jun 26 (letter of notification) 19,750 shares of common stock (par 50 cents), to be sold to 33 employees. **Price**—$7.75 per share. **Underwriter**—None. **Proceeds**—For general funds. **Office**—401 Leo Street, Dayton, Ohio.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

● **Western Carolina Telephone Co., Franklin, N. C.**
June 22 (letter of notification) 1,406 shares of capital stock to be offered to stockholders at rate of one share for each two shares held. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To pay bank loans.

● **Western Mines, Inc., Seattle, Wash.**
June 19 (letter of notification) 10,000 shares of class A non-voting common stock (no par) and 10,000 shares of class B voting common stock (no par) to be offered at 50 cents per share. No underwriter. Proceeds to develop and equip mine at Rocky Bar, Idaho. **Office**—624 Securities Bldg., Seattle 1, Wash.

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.

● **Wood River Concentrating Co.**
June 26 (letter of notification) 1,000,000 shares of common stock to be sold at 10 cents per share and 125,000 shares to be issued to directors of the company for their services. **Underwriter**—Lackman & Co., Hailey, Idaho. **Proceeds**—To build a mill for small mine operators. **Address**—Box 455, Hailey, Idaho.

Prospective Offerings

Aetna Finance Co.
June 3 it was reported company may do some financing later this year. Traditional underwriter: Goldman, Sachs & Co.

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 shortly a registration statement 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 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.

Ancient River Channels Gold Mining Co.
May 31 plans were announced to issue and sell 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital, etc. **Office**—206 North Virginia Street, Reno, Nev.

● **Associated Telephone Co., Ltd.**
June 15 it was announced that the company's present intention is to raise approximately $10,000,000 of additional funds by selling, in the fall of the current year, 50,000 additional shares of cumulative preferred stock (par $20), a like amount of common stock (par $20) and $8,000,000 of first mortgage bonds, series G. **Underwriters**—For preferred stock, probably Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co. For the bonds, to be determined by competitive bidding. Probable bidders for bonds:

Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly). **Proceeds**—For construction program.

Big Bear Markets of Michigan, Inc.
June 9 it was announced company plans early registration of additional capital stock, with offering toward the end of this month. **Underwriter**—J. G. White & Co., New York.

Canada (Dominion of)
June 27 it was reported the Canadian Government is making preparations for an extensive refinancing operation. It is understood to plan refunding of a $100,000,000 loan payable in U. S. dollars. Issued in 1930 with a 4% coupon, these bonds are due Oct. 1, 1960 and subject to call Oct. 1, next, on 60 days' notice. The latter privilege is expected to be exercised some time this month. Probable underwriter: Morgan Stanley & 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.

● **Central Illinois Public Service Co. (7/12)**
See Middle West Corp. below.

● **Central & South West Corp. (7/12)**
See Middle West Corp. below.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

Central Telephone Co.
June 22 company announced it plans to file a registration statement late in July covering 90,000 shares of common stock (par $10), which are to be issued to common stockholders of Central Electric & Gas Co. on a 1-for-13 basis. **Dealer Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—Mainly to retire $850,000 short-term loans.

Central Vermont Public Service Corp.
May 4, it was announced that if offer to acquire Green Mountain Power Corp. becomes effective, it plans to refund outstanding $7,715,000 first and refunding 3¾% bonds due 1963 of Green Mountain by the issue and sale for cash of first mortgage bonds of a new series and of a new series of preferred stock, $100 par value. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; probable bidders for preferred: W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly).

● **Chicago, Rock Island & Pacific RR. (7/18)**
Bids will be received by the company, at Room 1136, La Salle Street Station, Chicago 5, Ill., at or before noon (CDT) on July 18 for the purchase from it of $2,352,000 equipment trust certificates, series H, dated Aug. 1, 1950, to mature in 24 equal semi-annual instalments from Feb. 1, 1951 to Aug. 1, 1962, inclusive. Probable bidders; Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Chicago & Western Indiana RR.
Jan. 31 reported company will probably issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

● **Columbia Gas System, Inc.**
June 30 it was said that corporation may be in market fir $90,000,000 of new debt securities. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To retire $45,000,000 of 3¼% debentures due April 1, 1973; $20,000,000 of 3% debentures due March 1, 1974; and $13,000,000 of 3% debentures due Aug. 1, 1974; and the remainder ($12,000,000) for expansion program.

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.

Duquesne Light Co.
June 22 it was reported that company may issue about 100,000 shares of preferred stock. Probable bidders: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. Proceeds are to repay bank loans and for construction program. Expected in the fall.

Eastern Utilities Associates
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

Elliott Co.
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

Emerson Radio & Phonograph Corp.
May 29, Benjamin Abrams, President, announced that company may use unissued 1,240,390 shares of capital stock (par $5) to acquire additional plant facilities if needed. Traditional underwriter: F. Eberstadt & Co.

Erie RR. (7/12)
Bids for the purchase from this company of $8,100,000 equipment trust certificates to mature in 30 equal semi-annual instalments will be received at its office in Cleveland, Ohio, up to and including noon (EDT) on July 12. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); and Harris, Hall & Co. (Inc.).

Florida Power & Light Co.
June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are soon expected to be offered to finance part of construction program which is expected to require approximately $25,000,000 new capital through 1952.

Holeproof Hosiery Co.
June 22 it was announced that registration statement is expected to be filed shortly covering not less than 25% and not exceeding 33⅓% of the stock held by principal stockholders following approval on July 6 of 7½-for-1 stock split up. **Underwriter**—A. G. Becker & Co. Inc.

Houston Lighting & Power Co.
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

● **Kaye-Halbert Corp., Culver City, Calif.**
June 8, Harry Kaye, President, announced that "it is possible from time to time that additional financing might be undertaken to facilitate the further growth and development of the business. Office—3555 Hayden Ave., Culver City, Calif.

● **Kentucky Utilities Co. (7/12)**
See Middle West Corp. below.

La Crosse Telephone Co.
June 6, company announced that it has advised the Wisconsin P. S. Commission that it expects to sell $1,000,000 of long-term bonds and not less than $600,000 additional common stock. Proceeds will be used to repay $1,300,000 bank loans, due in September, 1951, and the remaining $300,000 will go to Central Telephone Co., parent, to repay temporary advances for construction. Probable underwriter: Paine, Webber Jackson & Curtis.

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.

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.

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.

Market Basket, Los Angeles, Calif.
May 25 company announced it plans sale of 4,452 shares of authorized but unissued, preferred stock, series C, (par $15) and an additional 30,000 shares of preferred stock, (par $15) to be authorized. Further details not available.

● **Michigan Bumper Corp., Grand Rapids, Mich.**
July 5 it was announced stockholders will vote July 20 on increasing authorized common stock (par $1) from 250,000 shares to 500,000 shares, with holders of present outstanding stock to have no preemptive rights.

● **Middle West Corp. (7/12)**
Bids will be received by this corporation at the Bankers Trust Co., 16 Wall Street, New York, N. Y., up to noon (EDT) on July 12 for the purchase from it of (a) 12,232 shares of common stock of Central & South West Corp.; (b) 6,116 shares of common stock of Central Illinois Public Service Co.; (c) 1,631 shares of common stock of Public Service Co. of Indiana, Inc.; (d) 3,058 shares of common stock of Wisconsin Power & Light Co.; and (e) 6,113 shares of common stock of Kentucky Utilities Co. There may be submitted a single bid for all of the securities or separate bids for one or more lots as desired.

● **Milwaukee Gas Light Co.**
June 21 it was announced that the company's permanent financing program, expected to be consummated prior to October, 1950, will involve refinancing of bonds ($13,000,000 of first mortgage 4½% bonds due 1967), preferred stock ($2,000,000 of 7% issue) and bank loans (about $8,500,000) through the issuance of new senior securities and common stock (American Natural Gas Co. now owns 97.7% of presently outstanding common stock). Probable bidders for bonds: Halsey, Stuart & 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).

Mountain Fuel Supply Co. of Utah
June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp. Expected this Fall.

Mountain States Power Co.
May 17 the stockholders voted to increase the authorized preferred stock (par $50) from 75,000 to 150,000 shares. There are presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

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.; (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) 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 (about 225,000 shares) 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, New Haven & Hartford RR. (7/11)**
Bids will be received up to noon (EDT) on July 11 for the purchase from the company of $3,000,000 eqquipment trust certificates to be dated Aug. 1, 1950, and to mature in 15 equal annual instalments of $200,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers and Bear, Stearns & Co. (jointly); Harris, Hall & Co. (Inc.).

New York State Electric & Gas Corp.
May 24 it was reported company expects to sell $14,000,000 of bonds and $6,000,000 of new preferred stock in June, 1951, with an additional $10,000,000 of new securities to be sold in 1952, the proceeds to be used to pay, in part, cost of new construction estimated to total $55,800,000 in the next three years. Probable bidders for bonds and preferred: Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. Probable bidders for bonds only: Halsey, Stuart & Co. Inc.

Niagara Mohawk Power Corp.
Jan. 19 announced that construction program will necessitate in 1950 not more than $25,000,000 of additional debt or equity financing, including short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & 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.

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Pacific States Fire & Indemnity Insurance Co. (Oregon)
May 18 announced company plans to enter into a contract with an underwriting firm for the sale of its capital stock. Initial capitalization and surplus will be $2,000,000.

Panama (Republic of)
June 5 it was reported that Frank & Co. has been authorized to work out a plan to refund the outstanding dollar bonds, of which there are outstanding approximately $15,000,000, through the issuance of about $10,500,000 of new 3% bonds, the remaining $4,500,000 to be retired. The new bonds would be secured by the $430,000 annuity annually paid by the United States to the Republic.

Philadelphia Electric Co.
May 5 it was said that there will be additional financing later this year, with probably some common stock to be underwritten by Drexel & Co. Bond financing would be competitive, and preferred stock would be either negotiated or competitive.

● **Public Service Co. of Indiana, Inc. (7/12)**
See Middle West Corp. above.

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.
June 1, Charles F. Adams, Jr., President, announced that arrangements were being made for an offering later this summer to common stockholders of approximately 290,000 additional common shares of the company—on the basis of one share for each five common shares held. This offering, he said, will be underwritten by a group of investment bankers headed by Hornblower & Weeks.

Reynolds Metals Co.
June 7 company announced stockholders will vote Aug. 9 on increasing authorized common stock from 1,500,000 shares to 2,500,000 shares. The increase is being sought to make additional shares available for any future need. Probable underwriter: Reynolds & Co.

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.

Seaboard Finance Co.
June 3 it was reported that company in August is expected to register with the SEC additional shares of its stock. May be offered through dealer-manager group probably headed by First Boston Corp.

Sierra Pacific Power Co.
June 2 company announced it plans to finance and permanently refund $2,200,000 of bank loans by the sale of debentures and common stock prior to Oct. 31, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.

South Carolina Electric & Gas Co.
May 11 it was announced company plans to spend in the next four years $34,000,000, of which $11,600,000 will be spent in 1950. It is estimated that $6,000,000 of new money will be required in this year, to be raised by the sale of $3,000,000 of bonds and 60,000 shares of preferred stock (par $50). Probable bidders include Lehman Brothers.

South Jersey Gas Co.
June 15 United Corp. proposed, under its amended plan filed with SEC, to sell its holdings of 154,231.8 shares of South Jersey Gas Co. common stock as to which an exemption from competitive bidding is requested.

Southeastern Michigan Gas Co., Chicago, Ill.
June 12 it was announced company plans issuance and sale of first mortgage bonds, debentures, preferred stock and common stock in connection with its proposed new pipe line in Michigan to cost approximately $1,400,000. Application is before FPC.

Southern California Edison Co.
March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

● **Southern Natural Gas Co.**
June 21 SEC approved temporary bank borrowings of up to $20,000,000 to mature July 1, 1951, the proceeds to be used for construction program, estimated at $32,520,000 for 1950-1951. Permanent financing is expected to involve the issuance and sale of at least $10,000,000 of first mortgage bonds, with respect to which a declaration is expected to be filed prior to Nov. 1, 1950, to be followed by additional financing early in 1951, involving the sale of at least $5,000,000 additional common stock which will be offered to stockholders under preemptive rights. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co. and Kidder, Peabody & Co. (jointly); First Boston Corp.

Southern Utah Power Co.
June 8 SEC authorized trustee of Washington Gas & Electric Co. to undertake negotiations with "all interested parties" for the sale of its common stock interest (62,910 shares) in Southern Utah Power Co. for not less than a $550,000 base price, plus adjustments.

Tampa Electric Co.
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Tennessee Gas Transmission Co.
Jan. 25 Gardiner Symonds, President, announced that "some bonds will be sold late this summer at competitive bidding, but the amount has not yet been decided." Banking circles speculated that a $40,000,000 bond sale would be forthcoming. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly). The proceeds would be used in part to pay for construction.

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. It was understood that 125,000 shares may be sold. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Utah Natural Gas Co.
June 5 it was announced company plans to build a 325-mile 22-inch pipe line in Utah to cost approximately $25,000,000. Hearings will be held before the Utah P. S. Commission in August or September, after a study of the project.

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.; Carl M. Loeb, Rhoades & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); First Boston Corp. and Blyth & Co., Inc.; Harriman Ripley & Co Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. Probable bidders for common: Blyth & Co., Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● **Valley Gas Pipe Line Co., Inc., Houston, Tex.**
June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

● **Virginia Electric & Power Co.**
June 20 it was announced company expects to offer through competitive bidding not exceeding $20,000,000 of first and refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler. Proceeds will be used to finance construction program.

Warner (William R.) & Co., Inc.
June 12 Elmer H. Bobst, President, announced that corporation proposes recapitalization and change in name to Warner-Hudnut, Inc.; also to file a registration statement with the SEC covering the sale of approximately 325,000 shares of new common stock (par $1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc. Expected after July 4.

Western Pacific RR. Co.
June 14 it was reported company plans issuance and sale of about $20,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

● **Wisconsin Power & Light Co. (7/12)**
See Middle West Corp. above.

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.

Our Reporter's Report

Investment authorities are disposed to take the sharp setback in the equity market in stride. They do not see any reason for great concern as regards the high-grade bond market at this stage.

Certainly, as has been clearly demonstrated to date, speculative bonds, and those tied to stocks by conversion, or other features, have reacted with the latter.

But "money bonds," those that respond primarily to changes in interest rates, have virtually ignored the sharp break in stock prices. And, say bond market observers, this is as might have been expected.

The gilt-edge investment list, it is argued, takes its cue directly from the government bond market. The latter, while perhaps a trifle nervous, has shown little disposition to move away from price and yield levels prevailing before the outbreak in Korea.

Whatever the long-range effects of the Treasury-Reserve easy credit program, bankers see little need to be concerned with the immedite prospects for the top-level corporate bond market so long as the government remains committed to that policy.

Moreover, it is observed, any noteworthy sell-off in high-grades would be decidedly surprising considering the fact that there is no measurable outpouring of new bonds while institutions are amply supplied with funds to take up such issues, or outstanding liens, when available on the "right" yield basis.

Big Jump in Legal List

Reflecting modification in the statutory test set for the legal list the volume of fixed debt securities available for funds of savings banks in New York State increased by 13% or $2,300,000,000 in the year ended July 1 last.

Affecting chiefly the securities of public utility companies, the revisions brought to the eligible list a total of $2,245,900,000 of such obligations.

At the same time, $4,783,600,000 of securities which had been made eligible for legal investment by action of the Banking Board became regarded as acceptable without further action by the Board.

The names of 13 utility issuers appear on the list for the first time, and obligations of that industry, totaling $11,302,000,000, now comprise some 58.5% of the $19,300,000,000 total.

Rail Issues on Their Own

Meanwhile the improvement in recent years in the earning capacity of most railroads found the bulk of their debt obligations remaining on the "list" when the "moratorium" provision referred to as Section 7-a expired.

Enacted in 1932 at the depth of the depression, this provision was modified in 1938 and extended for the last time in 1940. At the height of the railroads' difficulties, upward of $6,000,000,000 of their obligations or about 85% of the total, were covered by it.

But the expiration of this "cover" finds the total of bonds still taking shelter under Section 7-a down to about $545,583,800. These have been transferred to the regular category under subdivision 7 of the legal investment statute. Rail issues now under the statutory section of the list stand at $4,102,000,000 against $4,049,000,000 a year ago.

Equitable Gas Debentures

Although a spread of just over a full point separated the highest and the lowest bids for the Equitable Gas Co.'s $11,000,000 of 3⅜% debentures, the issue moved out quickly on reoffering.

The successful group paid the Philadelphia Co. (the seller) a price of 104.03; The runner-up bid 103.76, while the lowest of four bids was 103.0253.

Reoffered at 104.53 to yield about 3.07% the debentures, which mature in 20 years and which carry a substantial sinking fund provision, were reported to have been substantially spoken for in advance of actual opening of the books.

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Observations . . .

Oscar Ewing, who also has observed the British scene in connection with his national medical researches. But although both gentlemen have recently observed the same scene at first hand, they have gleaned entirely opposite impressions thereof. Mr. Matthews is positive that Britain's flag of "democratic capitalism" still waves triumphant in the breeze, completely uncontaminated by Socialism. This despite the fact of the frankly *doctrinaire* Socialist aims of nationalizing steel, and arbitrarily limiting home-building by private contractors to one of every four units constructed. He concludes that British Labor is hardly more Socialist than America's Fair Deal.

On the other hand, to observer Ewing it is quite clear that today's Britain is truly a Socialist state, but that the United States has no Fabian taint, and that any such implication is a red-herring concocted by GOP politicians for the purpose of insulting the American voter.

The simple truth about the current British and American domestic political processes is that both are interventionist and socialistic, with Britain's being *doctrinaire*, and our's *non-doctrinaire* and unwitting to the majority.

In any event, our injection of domestic political ideology as an important aim in a conflict with the Soviets, or with anyone else, would be a bad mistake leading to confusion and frustration.

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Erosion of the Economy

which we are concerned with the retention of our liberty and the future independence of our fellow citizens and our children. The successful man, who could furnish the greatest influence, is often the most complacent man and the one least interested in the freedom on which his success was based.

Yesterday I completed a trip which took me through many thousands of miles and many hundreds of conversations in Latin America. From that trip I have received renewed evidence of two troublesome facts.

First: The still free countries to our south look to us for advice and guidance and are confused by the divergence between our talk and our actions. They hear our words about independence, personal initiative, private enterprise, self-reliance and liberty and they see us giving more and more of our lives and personal responsibility into the hands of government.

Second: The economies of the Latin American countries are inextricably bound to ours and any policies which weaken us must inevitably weaken them.

Although I have not visited Europe recently, I am sure that if my trip had extended there, the same two facts would have forced themselves forward.

America's Responsibility for Freedom

America bears an enormous responsibility for freedom in the world today and you and I must carry a large part of that responsibility. On us rests not only the future of our own people but also the future of millions of people beyond our borders. We may not want that responsibility, but our wish does not affect the situation. It is ours and it must be carried. We must remain strong and we must, in our actions as well as in our talk, firmly place ourselves on the side of that widespread private ownership of enterprise which is the foundation of freedom. We must know and counteract the forces which are eroding private ownership and we must counteract the forces which weaken our system through valid dissatisfaction with those who own and manage it. We should give no aid to those within or without our borders who conduct themselves as tyrants and who seek to divert to government the ownership of men's property or the control of men's lives.

How do these warnings and these exhortations apply to a group of Americans who are engaged in the business of raising new capital for business and providing markets for those who want to buy and sell bonds and shares of stock? I do not need to tell you how vitally we are concerned. The lives we live, the experience we have earned, the functions we perform, would have no place in a world in which men were not free to work and earn and save and put their savings to work.

Not only are we deeply committed to a system of widespread private ownership of production, but we are the heart and the symbol of that system.

Function of Investment Bankers

Through our advice, savings are largely channeled into investment. To a very great extent ownership is dispersed and can be dispersed among millions only if we do the job. If our advice is not sound, unwise investments will result and the system will be exposed to dissatisfaction and dissention. If our work lags, is badly planned or fails to tap the changing sources of savings, adequate financing will not flow into the system and such capital as is created will not provide its benefits and its responsibilities to the millions who might otherwise own it.

People are not always in the mood to make their savings available for the formation of business capital. But, today, we face the probability that there is an increasing and widespread interest among our people in converting their enormous accumulation of savings into business capital. We may guess at the causes of this changing public attitude. It may be that people have come to distrust the future purchasing power of the dollar. This would not be surprising in the light of present government deficits, debts and "hand-out" policies. It may be that the renewed flow of dividends from our vastly expanded productive capacity, now that that expansion has been largely completed, has aroused an interest which mere earnings did not stimulate. Certainly there is evidence to support such a deduction. But whatever the cause, it seems probable that the American public is once again in the mood to invest.

This new public attitude must be met by our business as a responsibility and not solely as an opportunity to profit. If we channel this willingness to invest into new enterprises with real possibilities for success or into old enterprises with good records of success, we will further the cause of private enterprise and make freedom more secure. If we give careless advice, or aid in the offering of any issue which will turn us a profit regardless of its prospects for success, then we will have failed in our part and given comfort to our enemies.

No one can and no one should explain to us what is good advice and what is bad, what proposed financing may create a self-sustaining and profitable enterprise and what cannot. We have been schooled to make such decisions for ourselves and for our customers. The danger is not that such decisions cannot be made, but that personal and immediate considerations may warp them. The danger will not rest entirely on our advice, it will be pressed upon us by the eagerness, the ignorance and possibly the cupidity of those customers who will seek our aid and disregard our advice. But it is possible for us to be both wise and persuasive and the times in which we live demand both of us, perhaps, than ever before.

All over the world men are choosing sides between slavery and freedom or having slavery forced upon them. All over the world, people who long for freedom are looking to America to lead them towards it and to remain strong so that they may continue the fight.

An opportunity and a test, of what we in the securities business can contribute in this struggle, is arising. We must do what I know we can do, direct the savings and the willingness of our people to invest wisely.

The eyes of all the world, not only those of Texas, are upon us.

With A. E. Aub Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Robert W. Mayer has become associated with A. E. Aub & Co., Union Trust Building.

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News About Banks and Bankers

Helm, President of the bank. Mr. Blair is a graduate of Hotchkiss School, Yale University and Yale Law School. He is now a Trustee of the Yale Corporation, a member of the Yale Athletic Board of Control, etc. His directorships include the Holly Sugar Company and the Union Bag and Paper Company.

* * *

Barnard Townsend, President of **Title Guarantee & Trust Co. of New York,** announced on June 30 the closing of the sale of the property in which the company's Brooklyn office is located and the concurrent lease back of the entire premises. "The banking and title insurance business of the company will continue without interruption at the same address as heretofore," said Mr. Townsend. The property was sold to the Monrem Realty Corporation, of which Charles Donner of the E. Donner Lumber Corporation in Maspeth, L. I., is President. The property consists of adjacent buildings at 192-6-8 Montague Street and 167-175 Remsen Street, Brooklyn.

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The election of Thayer Cumings, Vice-President of Batten, Barton, Durstine & Osborn, Inc., as a trustee of the **American Savings Bank of New York** was recently announced by Henry R. Sutphen, Jr., President of the bank.

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The **Oceanside National Bank of Oceanside, Long Island, New York,** increased its capital as of June 19 from $50,000 to $200,000; in part the increase was brought about by a stock dividend ($75,000), while the further $75,000 increase resulted from the sale of new stock.

* * *

Kelly Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.,** has announced that the consolidation of the **Franklin National Bank of Jersey City** with the First National Bank became effective on July 5. The two offices of the Franklin National Bank at 329 Palisade Avenue and 3487 Hudson Boulevard, Jersey City, will be known as the Palisade Avenue Office and the Western Slope Office of The First National Bank. Established in 1864, The First National Bank is one of the oldest banks in Hudson County.

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The election of G. Robert Howell and Elmer B. McCahan, Jr., as Vice-Presidents of the **Fidelity and Deposit Company of Maryland** and its subsidiary, the **American Bonding Company of Baltimore,** of Harold C. Nuttle as an Assistant Secretary, and of Samuel Hopkins and Miss Mabel Shaw as Assistant Treasurers, was announced on June 29 by B. H. Mercer, President of the parent organization. Mr. Howell has been a member of the F&D's fidelity department since joining the company in 1910. Mr. McCahan, whose appointment as head of the companies' claim department recently announced, had previously served as assistant General Counsel and from 1916 to 1941 was an attorney in the claim department. Mr. Nuttle joined the F&D in 1920, following service in the Marine Corps in World War I. Mr. Hopkins has been associated with the F&D and its affiliate since 1935 in the dual capacities of security analyst and assistant to the Treasurer. Miss Shaw, whose election as Assistant Secretary in February, 1948, made her one of the first two women to become junior officers of the F&D, has been associated with the F&D since 1919.

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With the approval of the stockholders of the **Manufacturers National Bank of Chicago** on June 16 of a proposed 100% stock dividend, the capital of the bank was increased as of June 20 from $250,000 to $500,000. In effecting the increase $250,000 was transferred from the surplus account; the plans were referred to in our issue of June 8, page 2377.

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A Technique for Decontrol of Rents

and $149 per month and 30 offered at less than $100 a month.

For Queens and Long Island, there were 177 offers of which 12 were for $150 and over, 37 showed no price, 63 were between $100 and $149 and 65 were less than $100 a month. These data indicate that there are many alternatives available in the higher rent categories so that runaway rent increases are not probable.

Throughout the country new building has taken place at a very rapid rate. In 1949, over one million housing units were started in the United States; more than 10% of this total was in the New York Metropolitan area. During the first five months of 1950, the total of 536,000 starts nationally, far exceeded the total of 353,000 for the corresponding months of 1949. This flood of new building is providing a significant alleviation of the housing shortage and helps to explain the marked change in the number of advertisements in the New York area.

According to data concerning decontrolled units compiled by the Bureau of Labor Statistics for the Office of Housing Expediter, a smaller proportion of apartments renting at $50 a month and over had any increases and where rises took place showed smaller percentage increases than did decontrolled apartments with lower rents.

Thus, for example, in Topeka, Kansas, rent increases were reported for 11% of the $50 and over units as compared with 46% of the under $30 a month apartments. The rise in rents for the higher priced apartments was 13.8% as compared with 37.7% for the under $30 group. Similarly, in Salt Lake City, 34% of the $50 a month and over units reported average rises of 10.2% as compared with rises for 48% of the under $30 group, for which the average rise was 26.9%. (See Table III.)

A Workable Technique

These data provide significant evidence supporting the position that those with luxury incomes will not be seriously affected if their rents should be decontrolled. Where rent control is still in effect, the distribution of income approach suggests that units renting for more than $125 to $150 should be decontrolled at once. At the same time, a schedule should be promulgated to lower the cutoff point every three or six months. By such a program, as new housing becomes available we will slowly but surely eliminate rent control — which should have no permanent place in a peacetime economy.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Business will probably have to live with two vast uncertainties for some considerable time unless a full-scale war breaks out. These are how much hotter will the cold war which has turned warm get, and how much will the domestic economy be regimented.

So far as this capital is concerned, it cannot supply the answers today or soon which will eliminate these uncertainties, for the nation's leaders obviously do not know what is going to happen.

The Administration originally voiced the proposition that the outlook ahead was for two alternatives, one white with hope, the other black with tragedy. On the one hand, the Soviets, given an unequivocal indication that the U. S. would resist militarily any further encroachment of Russian power, would back down and quit. On the other, they might go all out to fight the U. S. The Administration made it clear they were betting on the hopeful alternative.

This may work out because, again, no one knows. On the other hand, there is considerable opinion that this outlook of a Black versus a White alternative might just work out to be a little romantic and simple.

The Russians might decide to do any of a number of things. They might, for example, extend their power thrust into another area of potentially weak resistance. They might do it today or tomorrow or quite some time later. They don't have to react right away.

If the Reds are not ready to back down, it doesn't follow that the war would start the week after next or even next month. It does not follow that if the Russians accept U. S. action as an all-out challenge against any expansion, that they need to choose to meet the challenge post-haste. Since the U. S. shows no signs of organizing for an all-out war or wanting one, the Russians, should the Black alternative be the outlook, might wait to mobilize and group their forces when they pleased and where they judged best.

So this will make for uncertainty.

This town, it may be reported, is very definitely on the optimistic side, even if all observers do not accept the simple thesis that once faced down, Russia will retreat from its general program of aggression. The "neutral" view is that what Russia has done by a puppet military foray into South Korea, together with the answering U. S. resistance, is to change the cold war into a warm war which can easily continue warm and more uncertain for months, perhaps years, without becoming a truly hot or all-out war.

In this uncertainty as to the kind of war the U. S. faces from now on, there are two interesting schools of thought. On the one hand, there are probably those within the Administration councils who hold that it does not follow because of Russian aggression here or there, that the U. S. must necessarily fight an all-out war.

It is altogether probable that the Administration has been presented with the thesis that the U. S. might be able to fight Russian aggression wherever it might occur, without becoming totally involved in a war on all fronts, on the land, on the sea, and in the air, in the tropics, in the Near East, in the Far East, in Europe, or in the Arctic.

The basis of this thesis is that probably neither country would profit by a gigantic effort on all fronts to the maximum capacity of each nation. The needs of both might be served by contending for limited objectives with limited forces.

While the military might admit that this is possible, they occupationally don't go for it at all. It would be difficult to find one important military man who doesn't believe that the U. S. should be totally mobilized with the maximum forces available consistent with barely maintaining the civilian economy, poised to strike the Reds on every front where the forces could be brought to bear profitably.

This would become an academic argument, of course, if the Reds decide to move to the Channel. The U. S. in all likelihood would probably move to mobilize millions with a view to pushing the Reds back eastward in Europe, and the total war would be loose.

* * *

The argument as to whether the U. S. has a total mobilization plan or doesn't have one, is regarded in informed circles here as rather pointless.

In fact the U. S. has a plan, but its significance is minor. The plan is a staff plan. The National Security Resources Board has no doubt drawn up some kind of plans for every contingency, including total war and the drastic controls on wages, prices, rents, profits, and the flow of materials total war would require.

In the first place, the plan is a staff plan, without any backing from either the Administration or Congress. This lack of backing has been due in part to the fact that the National Security Resources Board had been marking time without a genuine chairman for some time. More than that, however, neither the Administration nor Congress has any stomach to go for total controls until forced to do so.

At the conclusion of the most recent war there was a general sinners' repentance against the bureaucratic snafu which strained the handling of the war's management, and a resolve to incorporate the lessons learned so hardly into statute so that by a piece of paper called a law the U. S. could somehow save itself from going through same of the same foolishness again. The idea was to have a standby total mobilization law and a standby plan of agencies with precisely defined powers to administer the vast controls. The hangover of chagrin at the mismanagement of the last war has worn off and with it the resolve.

Nevertheless, if total war breaks out, the Truman Administration could not be expected to repeat all the management blunders of World War II. It is doubted if another Wallace would be put in even temporary leadership of the mobilization effort. It may be doubted that there would ever be another two-headed WPB, as when William Knudsen and Sidney Hillman were co-bosses of the war effort on the production front. It is altogether likely that something akin to the Controlled Materials Plan would be reinstituted.

It might also be hazarded that Mr. Truman would be less inclined to go for the rare strange birds that Mr. Roosevelt liked, to administer controls.

Finally, if Mr. Roosevelt partially dropped the "New Deal" for the duration, Mr. Truman might be more inclined to do likewise, assured by the war of re-election, for Mr. Truman has not been selling himself the "Fair Deal" quite as long as the late President did his own particular kit of measures. In this connection, Jimmie Byrnes in his "Speaking Frankly" mentioned the fact that just a few days before his death, the President was greatly interested in telling General Clay, selected to be occupation commander, of Mr. Roosevelt's idea of a TVA for central Europe.

Submission of any plans for control of the civilian economy, whether limited and partial, or total and encompassing, is a political question, no matter how infallible the plans might be. To submit to Congress the idea of enacting extensive controls before the people were predominantly prepared for them, would become an act of political suicide. That has already been demonstrated by the haste and heat with which it was denied that the Administration had a plan for the total control of the economy.

Assuming that the "warm war" extends in geographical and military scope, the Administration could be expected to ask for such limited controls as were roughly necessary to divert the flow of resources to the quantitative effort involved, and not much more. Meanwhile most of the more extravagant trappings of the "Welfare State," particularly public housing, crop supports, and a home and heaven too for veterans, could be expected to go merrily on.

Assuming that the war really got hot, but short of a grave threat or damage to the continental U. S. or Canada, the Administration's tactics probably would not be greatly different from those of the Roosevelt Administration. There would be excess profits taxes, rent controls, pressure on business profit margins. The regulation of labor wages, farm prices, and the right to strike, would be puny. It would be improbable that the country would go for all-out sacrifices unless the danger of damage to the home front were more than a propagandized danger.

* * *

It is understood that when Mr. Truman neglected to reappoint the directors of the RFC after their terms expired in accordance with the statute, June 30, he did so upon legal advice that the law allowed them to remain and function "until their successors qualified."

The Truman decision to skip the renomination was done to delay, to see whether the Congress upsets or leaves alone the pending reorganization plan to transfer RFC to the Commerce Department.

Under the circumstances it would not be surprising if the nomination of RFC directors might actually wait until after Congress adjourns, or perhaps after the election.

RFC, incidentally, got two conditions attached to its unique loan to dig out under Boston Common and build a combination parking lot for 3,500 cars and an air-raid shelter. The city gives the use of the property free of rent and free of taxes for a long term, believed to be 35 to 40 years, and the borrower, Motor Park, Inc., adds a guarantee backed up by $3 million of collateral.

(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

"Instead of a raise, Gilhooley, how would you like a desk near the window?"