f4c Conc. of corp.
shares

LCR = .9270

S&P 99, p. 11. From Treas. dept. is latest available

Lorenz data

HOW THE CORPORATE INCOMES WERE DISTRIBUTED IN 1952

Corporate Returns with Net Incomes of:	RETURNS Number	RETURNS Cumulative % of Total	NET INCOME (000) Amount	NET INCOME Cumulative % of Total
$10,000,000 or more	508	0.1%	$19,344,152	47.8%
Between $5,000,000 and $10,000,000	455	0.2	3,129,000	55.6
Between $1,000,000 and $5,000,000	3,020	0.9	6,351,075	71.3
Between $500,000 and $1,000,000	3,243	1.6	2,260,846	76.9
Between $250,000 and $500,000	5,968	3.0	2,080,026	82.0
Between $100,000 and $250,000	15,064	6.4	2,335,476	87.8
Between $50,000 and $100,000	20,623	11.0	1,443,968	91.4
Between $25,000 and $50,000	33,470	18.6	1,162,855	94.3
Between $20,000 and $25,000	26,357	24.6	594,566	95.7
Between $15,000 and $20,000	27,752	30.8	483,872	96.9
Between $10,000 and $15,000	37,136	39.2	458,022	98.1
Between $5,000 and $10,000	61,780	53.2	447,571	99.2
Under $5,000	207,201	100.0	340,250	100.0
TOTAL	442,577	100.0%	$40,431,697	100.0%

The New Rand McNally International Bankers Directory for

1956

Set in easy to read type

Designed especially for faster reference work

WRIGHT PATMAN

(Continued from Page 11)

chises; it results from fewer and fewer alternative suppliers seeking dealers.

Under Present Law

CONSOLIDATED RETURNS.

Under present law, corporations owning subsidiary corporations are given the option of filing a consolidated return or separate returns. The presumption is that, in most instances, the advantages are on the side of filing a consolidated return, for two reasons:

FCC Man Hits 'Blind' Ownerships

North American Newspaper Alliance

Washington, D. C. – Nicholas Johnson, a member of the federal communications commission, says increasing ownership of radio and television stations by faceless institutions—banks, trust funds, mutual funds, estates, brokerage houses and big corporations—lends urgency to the question "who's in charge here?"

Johnson, a constant critic of his own agency, has blasted a new FCC decision as "yet another document (on) the growing pile of evidence of this commission's insensitivity" to broadcast problems in the country.

The latest move to enrage Johnson is FCC approval for a Worcester (Mass.) television station for the State Mutual Broadcasting Corp.

The commissioner, the lone dissenter in the case, warned that a media subsidiary of a big corporation might be used to serve the interests of the parent, rather than become an independent source of information and opinion.

State Mutual Broadcasting's voting stock is owned by a life insurance company which, Johnson said, is part of a multi-billion-dollar industry not immune from politics and economic involvement in serious public policy issues. He cited medicare, health insurance, the relation of auto insurance to the auto industry, investment practices of insurance companies and income tax treatment.

He also pointed out that the insurance firm, State Mutual Life Assurance Company of America, held stocks and bonds totaling about half a billion dollars "in a wide range of interests."

Re Crockett & Friend

Sent. 9-18-63

Understates conc. ranker by inc.

SYLVIA PORTER

Big Boy's Market

Ever since the stock market crash of mid-1962, Wall Street has repeatedly been asking, "Where's the public?" I, along with other financial reporters, have been lamenting that the little individual investor was so badly disillusioned and hurt by that crack-up that he retired to the sidelines and, as a result, he mostly missed the market's spectacular comeback on average to new all-time peaks.



Porter

Now comes startling evidence suggesting that from the start the small investor is "the little man who wasn't there" on the scale we thought. We have been giving him credit for a much more dominant position in stocks than is warranted.

While, of course, millions of moderate income families have entered the stock market in recent years for the first time in their lives, all of us have been exaggerating the proportion of outstanding stocks owned by these families.

Item: Individuals and families with taxable income of over $100,000, representing a tiny one-tenth of 1% of all families filing income tax returns, account for 20% of total holdings of stocks by individuals.

Managerial Group

Item: Families with gross income of over $25,000, representing a scant 1% of all filing income tax returns, account for almost 50% of total holdings of stocks by individuals.

Item: The managerial group (executives, both salaried and self - employed businessmen) and professionals are by far the biggest owners of stocks. When the retired and not gainfully employed are eliminated, the managerial group accounts for almost one-half and the professionals for an additional one - quarter of individuals' stockholdings.

Item: Even in the under $10,000 income class, the managerial group and professionals own about as much stock as clerical or sales workers or professionals. Many large stockholders in the under $10,000 income class are retired men who accumulated substantial wealth during their working years, or widows and minor children of upper income men, so they, too, might "more appropriately be assigned" to top income brackets.

Accurate Data

These are just a few of the findings of a Wharton school study on "Characteristics of Stock Ownership" presented by James Crockett and Erwin Friend of the University of Pennsylvania at a recent meeting of the American Statistical association in Cleveland. The study is based on 1960 income tax returns and provides the most accurate data available to date on the distribution of stock ownership in this country.

How well did the little fellow who was there make out during the stock market slump of 1961-1962? Here, too, the Wharton school study suggests evidence diametrically opposed to the general opinion. First, remember that the big losers in that debacle were the high priced growth stocks, the risky unlisted issues, stocks in volatile industries. Now read on.

The under $10,000 stockholders "had a very much stronger preference" than wealthy individuals for "less speculative" stocks—such as telephone stock, electric and gas utilities. The low income groups "held relatively small amounts of their portfolios in the riskier types of unlisted stocks," while the upper income groups were "much more heavily committed to such investment." The lower income groups had "a higher risk aversion" to the fancily priced growth stocks than the high income classes.

No National Crisis

In short, it was the big fellow who was the major owner of the stocks which went through the wringer in the 1961-'62 break—not the small investor! In the measured words of the lower income family's "market experience must be considered rather favorable" in comparsion—which well may explain why Wall Street's near panic of May, 1962, didn't lead to a nation-wide crisis.

No one denies that numerically the small investor is in the stock market on the heaviest scale in history. But that one statistic — 1% of United States taxpayers own almost half of all stocks held by individuals—puts the little fellows percentage ownership in perspective.

It has been clearly a big boys' stock market these last 12 months. It always has been a big boys' stock market.

m Int Al	4	2¾	2¾	2¾	.....
m MARC	39	2⅞	2¾	2⅞	+ ⅛
mMfg .30d	5	45⅜	45¼	45⅜	+ ⅛
mPetro .15	19	7½	7⅜	7½	.....
mReal Pet	1	3¾	3¾	3¾	.....
mSeal .40f	7	11⅝	11¼	11⅝	+ ⅜
Thrd pf.25	1	4⅞	4⅞	4⅞	— ⅛
ncPost .80	2	13¼	13¼	13¼	— ¼
ndreaR .50	2	11⅛	11⅛	11⅛	— ⅛
ngLaA .35g	8	4½	4⅜	4⅜	.....
ngWup .30a	1	11⅝	11⅝	11⅝	— ¼
ntPools .24	4	4½	4¼	4¼	— ¼
pache Corp	53	13¼	12⅝	12¾	— ⅝
pollo Ind	16	13	12¼	12¼	— ⅝
pPw pf4.50	z20	99¼	99¼	99¼	.....
rgus Inc	4	5	4¾	4¾	— ⅛
rkLaGas 1	33	34¾	34½	34½	+ ¼
rmour wt	7	23⅜	22⅝	23	— ½
rrow El	3	1⅞	1⅞	1⅞	+ ⅛
samera	341	1½	1¼	1 5-16	—3-16
sdBaby .20	10	5	4¾	4¾	— ⅛
ssdFdSt .20	15	3¼	3⅛	3⅛	— ⅛
s Laund	3	1¾	1¾	1¾	.....
ssdOil & G	184	5¼	5	5⅛	.....
ssdProd .40	19	16	15½	16	.....
ssd TestL	6	5¾	5⅝	5⅝	— ⅛
strex Inc	16	5¾	5½	5¾	— ¼
tco Chem	31	2⅜	2¼	2⅜	+ ⅛
ticoFin .30	3	7½	7½	7½	.....
tCLCo 2.40a	2	71¼	70½	70½	+ ¼
t Research	5	11¼	11	11	— ¼
tlasMin .38f	21	14½	14¼	14¼	— ¼
tlasCp wt	14	1¼	1⅛	1⅛	.....
tlasGn .30g	25	16½	16¼	16⅜	.....
vjAtlas Sew	1	⅜	⅜	⅜	.....
udioD .23f	9	13¾	13¼	13¼	— ¼
urora 1.07f	9	28	27¼	27¼	— ¾
utoRad .20f	3	3½	3½	3½	— ¼
utStlP .30	37	6½	5⅝	6½	+ ⅞
vien	2	3	3	3	— ⅛
vis Ind	2	20⅜	20⅛	20⅜	+ ⅝
yrshColl 1	2	44	43½	43½	— ½

B

Bailey Sel	1	9	9	9	— ¼
BakerIn .47f	24	12¼	11¾	11¾	+ ⅛
BaldMon pf1	5	13⅞	13¾	13¾	.....
BaldSec .14t	5	4⅛	4⅛	4⅛	.....
Banff Oil	69	1⅛	1⅛	1⅛	.....
Banner Ind	19	2⅞	2⅝	2⅝	.....
BargTn .31f	15	8	7¾	7⅞	— ⅛
Barnes Eng	21	17	16½	17	+ ⅝
BarryWr .50	1	9⅝	9⅝	9⅝	+ ⅛
Bartons .30b	2	10⅜	10⅜	10⅜	— ⅛
Baruch Fost	5	1	15-16	1	.....
Glass-Tite	30	4⅝	4½	4½	— ⅛
GlenDisB .70	25	22½	21½	21⅞	— ⅝
GlobeSec .52	11	17¼	17	17	— ¼
GloryKn .50	6	19⅜	19¼	19¼	— ¼
Gluckin .50	15	10¾	10½	10⅝	— ⅛
Goldfield	449	2¼	2	2¼	+ ⅛
Goodway	11	5⅛	4⅞	5	+ ⅛
GordJlyA .50	4	10⅛	10⅛	10⅛	— ⅛
Gorham 1.20	5	22⅞	22¾	22⅞	+ ⅛
Gray Mfg	49	7⅜	6¾	7¼	+ ½
Gt AmInd	21	1⅛	1	1	.....
GtBas Pet	63	4¼	4⅛	4¼	+⅛
GtLak Chem	95	2½	2⅜	2⅜	.....
Greer Hyd	3	2¾	2¾	2¾	— ⅛
Griesed .75g	1	13⅞	13⅞	13⅞	+ ⅜
GrowCp .12f	13	3	2⅞	3	+ ⅛
Gulf Am Ld	18	3¾	4¼	4¾	— ⅛
Gulf Sta Ld	7	19⅞	19⅝	19⅞	— ⅛
Gulf&W 1.44f	10	29½	29⅛	29½	.....
Gulton Indus	10	28⅝	28¼	28¼	— ½

H

H&B Am	9	3	3	3	.....
HansnVW .40	10	13	12⅞	12⅞	+ ¼
Hardeman	3	1⅞	11½	11½	— ½
HarnCp .40f	6	6½	6⅜	6½	.....
Harnis .70g	3	17	16⅞	16⅞	.....
HartfEl 1.60	1	47	47	47	— ½
Harvard Ind	1	2⅛	2⅛	2⅛	+ ⅛
HarvRad .22f	3	3½	3½	3½	.....
HarvStrs .24	4	4	4	4	.....
Hazel Bish	23	4¼	4⅛	4¼	— ⅛
Hebrew Nat	5	5¾	5¾	5¾	.....
HeclaM .80	35	22⅞	22	22¼	+ ¼
Heinick .10g	12	6⅞	6⅞	6⅞	+ ⅛
HelenaR 1.30	4	36¾	36¼	36¼	—1
HeliCoil .80	10	29⅞	29⅝	29¾	— ⅛
Heller 4pf 4	z20	80	78	78	—4
HendPak .40	3	10¼	10⅛	10⅛	+ ⅛
HercGal .15g	12	4¾	4⅝	4⅝	— ⅛
HigbieMfg 1a	7	20	18⅞	20	+1¼
Highway Tr	1	5	5	5	.....
HillSupA .44	1	19½	19½	19½	+ ¼
HiltonHot wt	5	4½	4½	4½	.....
Hoe&Co A	2	7⅝	7⅝	7⅝	.....
Hoffm Intl	3	1¾	1¾	1¾	— ⅛
Hofm Ind	1	1116	11-16	1 -16	+ ⅛
Hollingr .60a	3	26⅜	26	26	.....
Holly Corp	7	1⅛	1	1	— ⅛
Holly Strs	3		6⅞	6⅞	— ⅛
HomFin .40a	1	14⅞	14⅞	14⅞	+ ¼
HomOA 2.25b	3	12⅛	12	12	.....
HomOB .25d	1	12	12	12	+ ⅛
Horn&H .45g	2	21¼	21¼	21¼	— ¼
Horn&H pf 5	z100	100	99⅞	100	+ ¼
HrnHBk 5.50	z20	104	104	104	+ ½
HowElM .31t	2	5⅜	5⅜	5⅜	.....
Hughes 1.30f	18	18¼	7¾	18	— ⅜
HudsnVit .70	2	11½	11½	11½	.....
Husky Oil	9	6⅜	6¼	6⅜	+5-16
Hycon Mfg	164	3¾	3⅜	3½	— ⅛
Hydmetal	63	9⅜	8¾	9⅛	+ ⅛
HygradeF 1	1	19	19	19	.....

I

mp Ch .12g	2	9⅛	9⅛	9⅛	+ ⅛
mpCh fn .12g	4	9⅛	9⅛	9⅛	.....
mpOil 1.20a	7	40⅛	40⅛	40⅛	.....
mTbCa .60g	10	13⅜	13⅛	13⅛	— ⅛
ndepTel .05d	1	8⅞	8⅞	8⅞	— ⅛
ndplsPL pf4	z20	90¼	90¼	90¼	.....
ndElHd .11f	5	3⅝	3⅝	3⅝	.....
nd Plywd	3	2⅝	2⅜	2⅜	— ⅝
nlandCr .25f	32	10¼	9¼	10	+ ¾
nsNAm 2	10	96	95¼	96	+ ¾
nt Brew	3	3⅞	3⅞	3⅞	.....
nt Oil Gas	8	5½	5⅜	5⅜	— ⅛
nt Prod	2	4⅜	4⅜	4⅜	— ⅛
ntStretch .20	69	17⅝	17	17½	+ ⅞
ntex Oil	3	6¾	6⅝	6⅜	— ⅛
nv Prop	2	1⅛	1⅛	1⅛	.....
nvesFd .60b	2	13½	13⅜	13½	— ⅛
pcoHos .20g	57	13⅞	13	13⅞	+ ⅞
rving Air	6	35⅛	34⅛	34⅛	—1⅜
srael AOil	108	⅜	5-16	5-16	.....

J-K

Jeann Glass	3	9½	9⅜	9⅜	.....
JeffConst .20	6	3⅞	3⅞	3⅞	.....
Jeff Lk Asb	1	3¾	3¾	3¾	+ ¼
JeffLPet .07g	4	5⅝	5½	5½	—3-16
Jeff LP wt	1	2¼	2¼	2¼	—3-16
Jetronic Ind	3	2¾	2¾	2¾	+ ⅛
Johns Bargn	2	12⅝	12½	12½	— ¼
Jupiter Cp	7	3¾	3¾	3¾	— ⅛
Kaiser Ind	48	8¼	8	8	— ¼
Kaltman	19	1⅝	1½	1½	.....
Katz Drug	6	14½	14¼	14½	+ ¼
KaufBd .60	12	30⅞	30⅜	30⅜	— ¾
Kavanau .60	4	6	6	6	.....
Kaweck .73t	102	32	30½	31½	— ¾
Kay Jwly	2	9	9	9	.....
Kingsford	1	13⅜	13⅜	13⅜	.....
KingPd .10g	2	3⅞	3⅞	3⅞	+ ⅛
KinArk Oil	49	1⅝	1½	1⅝	+ ⅛
Kinney Serv	17	22	20¾	22	+1⅜
Kirby Pet	68	45½	43¾	45½	+1⅞
KirkNat .40	63	23⅝	22⅞	23½	+ ¾
KleinSt .65t	2	12⅝	12⅝	12⅝	— ⅛
Kleinert .45	5	11½	11¼	11¼	+ ¼
Klion HL	5	4⅛	4⅛	4⅛	+ ⅛
Knott Hot 1	2	18½	18⅜	18⅜	— ⅜
Kostin .40	1	17⅜	17⅜	17⅜	— ⅜
Kratter .45f	35	9⅛	8¾	9	.....
Kropp F	2	1¾	1¾	1¾	— ⅛
KulkaS .10g	11	4⅝	4⅜	4½	.....

L

Lafay Rad	7	11	11	11	+ ¼
LAiglon .19f	9	10	9¾	9¾	— ¼
Lamb Ind	8	2¾	2½	2¾	+ ⅛
Lamson .15g	30	17¼	15¾	17⅛	+1⅜
Larchfield	1	6	6	6	.....
Lease Plan	12	34⅜	34	34	— ⅜
Lefc Real	10	½	⅜	⅜	— ⅛
LeslieFay .48	26	8⅞	8	8⅛	—1
Levines .40b	1	10⅜	10⅜	10⅜	.....
Levitt Sons	29	4⅞	4¾	4⅞	+ ¼
LibFab 1.02f	10	12⅜	12¼	12⅜	.....
Lith Am	38	7¾	7¼	7¾	+ ⅜
Lithonia Ltg	13	10¼	9¾	10	+ ¼
LivingsO .42t	341	14¾	14	14¾	+ ⅞
LockeS .17p	5	11	10¾	10¾	— ¼
Lodge & S	8	1⅛	1⅛	1⅛	.....
LongWit .15r	1	9⅛	9⅛	9⅛	+ ⅛
LouLess 1.20	x6	9	8⅜	8½	— ⅜
LouisShe .11t	3	2⅞	2⅞	2⅞	+⅛
LaGasSv .74	11	21⅞	21⅝	21⅝	— ⅛
LaLand 2.20	7	85¼	84¾	84¾	— ¼
LuckyFr 1.60	18	32½	32⅛	32⅛	— ⅜
Lundy El	623	12⅜	10⅜	10½	—2
Lnkhm 1.40a	z50	27½	27½	27½	.....
LynchCp .26f	4	8½	8⅜	8⅜	— ¼

M

Macfad Bart	10	4⅛	4	4⅛	+ ⅛
MackTrk wt	3	19¼	18¾	18¾	— ⅝
Macke .45	1	22⅛	22⅛	22⅛	— ⅛
Mackey Air	604	5⅞	5	5⅞	+ ⅞
Macoid .20	3	3¼	3⅛	3⅛	.....
Magell Pet	24	1	1	1	.....
Magna Oil	44	6¾	6½	6½	—⅛
MePSvc 1.04	5	22⅝	22	22	— ⅝
MajestS .70a	2	14	14	14	— ¼
Mallory Ran	11	2⅝	2½	2½	.....
MangelS 1.20	4	19¼	19¼	19¼	— ¼
MansTR .10e	5	8⅜	8⅜	8⅜	+ ⅛
Marlene .50	2	6⅛	6⅛	6⅛	+ ⅛
Martin M wt	5	21	20½	20½	— ¼
MaryCart Pt	31	11	10¼	10½	— ¾
MdCup .82t	4	33⅜	33	33	.....
MaryCPt A	34	6⅞	6¾	6⅞	+ ⅜
MascoCp .24	10	17¾	17¾	17¾	— ⅜
MasseyF .50	278	15⅛	14½	14⅞	+ ⅜
MasseyF fn .50	3	14¼	14	14¼	.....
Maule Ind	5	7	7	7	.....
McCrory wt	17	2½	2½	2½	.....
McCull Oil	4	9¾	9⅜	9¾	+1¼
MeadJn .68	65	25¾	25⅛	25⅛	— ½
Medco A	2	8⅛	8⅛	8⅛	.....
Melnor Ind	1	10	10	10	— ⅛
Menasc .20g	11	5½	5⅜	5⅜	+ ⅛
Merrill Isl	168	1⅛	⅞	1 1-16	+3-16
MerrillI fn	5	1	1	1	.....
Mich Chem	77	16¼	15⅝	15⅞	+ ½
Mich Sugar	26	7⅛	7⅛	7⅛	+ ⅛
MichS pf.60k	10	15¼	15	15	.....
Micro H .10	8	11¼	11	11¼	+ ⅛
Microway	20	11⅝	11	13⅜	+ ⅜
Midwn Fin	56	6½	6⅜	6½	+ ⅛
MillTract .60	24	16½	15⅞	16⅜	+ ½
MillWohl .10	x1	3¾	3¾	3¾	.....
MillW pf2.25	y100	32½	32½	32½	— ⅜
MiloElec .10g	3	6⅛	5⅞	6⅛	+ ⅛
MirroAl 1.20	2	23¾	23½	23½	— ½
MoKanT ct	1	5⅜	5⅜	5⅜	— ⅛
Mohk Airl	27	5½	5¼	5¼	— ⅛
Molyb Can	39	⅜	⅜	⅜	.....
Molybden	26	31	30⅛	30⅛	— ⅝
Molybd wt	34	5⅜	4⅞	5	— ¼
Monor Ind	9	11½	13⅜	13⅜	.....
MontWdA .7	z200	16¾	16¾	16¾	+ ¾
MtClem .32t	40	11⅜	11⅛	11¼	.....
MtSt TT 1	12	29½	29¼	29½	— ¼
Movielb .44f	1	9¾	9¾	9¾	+ ⅛
MPO Vid .40	5	9¾	9⅝	9¾	+ ⅛
Pit Rwys	6	28¼	27½	27¾	— ¼
Plant Ind	1	2¾	2¾	2¾	.....
Plast Mat	3	3½	3⅜	3⅜	— ⅛
PlumeAt .07d	5	10⅛	10⅛	10⅛	— ⅛
Polarad El	8	4	3⅞	4	.....
Poloron A	1	2⅜	2⅜	2⅜	— ⅛
Polycast Cp	3	3¼	3¼	3¼	.....
Polychrome	12	5¾	5⅝	5¾	+ ¼
Prairie Oil	2	2¾	2¾	2¾	.....
PrattL 1.50a	z100	33¼	33⅛	33¼	+ ⅝
Precware .20	4	3½	3½	3½	— ¼
Pren Hal .40	24	36	35½	35⅝	+ ⅛
PresRlA .60b	1	9⅜	9⅜	9⅜	+ ¼
PresRlB .60b	4	9⅜	9¼	9⅜	+ ⅜
Preston .40g	3	8½	8¼	8½	+ ⅛
ProctSil .10g	9	4⅝	4½	4½	.....
ProgMf .10g	7	16	16	16	.....
Prophet .80b	2	22⅛	22⅛	22⅛	— ⅛
ProvGas .60	8	13¾	13⅜	13⅜	— ⅛
PRicTel 1.80	1	65¾	65¾	65¾	— ½
Purit Spt .40	9	13⅞	13⅝	13⅞	+ ½
PyleNat .60a	23	42	40¼	40¾	— ¾

Q-R

Quebec Lith	16	2⅜	2 1-16	2 1-16	—1-16
Radiatn .23t	6	13⅜	13¼	13⅜	— ⅛
Ramer Ind	3	6⅛	5⅞	6⅛	+ ¼
RamoInc .24	31	9	8⅝	8⅝	— ⅛
RapidA .12d	13	5⅞	5⅞	5⅞	— ⅛
Rath Pk	5	11	10⅞	10⅞	— ⅛
Ravette .32b	24	58⅛	57	57½	+ ⅜
RealEIn 1.20	3	22½	22⅜	22½	+ ⅜
RealProp .96	5	8⅜	8	8	— ¼
RealtyE .20b	5	6¼	6¼	6¼	.....
Realty E wt	2	1⅛	1⅛	1⅛	.....
REDM Corp	7	7⅜	7½	7½	— ¼
Reeves Brd	5	2⅞	2⅞	2⅞	.....
Reeves Ind	27	4¼	4	4⅛	.....
Reis & Co	18	⅝	9-16	⅝	.....
RelianIn 1.32	41	44¼	43⅜	44¼	+ ¼
RemAr .25g	9	12	11⅝	11¾	— ⅛
Rep Foil .40	2	19⅝	19⅜	19⅜	— ⅛
Republn .10g	31	5½	5¼	5⅜	— ⅛
Rep Tran In	10	4	4	4	.....
Resisto .40b	3	15⅝	15½	15⅝	+ ⅜
Restaur As	29	9	8¾	8⅞	.....
RIC Grp .83f	556	12¾	12	12¾	+1⅛
RioAlgo .40g	12	13½	13⅜	13½	+ ⅛
Rio Alg wt	7	⅜	⅜	⅜	.....
RioG VG .16	5	5⅞	5¾	5⅞	+ ¼
RittFinB .28	2	5¼	5¼	5¼	+ ⅛
RobinTe .30r	5	6¼	6⅛	6¼	+ ¼
RochG pfF 4	z10	87	87	87	.....
Rodney Met	16	4¼	4	4	— ⅛
RogersC .33t	1	13⅝	13⅝	13⅝	— ¼
RollinsBd .40	5	15	14¾	14¾	— ½
Roose Fd	1	3⅞	3⅞	3⅞	— ⅛
Roose Rac	5	13¾	13½	13¾	+ ¼
Rosenau .44	75	11⅜	10⅝	10⅝	+ ¼
Ross Prod	6	5	5	5	.....
Rowld Prod	2	7½	7½	7½	— ⅛
Roy School	4	9⅛	9	9	— ¼
Royalite	12	13¼	13¼	13¼	.....
Rusco Ind	26	3⅞	3¾	3¾	.....
RussTogs .60	5	16	16	16	+ ¼
Russ Inc	17	3⅛	3⅛	3⅛	.....
RyanC Pet	2	2¾	2¾	2¾	.....
RyeHay .15g	2	3⅜	3⅜	3⅜	— ⅛

S

StLawCp 1	8	20	20	20	.....
Salem Bros	6	2¼	2⅛	2¼	+ ⅛
SanCarl .39g	18	17½	17	17	— ¼
S DiegG pf1	1	21⅞	21⅞	21⅞	.....
Sarcee Pet	9	1 3-16	1 3-16	1 3-16	.....
Savoy Ind	2	10⅞	10⅝	10⅞	.....
SaxonPa .27f	13	5¾	5⅝	5¾	+ ⅛
Sayre Fisher	4	4	3⅞	3⅞	— ⅛
ScreenG .60	1	23⅜	23⅜	23⅜	+ ½
Scurry Rain	124	19¼	18⅝	19	+ ½
SbdAMill .30	5	7⅛	7	7	.....
Sbd Ply	2	2½	2½	2½	+ ⅛
Sbd W Air	107	6⅜	6⅛	6⅜	.....
Sealectro	3	5¾	5⅝	5⅝	— ⅛
SeasonAll .30	6	7¼	7	7	— ½
Sec Free Pet	1	6½	6½	6½	.....
Seeburg Cp	36	20¼	19¾	20¼	+ ½
Seeman Bro	42	8¼	8	8	.....
Sel&Latz .80	1	16½	16½	16½	— ⅛
Servo Cp	9	5⅜	5⅜	5⅜	— ⅛
Servomech	3	3⅜	3¼	3¼	— ⅛
Shaer Sh .64	3	7⅜	7¼	7¼	+ ¼
ShatDen .10g	11	9	8⅞	8⅞	.....
Sher Wm 3	16	88¾	88½	88½	— ⅞
Siboney Cp	72	5-16	5-16	5-16	.....
SigOil A .80a	68	26⅞	26½	26⅞	+ ¼
Silicon Tran	84	7½	6⅝	7¼	+ ⅜
Silv Crk	8	½	½	½	—1-16
Silvray Lt	8	2¼	2⅛	2¼	+ ⅛
SincV Oil 3a	z70	53¾	53½	53½	.....
[illegible]					

ICC Probes to Find True Ownership of U.S. Railroads

BY STEPHEN M. AUG
AP Staff Writer

WASHINGTON — The Interstate Commerce Commission has begun to move on two fronts to lift a traditional veil of secrecy to discover who actually owns the nation's railroads.

The recent moves come after more than a decade of ICC approval of the largest railroad mergers in history. These have placed ownership of the $11 billion-a-year business in the hand of fewer companies and individuals whose identity is carefully masked by a variety of financial pseudonyms.

These disguises—though all legal — include such common devices as "street names" and "nominees" in ICC records intended to make public the identities of the shareholders of the nation's transportation companies.

When a stock is held in a "street name" it is registered in the name of a brokerage house, rather than in the name of the actual owner. A "nominee" is a similar device used by banks which hold stocks in trusts or other financial capacities — for individuals and organizations.

Bankers and brokers steadfastly refuse to disclose the identities of the true owners of these securities. They say this is to facilitate handling and tracing and to maintain the traditonal secrecy of banker-client relationships.

An Associated Press study shows that no one including the ICC, which has responsibility for regulation of the railraods—knows what effect these hidden holdings have had on the industry's economic health and on the merger fever which continues to affect it.

Even ICC Chairman Paul J. Tierney concedes that in some cases "we're just not quite certain of just who the real owners of the stock are. We never know enough."

Lacks Information

The study of the industry's ownership problems shows:

The ICC, which never has had a general investigation of the matter, has neither the records nor other information at hand to tell it—without a full-scale investigation — who actually owns several major railroads.

Present ICC ownership records, replete with nominee names, street names, fictitious companies, are virtually useless as an adequate means of discovering the real owners. This situation has existed since the commission was organized in 1887.

From records that are available, however, and from conversations with some top rail officials, it appears that in many cases ownership is diverse, and that in a number of cases the dominant individual owners are well known. But in many other cases the big stockholders are banks, insurance companies and mutual funds, and the power behind these millions of shares is hidden from public—and ICC—view.

The survey discloses also that there are differences within the commission as to just how much railroad ownership data the public is entitled to have.

But two recent actions have inched toward a solution to the problem:

The ICC revised its requirements for reporting annually names of the 30 largest holders of railroad securities to eliminate the name of Cede & Co., a New York Stock Exchange arrangement, from its ownership listings. This cleared away the haze that previously had hidden brokerage house holdings.

In a giant merger case in the West, an ICC examiner has ordered nearly a dozen railroads competing for at least parts of the Chicago, Rock Island & Pacific railroad to supply to the commission — for the first time—the names of the actual owners of each railroad involved.

Ownership Unknown

Significant as these moves are, they are not likely to clear up some past mysteries. For example, the ICC never questioned during consideration of the biggest business merger ever—the $6 billion Pennsylvania-New York Central consolidation—who controls either line.

Control of the Central was considered to be held by the Alleghany Corp. and Pennsy was considered widely dispersed.

But close examination of ICC ownership records shows that the largest holder of Pennsylvania Railroad stock is Morgan Guaranty Trust Co. of New York. Morgan holds, under six different names, at least 916,318 shares, or nearly 7% of Pennsy's 13,921,379 shares.

Even Philadelphia financier Howard Butcher III, one of the most powerful members of Pennsy's board, told a newsman he didn't know who is the actual owner of the Morgan holdings—and the bank refuses to say even whether it exercises any influence in voting the Pennsy shares it holds.

In the West, where some railroads are fighting to dismember — or digest whole — the financially shaky Rock Island, the ICC well may find itself considering the vast holdings of the Harriman family. But the study shows the commission also may find that a close relative of the Alleghany Corp. has begun to reach out west.

Among the railroads fighting over the Rock Island are the Union Pacific; Chicago & North Western; Southern Pacific; Atchison, Tokepa & Santa Fe; Denver & Rio Grande Western; Missouri Pacific; Kansas City Southern; St. Louis-San Francisco and the Missouri-Kansas-Texas.

Since the 19th century the Union Pacific has been considered under domination of the family and interests of the late E. H. Harriman. The U.P. holds about 24% of Illinois Central Industries, which owns the Illinois Central Railroad. Illinois Central and Gulf, Mobile & Ohio, both considered merger partners, hold 8.3% of the common stock of the St. Louis-San Francisco, also called the Frisco.

The extent of Illinois Central Industries holdings—or holdings in it—never has been made public because, although it controls a railroad, the ICC never has required it to list its ownership.

Both Averell Harriman —President Johnson's roving ambassador — and his brother, E. Roland Harriman, have large holdings in Union Pacific. Roland is senior partner of Brown Brothers Harriman, the family investment banking firm.

ICC regulations forbid an individual to be a board member of more than one railroad. But they do not prevent a single firm from having members on several boards of directors. Such interlocking directorates are fairly common, and the reason given is that it enables railroads to gain easier access to in-

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X-TRA NEWS WANTS

U.S. & Foreign Bond Markets

Weekly Transactions for the Five Days from Jan. 8-12, 1968

1967-68 High	1967-68 Low		Sales (in $1000s)	High	Low	Close	Net Chg.
85½	75½	PenPw&L 3s75	2	79⅛	79⅛	79⅛	+1
98		Penn RR 5s68	3182	99¾	98½	98⅝	— 3/32
		RR 4¼s81	18	77½	72¾	77½	+5⅜
		4¼s84	16	73	72	72⅛	+ ⅛
		⅛s85	4	60½	56½	60½	+5½
			8287	100	99¾	99 3/32	— 3/32
						55	+1

1967-68 High	1967-68 Low		Sales (in $1000s)	High	Low	Close	Net Chg.
.....	.....	Belg fn 5½s76	3	93½	93½	93½	.....
.....	.....	Belg fn 5¼s77	13	92	92	92	.....
99	98	Braz 6½s26st	2	98	98		.....
99	98	Braz 6½s27st	1	98		98	.....
99	98	BrazCR 7s55st				98	.....
52½	45⅝	Chile				98	—1
99¼						46¼	+ ⅛
						92½	.....
						92⅝	—⅛
						92⅝	.....
						87¼	.....
						94	.....
						19¼	—¼
						15	.....
						92½	.....
						88¾	.....
						88	.....
						80¼	.....
						90	.....
						96⅛	.....
						88	+ ¼
						97	.....
						83½	.....
						87½	.....
						87⅜	.....
						102½	— ½
						134¼	.....
						76½	.....
						79	—2
						79	.....
						77	—1
						77	.....
						163¾	.....
						94	.....
						92¾	.....
						91	.....
						81	.....
						92	.....
						84	.....
						2⅛	+ 3/8
						97	—1
						91½	— ½

The New York Stock Exchange

Weekly Transactions for the Five Days from Jan. 8-12, 1968

NEW YORK STOCK EXCHANGE INDEX

1967-68 High	1967-68 Low		High	Low	Close	Net Change Points	Net Change Percent
54.17	43.74	Composite	54.17	53.90	54.17	+ 0.60	+ 1.12
56.73	43.20	Industrials	56.36	56.07	56.36	+ 0.58	+ 1.04
58.66	47.35	Transportation	48.92	48.43	48.92	+ 0.52	+ 1.07
48.74	41.78	Utilities	46.12	45.80	45.84	+ 0.44	+ 0.97
57.13	44.99	Finance	57.13	55.50	57.13	+ 2.48	+ 4.54

DOW JONES WEEKLY STOCK AVERAGES

1967-68 High	1967-68 Low			SALES	High	Low	Close	Net Change Points	Net Change Percent
943.08	786.42	30	Industrials	4,499,900	908.92	898.98	898.98	— 2.26	—0.25
274.49	205.16	20	Rails	649,900	237.55	236.52	237.06	+ 1.44	+0.61
140.43	120.97	15	Utilities	730,000	135.93	134.84	134.84	+ 1.47	+1.10
337.32	286.69	65	Stocks	5,879,800	318.98	316.95	316.95	+ 0.69	+0.22

WHAT THE MARKET DID

	LAST WEEK	PRIOR WEEK	YEAR AGO	2 YRS. AGO
Issues Traded	1,655	1,642	1,596	1,566
Advances	1,130	876	1,293	873
Declines	437	661	229	562
Unchanged	88	105	74	131
New Highs	226	123	96	244
New Lows	30	26	12	42

TOTAL WEEKLY TRANSACTIONS

Last Week	65,949,960
Week Ago	49,062,940
Year Ago	53,369,210
Two Years Ago	43,221,289

VOLUME FROM JAN. 1 TO DATE

This Year	115,022,940
Year Ago	80,787,680
Two Years Ago	81,949,343

THE WEEK'S LEADERS

	SALES	CLOSE	CHANGE
Glen Alden	1,766,700	16 1/8	+2 1/4
Int'l Paper	904,500	33 3/8	+1 1/4
Gulf & Western	733,400	62 1/2	+3 1/8
Amer Tel & Tel	643,700	54	— 3/8
Sperry Rand	534,300	54 7/8	— 3/4
Livingston Oil	524,100	11 3/4	+1 7/8
Lone Star Gas	488,200	31 3/4	+1 7/8
Benguet Cons.	480,600	9 3/4	+2
Consol. Cigar	449,500	32	+4 3/4
Lehigh Valy. Ind.	432,700	12 3/4	+ 1/4

SALES	CLOSE	CHANGE
Amer. Photocopy	426,000	14 7/8 + 3/8
RCA	425,400	52 5/8 +1 1/2
Mo-Kan-Texas	424,900	29 +5 7/8
Transitron	381,300	21 1/2 +2 1/2
Dia Sham pf D	373,200	20 3/8 +1 1/4
Mont Ward	351,500	25 1/4 +1 3/4
St. Regis Paper	345,200	45 +1 3/4
Pan Am	338,700	22 1/2 + 3/8
Armour & Co.	326,100	41 5/8 +3 1/2
Stand Oil (NJ)	326,100	68 3/4 —1

1967-68 High	1967-68 Low		Sales (In 100s)	High	Low	Close	Net Chg.
		—A—					
177/8	13	Abacus .70f	46	167/8	16	163/8	+ 5/8
537/8	41	Abbott Lab	394	475/8	443/4	443/4	—2 1/4
347/8	277/8	Abex Cp 1.60	257	311/4	287/8	301/8	+1 1/8
581/4	381/8	ACF Ind 2.20	977	461/2	431/2	46	+2 7/8
463/4	32	Acme Mkt 2b	135	383/8	363/4	38	+ 1/4
34	27	AdamE 2.35e	71	32	315/8	313/4	.....
871/4	141/2	AdMillis .40a	263	61	58	581/2	— 1/8
601/2	467/8	Address 1.40	542	777/8	725/8	76	—1
38	181/8	Admiral	603	195/8	181/2	191/8	+ 3/8
491/8	35	Aeroquip 1b	55	621/2	583/4	597/8	—2 3/4
463/4	315/8	Air Prod .20b	353	391/2	361/4	361/2	—2 1/2
34	27	pf4.75	2	120	120	120	.....
			406	367/8	353/8	361/2	+1
					101/4	111/2	— 1/4
					361/2	377/8	+1 1/2
					411/4	423/4	+1 1/2
					253/4	263/8	+ 7/8
					131/2	147/8	+1 3/4
					46	51	+6
					701/4	701/4	—1 3/4
					741/4	743/4	+ 1/2
					223/4	233/8	— 1/8
					25	261/2	+1 3/8
					411/2	421/8	+ 3/8
					283/4	323/4	+4 1/4
					485/8	485/8	+ 3/8
					53	553/4	+2 3/4
					371/8	387/8	+1 1/4
471/8	331/2	CaroPLt 1.38	197	423/4	41	411/2	+ 1/8
32	203/8	Caro T&T .68	x181	247/8	233/8	24	— 1/4
491/2	321/4	Carp Stl 1.60	75	40	39	393/4	+ 1/8
691/2	471/4	Carrier Cp 1	211	61	553/8	603/8	+5 3/8
46	401/2	Carr pf2.25	z40	411/2	411/4	411/2	+1
303/4	263/8	CarrGn 2.15g	22	303/8	29	303/8	+1 3/8
201/4	131/8	CarterW .40a	413	17	155/8	163/4	+ 7/8
265/8	143/4	Case JI	783	181/8	161/2	161/2	— 1/2
291/2	211/4	Case pf A1.44	x26	25	223/4	23	—1 5/8
393/4	261/4	Castle Cke 1b	137	385/8	363/8	363/4	—1 1/2
50	341/4	CaterTr 1.20	x1226	453/8	42	447/8	+2 7/8
351/8	241/8	Ceco Cp .80	76	281/2	265/8	267/8	.....
701/8	471/2	CelaneseCp 2	300	643/4	611/4	621/8	—1 1/2
136	120	Celanese pf 7	z80	1203/4	1203/4	1203/4	+ 3/4
84	701/4	Celan pfA4.50	14	751/2	74	74	+ 5/8
62	351/4	Cenco Ins .30	222	56	533/8	551/2	+1 1/8
41	285/8	Cen Aguir .60	112	373/4	35	371/4	+1 3/4
153/8	75/8	CenFdry .71f	83	15	141/8	15	+ 5/8
327/8	26	Cen Hud 1.44	62	293/4	291/8	291/8	+1/4
291/4	207/8	CentIIILt 1.12	55	25	243/8	25	+ 1/2
86	703/4	C IIILt pf4.50	z510	751/2	731/2	751/2	+2 3/8
245/8	177/8	CenIIIPS 1.06	359	211/2	203/4	211/8	+ 1/2
	173/8	CenMPw 1.08	102	20	191/8	193/4	+ 5/8
		Cent SW 1.60	228	463/4	44	45	+1
		Soya .80	113	24	231/2	235/8	+ 3/8
		1.60	1020	461/8	433/4	453/4	+2 1/8
			300	183/4	171/2	181/4	+ 5/8
			73	191/2	183/4	191/4	+ 1/2
			269	461/8	401/2	461/8	+5 7/8
			426	195/8	181/2	185/8	— 1/4
			2189	81/4	7 1/4	8	+ 1/2
			272	537/8	521/8	535/8	+1 5/8
			193	647/8	637/8	641/4	— 1/2
			29	161/2	155/8	161/2	+ 7/8
			568	561/2	51	527/8	—1 1/8
			1115	173/8	16	173/8	+ 1/4
			22	331/2	321/2	331/4	+ 7/8
			123	645/8	631/8	645/8	+1
			155	42	391/2	41	+1 1/8
			222	147/8	133/4	141/2	+ 3/8
			25	83	80	811/2	+1 1/2
			20	851/2	797/8	84	+5
			259	42	385/8	42	+3 3/8
			12	721/2	71	721/2	+2
			108	373/8	36	361/2	+ 1/2
			79	133	1251/4	1301/4	+5 1/4
			21	1331/2	1271/2	1311/2	+4 1/2
			120	431/2	405/8	431/2	+2 7/8
			57	221/4	19	22	+2 3/4
			66	201/2	171/2	201/4	+2 3/4
			206	221/4	18	215/8	+3 1/8
			20	451/4	443/4	451/4	.....
			x532	221/4	201/4	21	+ 7/8
			178	403/8	38	403/8	+1 1/4
			252	40	373/4	391/4	+1 1/2
			2905	585/8	551/4	575/8	+1 3/4
			x319	29	271/2	273/4	+ 1/4
			z220	793/4	771/4	793/4	+4 1/4
			z610	703/4	681/2	683/4	—1
			73	57	553/4	561/2	— 1/2
			808	351/4	34	347/8	+1 1/8
			19	1031/8	1011/2	103	+2 1/4
			z3000	931/2	93	931/2	+ 1/2
			1284	507/8	48	501/4	+2 3/8
			7	1621/8	160	1621/8	+3 1/8
			2	881/2	871/2	881/2	+2 1/2
			x677	1351/2	1171/4	129	+13 1/4
			36	197/8	185/8	193/8	— 1/8
			849	283/8	271/4	271/2	—1
			156	491/4	461/4	48	—1
			40	901/2	86	901/2	+5
			158	401/2	391/4	391/2	+ 1/2
					543/4	551/2	+2
36	26	Eaton pf1.19	1	321/2	321/2	321/2	+ 3/4
173/8	121/8	Echlin A .56	x315	163/8	147/8	163/8	+1 5/8
697/8	311/2	EdisBros 1.40	38	697/8	677/8	691/4	+1 1/2
71	461/8	EG&G .10	1052	501/4	461/4	467/8	—2 3/8
617/8	343/4	Elas Stop 1	156	593/8	553/8	581/8	—1 5/8
701/4	317/8	El BondShr 2	x1132	701/4	63	691/4	+6 3/4
57/8	31/2	ElMusic .19g	685	5	41/2	43/4	.....
.....	.....	ElMus fn.19g	5	47/8	43/8	47/8	.....
301/4	163/4	Elect Assoc	461	241/8	221/8	221/8	—1
35	191/8	Electron Sp	1189	35	321/4	343/4	+2 1/8
		Elgin Watch	173	171/2	161/8	161/2	+ 1/2
		ElPasoNG 1	783	215/8	201/4	201/2	+ 1/4
		Eltra Corp 1	308	381/4	361/2	363/4	+ 1/8
		Emer El 1.68	220	987/8	971/2	981/4	+ 1/2
		EmeryAir .70	152	47	441/2	46	—1
		Emhart 1.20	248	351/4	333/8	335/8	—7/8
		EmpDist 1.44	60	281/4	263/4	271/2	+ 1/2
		EmporC .85	1025	43	40	425/8	—2 5/8
		End Jonnson	78	281/4	275/8	281/4	+ 1/2
		EndJhn pf 1k	z10	64	64	64	+ 3/4
		EnsellM .60b	458	501/8	453/4	493/4	+2 3/4
		Ens M pf4.25	42	148	1433/8	147	+1
		EquitGas 2.10	216	363/8	347/8	36	+1 1/8
		ErieLack RR	896	10	93/8	93/4	+ 3/8
		Erie Lack pf	z540	29	271/2	29	+1 1/2
		ESB Inc 1.20	270	255/8	241/2	253/8	+ 7/8
		Essex Wire 1	572	46	411/8	451/4	+2 7/8
		Ethyl Cp .60	371	371/8	353/8	36	.....
		Ethyl pf2.40	69	533/4	513/4	513/4	—1 1/2
		Eurofnd .35g	111	183/8	16	181/4	+2
		Eurofd fn.35g	21	15	15	15	.....
		EvansP .60b	1166	33	285/8	317/8	+3 3/8
		Eversharp	296	201/2	187/8	191/8	+ 1/4
		ExCelO 1.20	170	363/4	351/4	36	+ 5/8
			—F—				
		FactorA .80b	153	611/4	58	587/8	—1 7/8
		FairCam .50g	1037	861/4	82	837/8	+1 1/4
		FairHill .30g	436	217/8	201/2	21	— 3/8
		Fairmont 1	169	20	187/8	191/4	— 3/4
		Fairmnt pf 1	7	22	211/2	211/2	.....
		Falstaff .75	285	135/8	123/8	131/2	+1
72	353/8	IslCrkC 1.60	396	673/4	623/8	64	—2 5/8
741/2	36	ITE Ckt 1	159	741/2	701/4	733/4	+1 1/4
1721/2	84	Itek Corp	1353	1271/2	1171/8	125	+2
140	873/4	ITT Sv pf4.50	4	1321/4	1301/2	1311/2	—2 1/2
		—J-K—					
195/8	11	Jaeger .40	33	155/8	151/4	153/8	.....
161/2	101/8	JapanFd .85g	80	131/8	125/8	131/8	+ 1/4
.....	.....	Japan fn .85g	5	12	111/4	111/4	.....
751/2	64	JerCPL pf 4	z380	68	66	66	+ 1/4
35	265/8	Jewel Co 1.30	197	341/4	323/4	331/8	— 1/2
771/2	65	Jewel pf3.75	z40	65	65	65	—1 1/2
561/4	181/8	Jim Walter 1	241	531/2	50	525/8	—1 1/8
56	203/4	JimW pf1.20	17	533/4	501/2	52	—2 3/8
161/8	135/8	JimWalt pf 1	z250	151/2	15	151/2	+ 1/4
667/8	473/4	JohnMan 2.20	320	601/2	565/8	58	+ 7/8
96	691/2	John John .60	246	871/4	831/2	841/4	—2 3/4
62	35	JohnsSv 1.60	50	563/8	541/2	541/2	—1
601/4	377/8	JonLogan .80	105	593/4	57	593/4	+1 1/4
693/8	461/2	Jones L 2.70	427	577/8	56	56	— 7/8
983/4	771/8	Jones&L pf 5	z770	851/2	82	845/8	+2 1/4
263/4	181/4	Jorgnsn 1.10b	84	257/8	24	253/8	+1 1/2
305/8	123/4	Jostens .50	49	29	28	28	— 1/2
40	241/8	Joy Mfg 1.40	x175	341/2	331/8	333/2	+ 5/8
591/2	391/2	Kaiser Al 1	337	473/4	451/8	451/2	— 1/4
1141/2	91	Kais 57pf4.75	4	100	981/2	981/2	+ 1/2
112	92	Kais 59pf4.75	1	973/4	973/4	973/4	—1 3/4
1191/4	941/2	Kais 66pf4.75	2	102	1001/4	1001/4	—2 1/2
101	791/2	KaisAl pf4.12	1	863/8	863/8	863/8	— 1/8
463/4	40	Kais ncpf2.37	z50	401/4	401/4	401/4	+ 1/4
191/2	121/2	Kais Cem .80	x49	177/8	173/8	173/8	+ 3/8
491/2	38	KaisC pf2.50	x7	443/4	421/2	443/4	+2 5/8
223/4	19	KaisC pf1.37	x21	22	211/8	22	+1 5/8
381/2	31	Kan CPL 1.64	85	341/2	33	341/8	+1 5/8
891/4	70	KC PL pf4.50	z40	73	73	73	+1 1/2
861/2	69	KC PL pf4.35	z50	69	69	69	—1
79	64	KC PL pf 4	z20	661/2	65	661/2	+ 1/2
731/2	59	KC PL pf3.80	z10	603/4	603/4	603/4	+1 3/4
501/8	351/8	KC SouInd 2	55	441/4	421/4	421/4	—2 1/4
19	15	KC Sou pf 1	z1170	161/2	157/8	16	+ 1/4
341/2	241/4	KanGE 1.32	161	283/4	273/8	273/4	+ 1/2
255/8	197/8	KanPwL 1.03	308	23	211/4	227/8	+1 1/8
327/8	23	KayserRo .60	1271	327/8	303/4	323/4	+2 1/4
581/4	243/8	Keebler 1.20	169	515/8	49	50	—2
32	19	Keller Ind 1	x68	311/4	30	307/8	+ 3/8
457/8	351/2	Kellogg 1.30	378	453/8	433/8	45	+2
447/8	27	Kelsey 1.30	79	411/4	401/8	401/2	— 1/2
691/4	35	Kendall 1.10	52	571/4	54	547/8	—2 1/4
547/8	367/8	Kennmet .80	28	433/8	421/4	431/4	+ 1/2
531/4	355/8	Kennecott 2	436	451/2	441/4	451/4	— 1/2
343/4	281/2	Ky Ctil 1.48	36	311/2	303/4	311/4	+ 5/8
150	801/4	Kerr Mc 1.50	430	124	120	1231/8	— 7/8
1061/2	971/2	KerrM pf4.50	154	1061/2	1011/4	1051/2	+3 3/4
383/8	293/4	KeystonSW 2	19	337/8	327/8	335/8	+ 5/8
87	461/4	KiddeCo 1.97f	1410	87	763/4	86	+9
1821/2	951/2	Kidd pfA 2.20	59	1821/2	1611/4	179	+14
72	473/4	KimbClk 2.20	279	603/4	58	597/8	+1 7/8
451/4	251/2	KinSeel 1.50a	61	44	411/4	413/4	+1
393/8	203/4	KingsDSt .50	483	393/8	361/2	38	+1 5/8
581/2	261/4	KinneyNS .40	x167	581/2	551/4	573/4	+1 7/8
571/2	261/8	Kinney pf.70	x7	571/2	55	571/2	+2 3/4
1175/8	641/8	KLMAirl .83g	355	693/4	641/8	67	—1 1/4
.....	.....	KLM fn.83g	28	681/8	65	66	.....
40	291/8	Koehring 2	229	381/2	371/8	381/4	+1
451/4	261/2	Koppers 1.40	84	40	373/8	40	
781/2	63	Koppers pf 4	z550	683/4	65		
905/8	365/8	Kresge .90	263				
251/4	16	Kroehler .25g	205				
251/4	201/2	Kroger 1.30					
401/8	325/8	N Dairy 1.50	698	365/8	351/4	361/2	+ 3/4
491/8	371/4	Nat Dist 1.80	254	431/2	401/8	401/2	—1 3/4
86	661/4	NDist pf4.25	z1030	72	70	72	+3 1/2
451/2	351/4	NDist pf2.25	1	371/2	371/2	371/2	+ 1/4
311/4	261/2	Nat Fuel 1.68	123	301/8	281/4	301/8	+2
255/8	95/8	Nat Gen .20	860	251/2	24	243/8	.....
471/2	291/4	Nat Gyps 2	278	453/8	427/8	453/8	+2 1/8
90	701/2	NGyps pf4.50	z10	74	74	74	+ 3/8
701/8	551/2	N Lead 3.25g	462	673/4	663/4	671/2	+ 7/8
441/4	253/4	NPeriodcal 1	269	441/4	42	433/4	+1 7/8
41	381/2	NatSvIn 1.04	58	401/4	381/2	381/2	—1 1/2
297/8	18	Nat Stand 1	35	291/2	273/4	291/2	+1 1/4
483/4	385/8	NatStarch .80	34	46	45	46	+ 1/2
547/8	401/8	Nat Steel 2.50	311	50	491/2	495/8	— 1/8
193/8	135/8	NatSugR .15e	58	151/4	147/8	151/4	+ 3/8
151/8	13	Nat Tea .80	156	141/2	141/4	143/8	.....
33	181/8	Nat Un El .80	150	211/2	205/8	213/8	+ 3/8
235/8	113/8	Natomas .25	394	203/8	191/8	201/4	+1 1/4
153/4	8	Neisner Bros	17	13	123/8	127/8	— 1/4
633/8	26	Neptune 1.40	51	55	537/8	545/8	+ 5/8
473/8	36	Nevada P .92	64	473/8	45	453/8	.....
317/8	155/8	Newbrry .45g	525	317/8	29	311/2	+2 1/2
291/2	231/2	NEngEl 1.48	352	291/2	28	29	+1 1/8
467/8	401/8	NEngTT 2.36	140	443/8	431/2	441/4	+ 5/8
703/8	445/8	Newmnt 2.20	244	637/8	621/2	633/4	+1 1/2
190	138	Newmnt pf 4	1	1761/4	1761/4	1761/4	—13 3/4
557/8	331/4	NewpNSh 2a	83	51	497/8	503/8	+ 1/4
861/2	631/4	NY Cent 3.12	414	75	721/2	74	— 3/4
503/8	361/8	NYHon 1.34f	47	443/4	431/8	431/8	—1 1/4
44	351/4	NCSta EG 2	363	401/2	391/4	391/2	— 3/4
721/2	56	NY SE pf3.75	z120	62	591/4	62	+3
227/8	193/8	Niag MP 1.10	635	221/2	213/8	22	+ 5/8
981/2	94	NiagM pf6.10	z510	981/2	95	981/2	+3 1/2
1003/4	79	NiagM pf5.25	z650	841/2	84	84	.....
933/4	73	NiagM pf4.85	z50	771/4	77	77	+1
80	661/2	NiagM pf4.10	z60	663/4	661/2	661/2	—2
75	571/4	NiagM pf3.90	z800	621/2	621/2	621/2	+2 1/2
681/4	541/4	NiagM pf3.60	z1480	583/4	561/4	583/4	+1 3/4
631/2	511/2	NiagM pf3.40	z430	551/2	54	541/2	—1 1/2
243/4	17	Niag Shr 1.40	35	243/4	233/8	243/4	+ 7/8
1121/4	885/8	NorfolkWst 6	508	931/2	915/8	927/8	+ 7/8
401/2	171/4	Norris Ind 1	252	377/8	361/2	361/2	— 3/8
303/8	187/8	NoAmCar 1	305	275/8	251/2	261/4	+ 7/8
23	12	NAmCoal .50	231	22	181/2	197/8	—1
413/4	341/8	NoAmRock 2	1372	413/4	395/8	41	+1 7/8
1031/2	891/2	NoARk pf4.75	31	1031/2	901/2	1021/2	+3 1/2
223/8	111/8	NoASugar .60	24	19	177/8	19	+1 3/8
20	153/4	Noeast Ut .86	426	18	171/4	175/8	+ 1/8
76	60	NorCenIRy 4	z10	64	64	64	+1
341/8	261/8	NorInPS 1.08	277	321/4	30	303/4	+1 1/8
54	455/8	NoNGas 2.60	360	531/4	491/2	525/8	+3 3/4
105	100	NoNG pf6.40	z260	105	1011/4	1031/2	+2 1/2
105	861/2	NoNG pf5.80	z1510	931/2	91	931/2	+4 1/4
1021/2	85	NoNG pf5.60	z180	90	881/2	883/4	+1 3/4
1011/2	85	NoNG pf5.50	z10	871/2	871/2	871/2	+1 1/2
671/2	463/8	Nor Pac 2.60	141	541/4	535/8	54	.....
343/4	281/2	NoStaPw 1.60	244	333/4	303/4	331/2	+3 1/8
90	701/2	NSPw pf4.56	z20	741/4	741/4	741/4	+1 3/4
81	64	NSPw pf4.11	z110	661/2	661/2	661/2	+1
803/4	633/4	NSPw pf4.10	z430	661/2	65	661/2	+1
691/2	53	NSPw pf3.60	z300	60	583/4	60	+1 1/2
461/4	261/2	Northrop 1	542	42	391/2	391/2	—1 1/2
423/8	261/2	Northp pf1.45	31	41	391/2	401/4	+ 3/4
1351/8	75	Nwst Airl .70	655	773/4	76	761/8	— 3/4
541/2	46	NwBan 2.10a	55	523/4	501/8	521/4	+2 1/2
553/4	281/4	Nw1StlW 1.80	x77	413/4	401/2	407/8	+ 7/8
541/2	361/2	Norton 1.50	282	443/8	407/8	425/8	+2 3/8
491/2	391/2	Norwich .75	467	471/2	441/4	441/4	—3 1/8
251/2	173/4	NVF Co .89f	68	207/8			
		—O-P—					

RAIL OWNERSHIP

Continued from 8th Page

vestment firms to solve financing problems.

Among other railroads fighting for the Rock Island is the Southern Pacific. Its top stockholder as shown on ICC records is the Massachusetts Investors Trust, a mutual fund, of Boston. It holds 895,600 shares of SP's 27,144,366.

But as of last Sept. 30, it was learned, Investors Diversified Services, the world's largest mutual fund with assets of more than $5 billion, owned 1,347,200 SP shares, to emerge as the largest stockholder. Investors Diversified is owned largely by the same Alleghany Corp. which controls the New York Central.

ICC Regulations forbid one organization to control more than one railroad without commission approval. Alleghany officials say the company has nothing to do with the selection of securities for Investors Diversified, and makes no recommendations as to how the fund votes the stocks.

Investors Diversified Services holds a variety of railroad stocks. Its holdings frequently are listed on ICC records under the name of Carothers & Clark. This is a nominee name used by the Bank of Delaware at Wilmington for securities it holds which belong to Investors Diversified.

If the ICC manages to obtain the information it seeks about the actual owners of the lines involved in the Rock Island hassle, it would be the first time in history that it has done so.

35 Year Puzzle

The mystery of who owns the railroads—one that has bothered ICC members and congressmen for at least 35 years—has been underscored recently by newspaper reports, labor union complaints, congressional questions and, not the least, by Justice William O. Douglas.

He said in connection with a Supreme Court decision last spring on the Penn-Central merger that the ICC shoud learn what the centers of control are before it approves mergers.

Some of the commissioners who are concerned about rail ownership cite the inadequacy of ICC records.

Every railroad is required to file with the ICC each year a list of its 30 largest shareholders. The commission—and the railroads—have taken this to mean simply those in whose names these stocks are registered. In most instances the largest stockholders are disguised under layers of anonymity conveniently—but legally—supplied by banks and brokerage houses.

To the casual observer, even the ICC records themselves seldom show the actual bank which holds the stocks for their anonymous owner. The banks themselves disguise their names through so-called nominees — fictitious companies.

In the last year even some of the names of brokerage houses have disappeared from ICC records, their holdings being submerged under the single name of Cede & Co. Cede is a street name for the New York stock Exchange's central depository. It is a computerized system designed to ease the transfer of stocks and permit brokers to avoid physical transfer of stock certificates.

Top Stockholders

To accomplish this, vast blocks of shares in hundreds of corporations are held in the name of Cede & Co., even though this "organization" does not vote its shares, and does not collect dividends. Thus, ICC records have disclosed Cede as among the top stockholder of several of the nation's railroads.

The ICC's recent order forbids railroads to list shares in the name of Cede & Co. They now must list the Cede-held shares according to the brokerage firm that holds them for a client.

But this still does not reach the real owners of the railroads.

This problem was recognized by Congress at least twice—in the early 1930s and in 1962. A congressional study of railroad ownership in 1930 conceded that even Congress couldn't find out who really owns the railroads.

In a Senate investigation into the matter about six years ago, the commission itself admitted "there have been no general investigations into the questions of who controls each of the several hundred railroads."

The report that followed the investigation by a Senate Antitrust and Monopoly subcommittee — headed by the late Sen. Estes Kefauver (D-Tenn.) —concluded that "at a time when there is a dedicated attempt to concentrate vast holdings of railroad wealth, the commission has no records and no detailed facts as to what financial controls are being exerted and developed, and has no specific knowledge of the actual influence over the policy of the railroads by insurance companies, commercial banks, investment bankers and other financial institutions."

Although the subcommittee spotlighted the problems six years ago, neither Congress nor the ICC moved very far to clear them up.

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. . . Stockholders could see bigger dividends on way

Increased, not decreased, rates for lower-income families might result from a 25 per cent ceiling. Government might try to recoup its losses by cutting personal exemptions, limiting deductions and raising the lowest rates to 25 per cent. Even a cut in exemptions from $600 a person now to $200, plus a flat rate of 25 per cent, would not make up the loss, the Treasury estimates.

Stockholders. Some individuals can gain greatly from the tax lid. They are the stockholders of big corporations. Corporations allowed to keep more of their income can be expected to hand out much of the savings in dividends. Market value of stock also might rise rapidly. This windfall, too, will go to upper-income families. Two thirds of all corporation stock is owned by the 3 per cent of U.S. families with incomes of $10,000 or more a year.

Small businesses, meanwhile, may find their competitive position weakened. They now are taxed at lower rates than big corporations. With a 25 per cent ceiling, they will be taxed at the same rate as their bigger competitors.

Those who favor the proposal, however, point out that sharp tax cuts can bring about a sharp rise in trade. That can help small businesses.

Rearmament, in advance of a threatened war, might be difficult to finance. The ceiling, as most often proposed, could be lifted only during actual wartime. In this situation, Government might be forced to borrow in order to rearm. National debt then would rise.

Government borrowing, in addition, might become more costly. A limit on the taxing power could impair Government's credit. Higher interest rates might be required to attract lenders. If that happens, bondholders will find their Government securities dropping in value.

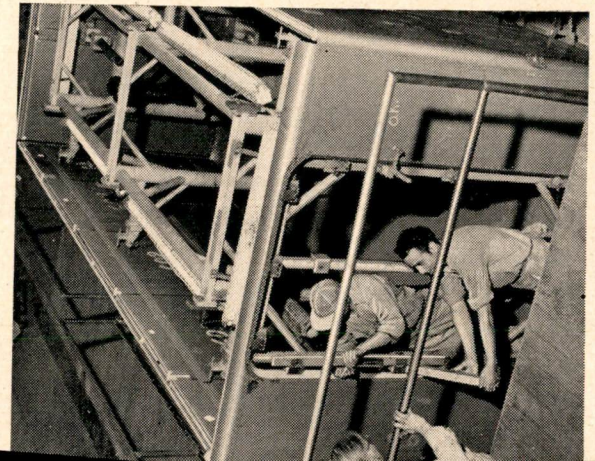
State and local governments, meanwhile, may find more income available for them to tax, if a lid is put on federal taxes. They also might find the U.S. crowding into the sales-tax field.

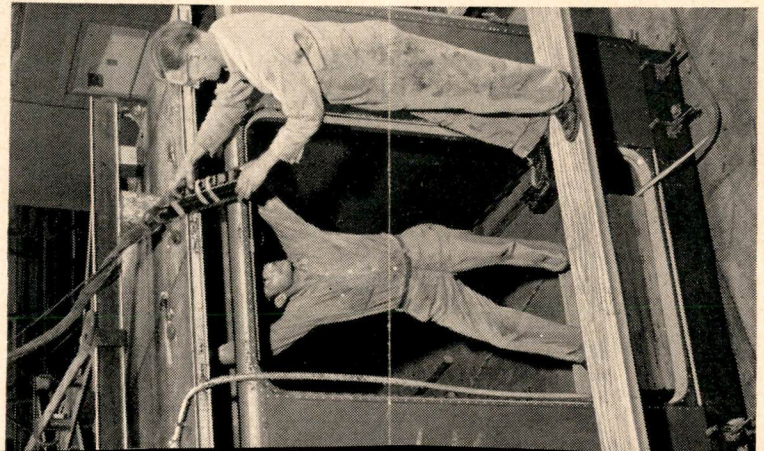
These, at least, are the results predicted for the tax ceiling by authorities in Congress and in Government.

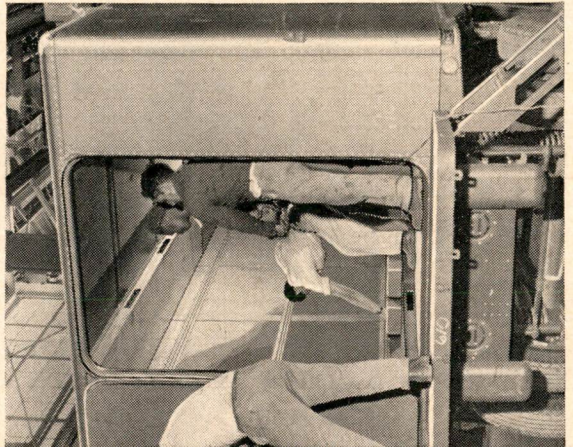
Answer given by supporters of the plan, again, is that they do not want Government to be forced to look elsewhere for money. They just want Government to quit spending so much.

That view is expressed by Chairman Chauncey W. Reed of the House Judiciary Committee. His bill, calling for an amendment much like that demanded by States, will soon get attention in Congress.

JANUARY 23, 1953







Allegheny Controls Largest Share of SP Through Funds

WASHINGTON (AP)—The Southern Pacific Co. of San Francisco made public for the first time Wednesday the names of some of its largest shareowners, disclosing that funds controlled by Allegheny Corp. hold the largest block. Allegheny claims control of the New York Central.

Southern Pacific named the true owners of its shares in response to an order by an Interstate Commerce Commission hearing examiner. He made the requirement of all railroads taking part in a massive western railroad merger proceeding involving the Chicago Rock Island & Pacific.

The largest number of SP shares, 1,347,200, is controlled by three mutual funds managed by Investors Diversified Services, which is owned by the Allegheny Corp.

Allegheny has said it does not influence the selection or voting of securities held by funds managed by IDS. The three IDS funds are Investors Mutual Inc., 500,000 shares; Investors Stock Fund Inc., 500,000; Investors Variable Payment Fund, Inc., 347,200.

The largest single shareholder is Massachusetts Investors Trust of Boston, which owns 895,600 SP shares. Other large owners are two funds of United Funds Inc. of Kansas City, 561,300 shares, and Affiliated Fund Inc. of New York, with 350,000.

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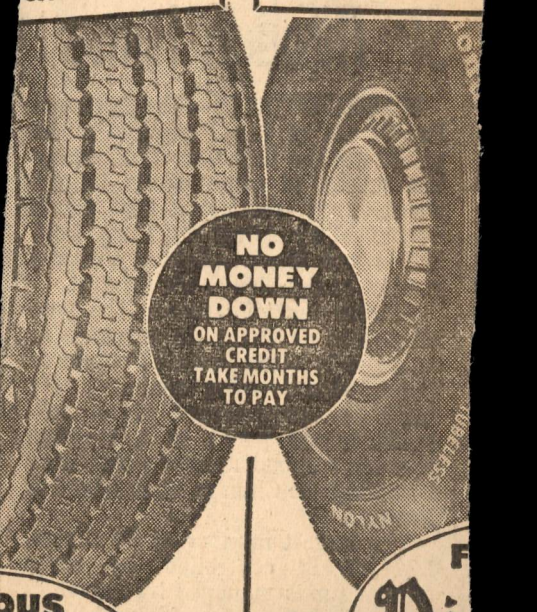
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(Continued From Page One)

such fields as diesel locomotives and earth moving equipment by purchase of already thriving firms raises serious questions.

Recent Purchase.

Referring particularly to G. M.'s recent purchase of Euclid Road Machinery Co., the report said:

"If there was any doubt as to the circumstances under which conglomerate mergers came within the law, the Department of Justice, which looked into this acquisition, missed an excellent opportunity to test the law, to determine whether General Motors, the largest manufacturing company in the world, should be permitted to grow larger by acquisition, in a field which promises to be of tremendous importance as future roadbuilding plans get under way."

The staff report was drafted by Joseh W. Burns, who announced today he was resuming his New York City law practice with the completion of the year-long study. The investigation was started under the Judiciary Committee chairmanship of the late Sen. Kilgore (D-W Va).

Burns is a law partner of Hugh Fulton, who was staff director for ex-President Truman's War Production Investigating Committee when Truman was in the Senate, and Rudolph Halley, who similarly ran the crime probe that brought Sen. Kefauver (D-Tenn) to national prominence.

Commenting on the report, O'Mahoney said in a statement:

"Having noted that the highly concentrated ownership of General Motors stock, with 15 major stockholders owning one-third of the entire outstanding common stock of the corporation and no other stockholder owning as much as 1 per cent of the outstanding stock, the staff report broadly intimates that the time has come to consider at least the limitation of any further expansion of the corporation into other industries."

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May '55
pp. 39-44

Peter F. Drucker

THE NEW TYCOONS

America's next twenty years, part III

The future masters of industry—replacing the Robber Barons of yesteryear—are a handful of self-effacing men with modest incomes, who deliberately refuse to exercise their extraordinary power.

THERE are some one thousand companies listed on the New York Stock Exchange. In about one quarter of these, members of the founding family or of the present management own effective control. In the great majority, however, the only large stockholders are institutional trustees for other people's money: investment trusts, pension funds, and banks. Together these "fiduciary investors" have effective working control of these companies—that is, of the commanding position in our economy. Their holdings amount to almost one third of all the marketable common shares of American business.

By and large, these enormous holdings have been acquired in the past ten years. The pension funds only got going after World War II; there were about two thousand then, there are twenty thousand now. Ten years ago both investment trusts and bank-managed personal trusts were still insignificant. The shift of the center of security buying since then represents an unprecedented "democratization" of business ownership, for the real owners of these holdings are "small people," the middle class and the workers. It also represents an unprecedented concentration of legal ownership, for the number of "fiduciary institutions" is fairly small.

Despite its speed and importance, this shift has had amazingly little public attention. When General Motors set up its pension fund seven years ago, it hired Clarance Stanley—then a partner of Morgan, Stanley & Co., the country's most powerful investment bankers—to manage the fund. There could be no more perfect example of the "capitalist revolution" than this move of J. P. Morgan's direct successor from heading the very symbol of Wall Street to managing the savings of "proletarians"—especially since it was quite obvious that Mr. Stanley was both bettering himself financially and acquiring much more financial power. Yet no new Horatio Alger rose to tell this twentieth-century version of "From Rags to Riches." It was noted, if at all, only in a few financial pages.

Anonymity, however, is exactly what our new masters prefer. The fiduciary managers are as unlike the old Lords of Creation as they could possibly be. They run heavily to Ph. D. degrees and Phi Beta Kappa keys. Their incomes generally are modest, usually much less than those of executives in the companies whose stock they manage. Rather than buy yachts, they build up good economic and statistical libraries. If any of them felt like playing the stock market for his own benefit, one or another government agency—the Securities Exchange Commission, the State Insurance Commissioners, or the Banking Inspectors—would have him thrown out in short order. And not one of them would ever dream of entertaining the chorus of a musical comedy—not even at the Automat. They are certainly the soberest, least conspicuous, and most studious of all of our managerial groups.

It is unlikely that the public at large has even heard the names of men like Clarance Stanley of GM, Wallace Dunkel of the Bankers Trust Company's pension-fund department, or Merrill Griswold of Massachusetts Investors Trust. Even in the financial community they are

barely known; when the Fulbright Committee investigated the stock market earlier this year, none of them was called to testify. Yet they are the "New Tycoons." In financial importance and the impact of their decisions on the economy, they—and the other managers of large investors—represent more power than the tycoons of yesteryear ever dreamed of possessing. They could easily match resources with a Rockefeller or a Carnegie, the most lordly of the "old" tycoons whose names are still, half a century after their heyday, household words throughout the world. The Sears Roebuck pension fund owns 26 per cent of the stock of the world's largest merchandising business; the General Motors pension fund has almost $100 million of new money to invest every year; and the Massachusetts Investors Trust, largest of them all, has $763 million in assets.

Even the small fry among them carry a lot of financial weight. The pension fund of the Owen-Illinois Glass Company, for instance, owns the biggest office building in Toledo, Ohio; the glass company itself is among its tenants. And the power and wealth of the New Tycoons is likely to grow still greater. Pension funds still cover little more than a sixth of American workers. A new push by the unions or fairly minor changes in the tax laws might at any time release a new tidal wave of pension-fund formation like that of the past few years.

WHERE THE MONEY GOES

THE democratization of business ownership by the fiduciary investor is an achievement without parallel in economic or social history, but it is also a perplexing one. Indeed, the very things that made it possible are problematic. Our economy has made the small man the major supplier of capital—but does enough of it go where it is needed to maintain a growing economy? We have created appropriate institutions to manage the small man's resources—but do they put an adequate share of their venture capital into new or small business?

The fiduciary investors among them own about $34 billion worth of common stock. Since this is truly a prodigious amount, it may at first seem absurd to ask whether it is enough. But the fiduciary investors have become practically the only source of new common-stock capital. The New York Stock Exchange estimates that for every dollar of new money they spend on buying common stock, only five cents are invested directly by private investors—and this in a period of rapidly rising stock-market prices. The pension funds alone receive each year a full third of all the savings the American people can afford to set aside for new investment. Yet only a fraction of the new money amassed each year by the fiduciary investors goes into common shares. All told, the fiduciary trustees have available for investment each year about nine billion dollars. Of this only a billion and a half, at the most, is invested in common stock.

This is far too little for the needs of the economy. The amount of common-stock capital available largely dictates the amount of innovation and expansion business will undertake. Such activities are rightly financed by "equity capital"—that is, primarily by common stock—rather than by borrowing. There is of course a second source of capital for such investments in the profits companies retain rather than pay out as dividends. But even if liberal allowance is made for this, the total amount available on the capital market for innovation and expansion is still too low. As an earlier article of this series pointed out, we now invest capital at the rate of $40 billion a year but will have to step up this rate considerably. Surely we need to put a larger share into venture capital than 4 per cent.

There are, in fact, clear signs that the economy already is inadequately nourished with venture capital. One clue is the extent to which expansion and innovation has come to depend on profits retained and re-invested in the business. Since the end of World War II, such earnings furnished six or seven times as much venture capital as did the capital market. Only the large, well-established company can normally get capital for expansion and innovation from this source, however, for generally they are the only ones—especially under our present tax laws—with sufficient built-up earnings. They naturally invest in fields with which they are familiar; more promising areas of economic enterprise may have to go without.

Another symptom is the extent to which we now finance new ventures through fixed obligations like bonds, mortgages, or bank loans. Practically all new retail stores, for instance, have been financed up to a 100 per cent of cost by bank or insurance-company loans. The lender may be adequately protected; it may be a safe investment for him; but the borrower is assuming burdens which an earlier generation of retail

merchants would have looked upon with dismay. Traditionally, in a boom such as the one we have been experiencing, business cuts its fixed debts and replaces them with venture capital—that is, with common stock. This has been the first boom in our history during which fixed obligations have become a larger, and not smaller, proportion of business capitalization. While our tax laws may have been even more responsible for this than the lack of venture capital, it is hardly a desirable development.

The classical argument against a "soak-the-rich" policy has always been that only the rich can supply the venture capital an expanding economy needs. If the middle classes and the workers can save money at all, it was said, they have to invest in the past rather than in the future. (They tend to catch up with themselves, and get the things they previously could not afford, before they move ahead.) But an economy that cannot invest in the future is a dying economy. We are justly proud of having made the middle classes and working people capable of replacing the millionaire capitalist of old—but the ancient argument that these new "capitalists" cannot supply enough venture capital has still to be disproved. We have yet to discover how to channel an adequate part of the income of the New Tycoons into common stock.

FALSE CONSERVATISM

THE KEY to this problem is in the hands of our oldest, largest, and most powerful fiduciary investors, the life-insurance companies. With well over $80 billion in assets, they represent greater financial power than all the trusts and pension funds put together. They are also trustees for many more people—for thirty-two million (out of a total of forty-two million) American families, who hold 115 million individual life-insurance policies and group-insurance contracts. To most of these families the insurance policy represents their largest, often their only, capital asset.

Yet the United States life-insurance companies—and only those of the United States—own virtually no common stock. Two fifths of their assets are invested in the bonds of private companies. Almost one third is in mortgages. Total common stock holdings are barely $2 billion, or less than 3 per cent. There are not even common stocks in the pension funds they manage. The banks that manage pension funds, however, put a third of their monies into common stock.

This policy has an honorable history, but it has long since lost whatever sense it used to make. To shun common-stock investments is not in the interest of the insured individual; it is the opposite of "conservative." The last depression certainly showed that sound common stock is safer than the mortgages on office buildings, apartment houses, and homes which figure so prominently in the portfolios of life-insurance companies—safer even than a good many railroad or industrial bonds.

The traditional policy is also far from advantageous to the life-insurance companies. It may explain why they have lost ground in the postwar period and now attract a smaller share of total savings than they did before the war. Though the life-insurance companies invented the pension fund, they get only a third of pension-fund business, primarily because the customers demand adequate common stock investments. "A worker who has a pension," as one of the shrewdest managers of pension funds in this country points out, "does not expect a certain amount in dollars but a certain purchasing power, no matter how many dollars it takes to provide it."

And this means that pension funds, to be conservative, must carry a substantial amount of common stock as a hedge against inflation.

During the past few years there have been numerous developments aimed at enabling insurance companies to buy common stock for investment. Thirty-eight states now allow them to buy in limited quantities. One company in New York has obtained permission from the state to set up a separate common-stock investment trust; another in Ohio has recently purchased an investment trust and offers its certificate to life-insurance holders as an additional investment. The New York State Assembly in its last session passed a bill which would have allowed insurance companies to offer annuity contracts based on common-stock investment, with a flexible rather than a fixed dollar value, based upon the value of the stock in the future. Governor Dewey's veto killed this bill, but it is commonly expected that it will soon be re-introduced. And a similar bill is now up for debate in New Jersey.

There is in fact only one real obstacle left to large-scale common-stock buying by life-insurance companies: they have fixed liabilities to meet as soon as a claim arises. They there-

fore need fixed, or at least predictable, income. But common-stock dividends fluctuate with earnings. If American industry follows the trend toward Automation, as suggested in last month's article, this obstacle will grow bigger. Since production and labor force have to be kept fairly constant under Automation, the full burden of adjustment to economic ups-and-downs will fall on profits. Common stock earnings will fluctuate even more than they have traditionally.

YET THERE is a way out of the impasse. Over any calendar year business profits will indeed have to fluctuate. But over a longer timespan—three, five, in some businesses, ten years—they can be predicted and planned, as a good many companies (Armstrong Cork, General Motors, or the Telephone Company) have successfully proven over the past twenty-five years. At the same time, the institutional investors, too, can adjust by planning on a five-year rather than a one-year basis; or a business (tax laws permitting) might lay aside earnings in a good year to cover the dividend in a poor one.

In other words, though it will take better financial planning than we have often been used to, the obstacle can be overcome. If the life-insurance companies invest one-fifth of their new money in common stock for the next ten years, at the end of the decade they will still have less than 10 per cent of their assets in common stock—surely not an extravagant proportion. But this would almost double the supply of venture capital to the capital market—and give us the base the economy needs to grow and to expand.

But what about the small and growing business? Practically without exception, the funds invested today in common stock go to the large, well-established companies. Only these companies can have their securities listed on the Stock Exchange; and unlisted securities do not attract the fiduciary investor. The life-insurance companies, if and when they start to buy common stock, are certain to be even more concerned with the marketability of their holdings, and will be even more likely to channel their funds into the large and old company.

Of course, the fiduciary investors would be grossly remiss in their duty as trustees if they were to invest in any but marketable and listed common stock. But the danger is also obvious: it gives the big companies practically a monopoly on access to the means of growth. This may not represent a positive change for the worse, since the young business has always had difficulty obtaining equity capital. But it is certainly socially and economically undesirable that small and growing businesses should be limited, if not deprived, of access to the capital market.

A solution to this problem has been found by the Massachusetts Investors Trust in Boston. Together with several small fiduciary investors, it has founded a company specifically intended to supply equity capital for new ventures: the American Development and Research Corporation. This company is sufficiently large for its shares to be listed on the Stock Exchange; thus fiduciary trustees can invest substantial sums in it.

Here might be the pattern for combining responsibility to the individual beneficiary with responsibility to society. Ultimately we might have a number of development companies, some within one region, some within one industry, others (like American Development and Research) specializing in new technological processes, and so forth. Whatever the device, finding it is a major responsibility for the fiduciary investor, and one that deserves high priority.

WHO RUNS INDUSTRY?

POWER and responsibility pose a fina question—and the toughest one. It can be simply stated: should the fiduciary trustees in whose hands the real financial pow of this country increasingly lies, exercise th right to control the management of companie whose legal owners they are? Should they de mand a place on the board of directors, appoi and remove management people, review a approve company decisions? Are they entitle to exercise this control even though they a only "legal" owners?

Or should they take the attitude, as trustees, that they are neither entitled to nor responsible for the management of business? They are investors, not entrepreneurs; and the money they have invested is not theirs, anyhow. Should they religiously refrain from any control—perhaps even be forbidden, as some industrial managements contend, from ever voting the stock which is legally in their name?

These are obviously important questions. The answers will largely determine the structure of industrial society in the years to come. But when the first pension trust was started, forty or fifty years ago, these questions were scarcely considered. The Sears Roebuck profit-

sharing fund, probably the most successful of all, was started in 1916. It blithely provided that the income of the fund should be invested in common stock of the company and that the officers of the company should vote the stock on behalf of the beneficiaries. But at that time, apparently, nobody foresaw that forty years later the pension fund would own 26 per cent of the company's stock and be the only large stockholder.

Today, on the other hand, the managements of fiduciary investors are so conscious of the power they could wield that they swing to the opposite extreme. In the charter of most new pension funds there is a provision forbidding purchase of the company's own stock. Many of the funds even forbid investment in the stock of competing companies. The charters also provide that only a fraction of the assets of the fund may ever be invested in any one company. They provide further that no more than a small fraction (5 to 10 per cent) of the capital of any one company may ever be purchased by the fund. And finally, by tacit consent, it is understood that the holdings of the funds will not be voted.

"Our interest is purely financial," the top man in one of the largest pension funds said to me. "We are not owners and we are not managers. If we do not like a company or its management, we sell the stock. We have neither right nor competence to control. We can only act as trustees, and it is quite clear that interference with management does not lie within the trust we have received."

The reasons for such self-restraint are good and compelling reasons. Even if no one of the fiduciary investors owned more than 5 or 10 per cent of a company's stock, together they would dominate unless they voluntarily refrained from doing so. They would all normally tend to think and act alike; they are people with the same interests, the same training, and the same responsibilities. As for controlling the industry, it would really not make much difference whether there were one or twenty such fiduciary investors. By exercising their legal power, they would bring American industries under that most dubious of masters—control by the financial mind.

But how satisfactory is the alternative—that is, the system we have now? First, it is probably not good enough even to satisfy the present demands on the fiduciary by his principal, the individual investor. It is simply not true that the fiduciary institution can sell its shareholdings whenever it loses confidence in management. It owns so much that it can sell only to an equally large investor—that is, to another fiduciary. And is it really likely that there will be demand for a big chunk of stock on the part of other fiduciary investors just when one of them decides that he wants to get out of an investment—particularly stock in a company where the management is inadequate?

Precisely because they form the real capital market in this country today, the fiduciary investors cannot liquidate their holdings except slowly. Their one way of passing judgment on a company is so drastic that it is virtually unusable. Thus the presently accepted policy means that management is essentially responsible to no one. By their abstention from voting and control, in the majority of cases, the fiduciary institutions simply confirm the incumbent officers.

A GOOD example of this is Montgomery Ward. A very substantial part of the company stock is in the vaults of investment trusts and pension funds. These holders have been far from satisfied with the way Mr. Sewell Avery has been running the company—and they have said so openly. Yet they have refrained from voting against him, arguing that after all they do not really own the stock but merely represent the "real" owners. This has been one of the main reasons Mr. Avery could continue to manage without serious opposition to his decision to retrench—to the point where his business has been almost in voluntary liquidation—or to his methods of handling executives.

At the same time, hypothetically, as long as they openly abstain from voting their stock as a matter of policy, the dominant holders cannot save a competent management from being "blitzed." All unwittingly, they invite the attention of any financial sharpshooter or stock market manipulator who wants to get control of a firm in order to milk it. If 40 to 60 per cent of the company voting stock is in the hands of fiduciary investors who will not vote, then control of the company can be obtained by buying up on the Stock Exchange 5 to 15 per cent of the stock—a fairly small fraction. Then the raiding group can appeal to the scattered mass of small stockholders in a battle for proxies; and the company that has been careful in building up property, or in plowing back earnings for expansion and research, is peculiarly vulnerable to such "blitzing" tactics. Its management can

all-too-easily be made to look as though it had withheld from the stockholder earnings that should have been paid out in dividends.

The fiduciary trustees are therefore caught in a genuine conflict of responsibility between the duties they owe to the beneficiaries of their funds, and the duties they owe to the country as guardians of its capital resources. They cannot be allowed to exercise the full legal ownership power they possess. But at the same time they cannot be absolved from their responsibility to make sure that the companies they "own" are managed professionally, competently, and with high standards of integrity. In other words, they are not just trustees of the individual saver or investor. They are also trustees of one of America's most critically important resources, which is the performance and vision of our organized economic institutions.

A NEW KIND OF ADVISER?

THE PRESENT "hands-off" attitude is the right one for the time being. Until we know how the New Tycoons should discharge their responsibility, it is certainly better for them to be modest, self-restrained, and "strict constructionists" of their legal right. But this cannot satisfy the needs of our society for the long pull; and while we do not have, as yet, any real solution, we do have some beginnings.

Some of the fiduciary investors, for example, are thinking of bringing in a number of truly independent and objective advisers on management. Some of these advisers would be distinguished industrialists; others, men in public or academic life. It would be their function to keep a watchful eye on the companies in which a fiduciary has a major investment, and to be in close touch with the management of these companies. These men—while appointed for a specific period of time, compensated adequately, and completely outside of the control of the management of the fiduciary institution itself—would have the responsibility to suggest when to drop the purely passive and self-restrained role of the "investor" and to assume a positive role as an "owner," in which the legal rights of ownership and the voting power would be exercised.

Similarly, some of the large publicly-owned companies—conscious of the fact that ownership of their securities is coming to rest more and more in fiduciary-investor hands—are talking about the appointment to their own boards of directors of two or three men of similar standing. Their primary duty would be to establish liaison between the company and its major institutional owners, to advise management of the needs of the institutional holders and their beneficiaries, and in turn to keep the fiduciary institutions informed on the plans and decisions of management. This would mean in effect that the fiduciary investors, without themselves going on the board of a company, would have spokesmen and informants on the board to enable them better to judge when to act as if they were the real owners, and how.

But these are the barest of beginnings. This is a big job—much bigger, perhaps, than I have been able to indicate here. While it appears to be a matter of financial policy, the issue in essence is nothing less than the legitimacy of management in contemporary America—that is, a society in which management is increasingly professional and ownership is increasingly a mere title to income, held anonymously and scattered in almost sub-atomic particles.

This question of the legitimacy of management may well be the toughest yet to be answered by the modern industrial society. It is certainly a central one. In every other country the alternative to the "tycoon" of yesterday, the acquisitive robber baron, seems to have been government ownership. In this country we have found a different alternative, the democratization of ownership in which the real owners are increasingly the employees themselves. But, in order to accomplish this, we are increasingly forced to concentrate legal ownership of industry in the hands of a comparatively small number of fiduciary investors. To the problems thence arising, clearly the solution lies in the realization on the part of these New Tycoons—in the sharpest possible contrast to the tycoons of yesteryear—that they have responsibilities both to the individuals for whom they manage their funds and to the commonweal, whose basic capital resources will be increasingly entrusted to their care.

Next month Mr. Drucker will summarize future issues of public policy. "America's Next Twenty Years" will be available in its entirety in reprint form at 50¢ per copy at the conclusion of the fourth installment in June. Please address all inquiries to:

Harper's Magazine, Dept. G
49 East 33d Street, New York 16, N. Y.

U.S. Economy Today

WHY AND WHEREFORE OF STOCK SPLITS

By Sam Dawson

NEW YORK, Dec. 19 (AP)—Stock splitting flourishes in a bull market and during periods of increasing business activity when a company needs to raise new money for growth.

It pleases shareholders almost as much as raising the dividend—although in cold reality only the latter does them any mathematical good.



Sam Dawson

A stock split like the one proposed by directors of American Telephone & Telegraph actually leaves the present stock owner with the same share of equity in the company's assets. Thus, when AT&T stockholders get three new shares for the one they hold today it will mean that each of the new shares is worth in company assets only one third what the present one is.

BUT SHAREHOLDERS like splits anyway because usually the price of the company's stock rises on the market. Even when the split isn't accompanied by a money-in-the-pocket dividend hike, as the phone company's was, the hope is strong that the split means the directors think higher dividend rates possible. In bear markets stock splitting dries up because splitting a stock when its price is dropping has little appeal. But with prices setting new highs stocksplitting has come thick and fast of late.

SO FAR IN 1958 THERE have been 26 splits or proposals of splits of stock listed on the New York Stock Exchange, the majority in recent weeks. The same number was set in all of 1957. The year before, a bull market year, there were 56, and 47 in 1955. But in depressed 1954 there were only 13. The biggest postwar year was 1946 with 74. Reasons for stock splitting are many—some not given by the directors. The one usually given is that the lower price will attract more investors and thus widen the market. The lower price also brings any new stock to be issued later within the reach of more buyers, thus helping the company to raise more equity capital as needed.

WHEN STOCK PRICES ARE much higher than the average it makes for thin markets—fewer shares being put up for sale. Prices often fluctuate widely in thin markets. This not only is a hardship for buyers and sellers but it looks bad to the public. Stock splitting has some side effects that directors may consider but rarely mention. One is that stock splitting also splits the per share earnings. For example, the phone company last year made $10.61 a share on this $686,000,000 net profit after taxes. If the shares had been split three for one at that time the per share earnings would have been $3.54.

WHILE THE REPORTED profits would be just the same, the lower per share figures are thought to attract less attention from labor leaders as talking points when seeking to get a bigger share of gross earnings for workers at the expense of the share going to stockholders. The same psychology (even if mathematically unsound) is thought by some business managements to work on customers who may think profit margins are too high, and to ward off politicians eager to investigate big business. Some corporate executives think that an above average stock price and per share earnings works the same way with the public which tends to be critical of big business getting too big.

THE PHONE COMPANY is only the latest of well known firms to split or propose splits this month. Parke-Davis completed a three for one split early in the month. The Great Atlantic & Pacific Tea Co. split 10 to 1 and Upjohn Co. 25 to 1 as part of the process of listing voting stock on the New York Stock Exchange. Also awaiting stockholder approval are a 3 to 1 split by Kroger and a 2½ to 1 by Chas. Pfizer.

Fund Quotations

NEW YORK (AP)—Quotations furnished by the National Association of Securities Dealers, Inc., which states they reflect actual or

Fruit Prices

ST. LOUIS PRODUCE ROW, Dec. 19—Appended quotations reported by the "St. Louis Daily Market Report" are first-hand wholesale prices on

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POMONA COLLEGE

SUMMARY OF POOLED INVESTMENTS

DECEMBER 31, 1955

	BOOK VALUE	PER CENT OF TOTAL
Cash and Receivables	$ 247,136.27	2.9
Savings and Loan Investment Certificates	$ 60,000.00	.7
United States Government Bonds (Page 3)	$1,210,889.03	14.2
Corporation Bonds (Page 3)	250,594.74	3.0
Total Bonds	$1,461,483.77	17.2
Preferred Stocks (Page 3)	$ 20,000.00	.2
Common Stocks (Pages 4, 5 and 6)	4,244,917.63*	49.8
Total Stocks	$4,264,917.63	50.0
Total Cash and Securities	$6,033,537.67	70.8
Trust Deed Loans	2,037,916.20	23.9
Loans to Dormitories, etc.	381,525.72	4.5
Real Property	69,613.39	.8
	$8,522,592.98	100.0

*Indicated Market Value $7,545,272 *(see page 6)*

POMONA COLLEGE

LIST OF SECURITIES

DECEMBER 31, 1955

United States Government Bonds
(Book Value $1,210,889.03)

PAR VALUE	
$ 50,000	Treasury Bills, due January 12, 1956
200,000	Treasury Bills, due March 15, 1956
200,000	Treasury Bills, due March 29, 1956
275,000	Treasury Notes, 1⅞%, February 15, 1959
4,000	Treasury Bonds, 2½%, December 15, 1958
61,000	Treasury Bonds, 2⅛%, November 15, 1960
6,000	Treasury Bonds, 2¾%, September 15, 1961
50,000	Federal Land Bank, 2⅞%, September 14, 1956
12,200	Savings Series "G" 2½%, 1956
4,500	Savings Series "G" 2½%, 1957
95,000	Savings Series "G" 2½%, 1958
100,000	Savings Series "G" 2½%, 1959
100,000	Savings Series "G" 2½%, 1960
50,000	Savings Series "K" 2.76%, 1966
6,375*	Savings Series "F" and "J" 1956-1965

**Maturity Value*

Corporation Bonds (Book Value $250,594.74)

PAR VALUE	
$ 40,000	Cortland Equipment Lessors, Inc., serial deb., 1956-1959
15,000	General Motors Acceptance Corp., deb. 4%, 1958
70,000	General Motors Acceptance Corp., deb. 3%, 1960
25,000	General Motors Acceptance Corp., deb. 3⅞%, 1961
25,000	Pennsylvania Railroad Co., 2¼% equip. tr. ctfs., 1957
50,000	Reading Co., 3¼% equip. tr. ctfs., 1956
25,000	Reading Co., 3¼% equp. tr. ctfs., 1957

Preferred Stocks (Book Value $20,000.00)

NUMBER OF SHARES	
200	Scripps (E. W.) Co., 5% pfd. "A"

POMONA COLLEGE

LIST OF SECURITIES

DECEMBER 31, 1955

Common Stocks (Book Value $4,244,917.63)

NUMBER OF SHARES		INDICATED MARKET VALUE
420	Allied Chemical & Dye Corp.	$ 48,510
900	Allied Stores Corp.	50,850
800	American Chicle Co.	52,700
1,000	American Cyanamid Co.	67,500
1,845	American Gas & Electric Co.	91,328
771	American Telephone & Telegraph Co.	139,069
400	Atchison, Topeka & Santa Fe Ry. Co.	58,750
1,000	Bankers Trust Co.	64,500
642	Bendix Aviation Corp.	36,835
400	Bethlehem Steel Corp.	65,450
2,000	California Bank (Los Angeles)	104,000
441	Carnation Co.	55,125
3,200	Central & South West Corp.	115,200
2,000	Central Illinois Public Service Co.	58,750
300	Chemical Corn Exchange Bank	14,550
500	Chrysler Corp.	43,250
1,400	Citizens National Trust & Savings Bank of Los Angeles	99,400
350	Citizens National Trust & Savings Bank of Riverside	20,650
140	Cleveland Electric Illuminating Co.	5,250
3,500	Columbia Gas System	56,875
800	Commercial Credit Co.	40,800
1,100	Commonwealth Edison Co.	45,375
1,200	Consolidated Edison Company of New York	56,850
1,000	Consolidated Natural Gas Co.	35,375
700	Continental Insurance Co.	73,500
1,100	Continental Oil Co. (Delaware)	110,000
180	Crown Zellerbach Corp.	10,665
1,200	Deere & Co.	41,850
1,000	Detroit Edison Co.	36,125
1,114	Dow Chemical Co.	67,397
900	du Pont (E. I.) de Nemours & Co.	207,900
600	Federated Department Stores, Inc.	42,000
500	Fidelity-Phenix Fire Insurance Co.	55,000
800	Fireman's Fund Insurance Co.	53,000
200	Firestone Tire & Rubber Co.	15,850
539	First National Bank of Boston	33,822
833	First National City Bank of New York	53,208
1,100	First Pennsylvania Banking & Trust Co.	54,725

POMONA COLLEGE

LIST OF SECURITIES

DECEMBER 31, 1955

Common Stocks (Continued)

NUMBER OF SHARES		INDICATED MARKET VALUE
2,000	General Electric Co.	$ 115,500
3,915	General Motors Corp.	181,069
2,500	General Public Utilities Corp.	91,563
200	Goodrich (B. F.) Co.	17,350
1,200	Green (H. L.) & Co., Inc.	38,100
1,000	Guaranty Trust Company of New York	80,000
2,080	Gulf Oil Corp.	192,400
1,875	Gulf States Utilities Co.	69,141
500	Hartford Fire Insurance Co.	79,500
1,000	Home Insurance Co.	49,250
2,600	Indianapolis Power & Light Co.	73,450
600	Inland Steel Co.	50,850
600	Insurance Company of North America	65,400
800	International Harvester Co.	29,200
1,000	International Nickel Company of Canada, Ltd.	82,375
1,050	International Paper Co.	119,438
1,000	Iowa-Illinois Gas & Electric Co.	33,875
700	Johns-Manville Corp.	61,775
1,800	Kansas City Power & Light Co.	70,650
1,275	Kennecott Copper Corp.	149,972
2,000	Lone Star Gas Co.	57,250
400	Manufacturers Trust Co.	34,000
383	Marston Co.	*71,344
200	McGraw Electric Co.	10,400
1,200	Melville Shoe Corp.	38,400
1,496	Middle South Utilities, Inc.	48,246
612	Monsanto Chemical Co.	28,764
1,115	National Bank of Detroit	70,802
1,600	New York State Electric & Gas Corp.	63,200
1,800	Niagara Mohawk Power Corp.	58,500
1,745	Ohio Edison Co.	89,431
2,000	Ohio Oil Co.	69,500
2,000	Pacific Employers Insurance Co.	44,000
1,720	Pacific Gas & Electric Co.	85,140
1,000	Penick & Ford, Ltd., Inc.	50,500
530	Penney (J. C.) Co.	52,735
500	Pfizer (Chas.) & Co., Inc.	21,875
1,200	Phillips Petroleum Co.	98,550
611	Plomb Tool Co.	10,387

**Book Value*

POMONA COLLEGE

LIST OF SECURITIES

DECEMBER 31, 1955

Common Stocks (Continued)

NUMBER OF SHARES		INDICATED MARKET VALUE
400	Procter & Gamble Co.	$ 40,000
1,000	Public Service Company of Colorado	45,000
1,700	Public Service Electric & Gas Co.	57,375
1,200	Rochester Gas & Electric Corp.	53,700
2,424	Sears Roebuck & Co.	87,264
2,766	Security-First National Bank of Los Angeles	156,279
1,000	Shell Oil Co.	64,375
1,000	Sinclair Oil Corp.	57,875
700	Socony Mobil Oil Co.	45,150
1,200	Southern California Edison Co.	61,350
2,881	Standard Oil Company of California	262,171
3,000	Standard Oil Co. (Indiana)	153,000
2,532	Standard Oil Co. (New Jersey)	386,447
500	Sunshine Biscuits, Inc.	38,500
2,700	Tampa Electric Co.	69,187
2,000	Texas Co.	243,000
1,800	Texas Utilities Co.	67,500
1,000	Union Bag & Paper Corp.	100,500
600	Union Carbide & Carbon Corp.	66,075
1,800	Union Electric Company of Missouri	52,200
1,200	Union Oil Company of California	64,200
600	United Fruit Co.	31,800
2,600	United Gas Corp.	81,900
38	United States Gypsum Co.	11,970
1,200	United States Steel Corp.	69,600
1,400	Utah Power & Light Co.	72,100
1,900	Virginia Electric & Power Co.	78,138
1,650	Wisconsin Electric Power Co.	54,450
400	Youngstown Sheet & Tube Co.	38,300
	Total Indicated Market Value	$7,545,272
	Total Book Value	4,244,918
	Excess of Market Value over Book Value	$3,300,354

NOTE: Attention is called to the fact that the foregoing lists and figures are as of December 31, 1955 and that the investment portfolio is subject to change.

POMONA COLLEGE

DIVERSIFICATION OF COMMON STOCKS

DECEMBER 31, 1955

	NUMBER OF COMPANIES	INDICATED MARKET VALUE	%
Public Utility	32	$2,073,543	27.5
Oil	12	1,746,668	23.1
Bank	12	785,936	10.4
Chemical	6	486,146	6.4
Insurance	7	419,650	5.6
Retail Trade	7	380,693	5.0
Food & Allied Prods.	6	268,625	3.6
Auto & Auto Equip.	3	261,154	3.5
Metal	2	232,347	3.1
Paper	3	230,603	3.0
Steel	4	224,200	3.0
Electrical Equip.	2	125,900	1.7
Machy. & Mach. Tools	3	81,437	1.1
Bldg. & Bldg. Equip.	2	73,745	1.0
Railroad	1	58,750	.8
Finance	1	40,800	.5
Rubber	2	33,200	.4
Drug	1	21,875	.3
	106	$7,545,272	100.0

Pomona's Earning Record

Funds invested with Pomona College under its life income contract program earn a rate equal to the average net yield on the pooled investment funds owned by the College. The rates paid on such contracts starting 1926-27 have been as follows:

1926-27 PAID	5.36%
1927-28 PAID	5.99
1928-29 PAID	5.76
1929-30 PAID	5.55
1930-31 PAID	5.65
1931-32 PAID	5.51
1932-33 PAID	4.80
1933-34 PAID	4.41
1934-35 PAID	4.60
1935-36 PAID	4.69
1936-37 PAID	4.74
1937-38 PAID	4.77
1938-39 PAID	4.99
1939-40 PAID	4.41
1940-41 PAID	4.43
1941-42 PAID	4.55
1942-43 PAID	4.42
1943-44 PAID	4.33
1944-45 PAID	4.29
1945-46 PAID	4.15
1946-47 PAID	4.32
1947-48 PAID	4.53
1948-49 PAID	4.59
1949-50 PAID	4.79
1950-51 PAID	5.15
1951-52 PAID	5.20
1952-53 PAID	5.52
1953-54 PAID	5.56
1954-55 PAID	5.57
1955-56 PAYS	5.37
30-YEAR AVERAGE	4.93

The fiscal year for Pomona College ends June 30th.

Investments

HELD BY

Pomona College

December 31, 1955

Confidential—Not for publication

Re Concn. of Corp. Shares

Pension Funds have a big chunk — Cord ests. 49%.

a. This seems high — check it.

b. How did Lampman handle this? Method of estate probates seems this out. Pensions do not get into estates.

i. Thus it appears Lampman o'stated concn. of corp. shares relative to r.e., (+ other things?)

ii. But pension funds go heavily into bonds. So he also o'stated concn. there.

Thus, he o'stated concn. of both stocks + bonds w.r.t. r.e.

iii. As person gets old, they shed assets, but cling to residence. Thus, the r.e. of decedents is less concd. than at other times of life. This decedent approach is <u>loaded</u>, + <u>Lampman failed to warn us!</u>

c. But there is also truth in Lampman

i. Workers do not vote on control pension funds. Those who do often gyp the beneficiaries. E.g. ~~is~~ T.L.A.A. is out of my hands.

ii. Pensions die w. the person or his wife. They are not passed to next generation.

Endorsements 185—188

Robert Wood (President, University of Massachusetts, on 5/20/76 before the Joint Economic Committee of Congress): "The plain fact is that not only the poor American but the middle American is being priced out of the housing market today. Unless we gain control over urban land prices, unless we make sure that land values created by public investment are returned to the public, we will continue to deny most Americans a chance to own homes."

Representative Joseph Hermann (Mass.) has introduced a bill in the state legislature with 18 co-sponsors to allow localities to tax buildings at a lower rate than land. He says it will "spur economic growth, cut down on urban sprawl and eliminate unfair tax practices."

Muncie, Indiana Star (editorial, 2/3/69): "One key to healthy reform may be found in land value taxation in which improvements and other man-made capital are partly or wholly exempt. This method of taxation, in varied forms, has been in use for a number of years in Pittsburgh and Scranton, in Regina, Saskatchewan, and New Westminster, British Columbia, and in growing numbers of cities in New Zealand and Australia, with highly beneficial results." (thanks to reader Elmer Greenlee, editor of the "Bluebird Letters").

Pittsburgh Post-Gazette (editorial, 11/23/81). "City Council should be sure that it continues to maintain its present policy of taxing land more heavily than buildings."

Homeowners Benefit from LVT

In 1980, the city of McKeesport, Pennsylvania, (pop. 31,000) increased its property tax rate on land from 2.45% to 9% while decreasing its property tax rate on buildings from 2.45% to 2%. This amounted to a 50% increase in property tax revenue collected by the city; it had a sudden need for new revenue to pay for long deferred expenses. In addition, it meant that land was being up-taxed while buildings were being somewhat down-taxed.

Daniel Sullivan of the Incentive Tax League of Pennsylvania studied the impact of this tax shift and found that the increase in taxes on the average homeowner was 15% less because of the building-to-land tax rate shift. The savings to working-class homeowners came to more - 29%.

Absentee land owners living outside McKeesport paid an average of $49 more per parcel due to the shift to land tax. It must be remembered that the city government and economy increased the value of their land by providing roads, schools, hospitals, etc., and so the absentee land owners were getting a windfall profit in increased land value - unless, of course, the city increased their land taxes.

Sullivan also compared what the average homeowner would pay in a wage tax which would raise the same revenue for the city as would the land tax. He found that if the average homeowner made $7,000 or more in wages, then the wage tax would cost him more than the land tax. Of course, the average homeowner made much more than $7,000 a year in wages.

Absentee land owners would not pay any wage tax in McKeesport, nor would corporate land owners.

The conclusion of Sullivan's study parallels those of similar studies conducted elsewhere and published previously in this bulletin. Copies of Sullivan's study are available upon request from "Incentive Taxation."

McKeesport now has the lowest tax rate on buildings in Allegheny County, and this, coupled with its high land tax, may account for the increase in new construction which followed the introduction of the 9%/2% tax rates. This increase occurred despite a decline in new construction in nearby Clairton and Duquesne which have very similar economies, and also despite the depression in new construction since 1980.



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May - June 1982

Incentive Taxation

Socialists Chasing Butterflies

Socialists think the Capitalist is the Big Exploiter of the Working Class. Well, the logic of the matter does not support such a contention and neither do the facts.

First, the logic: machines (i.e., capital) are made by companies who since they made them, should own them and are entitled to sell them. The capitalists who buy these machines are entitled to use them, sell them or rent them out to their own workers or to others. In short, they are entitled to a return because they are providing a labor service (the labor-produced machine) to the productive process. Q.E.D.

Now for the facts:

(1) Workers own more than half of American corporations. Pension funds invested $481 billion in common stock and bonds in 1979 (Victor Riesel syndicated column, 10/16/81), and corporate stocks and bonds totaled $979 billion in that year (table 863, p. 526, U.S. Statistical Abstract 1980, citing FRS and Annual Statistical Digest). $481 billion/$979 billion = 49%! And the figure is moving up steadily. In addition, workers own some corporate shares individually and their stock ownership through various profit-sharing plans is not insignificant. To be sure, they exercise little actual management control over corporations through their stock ownership, but more than half of profits, the fruits of corporate ownership, flow to them.

(2) Corporate profits (net after taxes) are a good deal less than most socialists - indeed, most people - think. They are 5% of sales - i.e. only a nickel of every sales dollar goes to net profits after taxes (Conference Board and Citibank) but unfortunately most people think the figure is much higher. We could do away with corporate profits and effect a 5% reduction in prices, but that would do away with the economy also, for who would invest with no prospect of profit at all?

If in 1978 all dividends were stolen from stockholders and given to the workers instead, their wages would have been increased by only 3.6% (U.S. Statistical Abstract 1980, p. 443, for 1979, citing Survey of Current Business, July issues). Of course, in ensuing years there would have been no investment, no corporations, no wages.

(3) After-tax corporate profits are less than 20% of total annual land rent (U.S. Statistical Abstract 1980, p. 443 citing U.S. Bureau of Economic Analysis, and Incentive Taxation 11/81). And remember that a good portion of corporate profits is land rent.

There's another distinction worth mentioning: land rent is totally unearned income (and therefore particularly appropriate for taxation), whereas profits are totally earned (unless due to monopoly - rare). If socialists were to nationalize corporate capital, then where would they get new capital from? Who would invest without prospect of income? The socialist government would have to raise new capital by forcing the taxpayers to provide the money. Now private investors do that willingly.

Conclusion

Socialists get all bent out of shape over profits, even though profits are a necessary and miniscule part of the economy. Meanwhile, they overlook almost entirely the real exploiter of labor and capital - the landowner - who produces nothing yet shares in what labor and capital produce.

The Philadelphia Story

City officials in Philadelphia are showing interest in adopting a lower tax rate on buildings, higher on land, for the fiscal year starting July 1, 1982. They have asked this publication to prepare a study showing what the impact of a two-rate tax would be based on assessment information provided by the city. The following conclusions were reached:

(1) A 6% tax on building assessments, 9.11% on land, would provide the same income as does the current tax rate (6.75% on both); rates of 6%/9.11% would reduce homeowner taxes by $5,263,386 per year. Homeowner-voters in 59 of the 66 wards in the city would pay less in property taxes.

(2) The average store property would pay $6/yr. more with 6%/9.11%, and the average commercial property would pay $197/yr. more.

(3) Rates of 6%/9.11% would down-tax all buildings in Philadelphia to the tune of $33,381,642 a year. Presumably, if building ownership becomes this much more profitable, new construction and rehabilitation will be significantly encouraged - especially if at the same time, the under-use of land sites is being actively discouraged by a heavier land tax.

Readers wanting a copy of the full report can request same from this publication.

George Washington never told a lie . . . but he never filed an income tax return either!

What's Feeding the Land Price Boom?

by Lewis Allan Irwin, Jr. (I.U.P. Undergraduate)

The price of land has been constantly increasing in recent decades, according to an article in the April 1980 issue of the American Journal of Economics and Sociology. The information for this article comes from the Final Report of the H.U.D. Task Force on Housing Costs (William J. White, Chairman), dated May 1978.

The following statistics show just how rapidly land prices have been increasing:

- the cost of improved lots increased at almost 13% annually during 1963 and 1972 at a time when residential construction costs were increasing by only 6%.
- a survey by the Urban Land Institute of developer members in seven metropolitan areas found an average increase in urban land prices between 1970 and Spring 1974 of 100% an average annual rate of 20-30% compared with the 8-10% between 1958 and 1970 (Ibid).
- a developed lot now accounts for about 20% of the cost of a typical single family house with F.H.A. mortgage insurance, compared to about 15% in 1960. In areas with stringent land use regulations, ratios of 30% are not uncommon for conventionally financed development (Ibid.).

Reasons Why

We can point to a number of factors causing this rapid land price increase. A major contributor is the decrease in the availability of usable land caused by a lack of funds for sewage and other utilities. Heavy restrictions are being placed on the expansion of sewage treatment facilities by the Environmental Protection Agency along with restrictions on federal funds for sewage facilities. Delayed payments of funds has also created premiums on new lots with hookups.

Zoning regulations are another crucial area in restricting the supply of land, having the greatest impact in low and moderate income areas. Zoning ordinances have restricted the variety and the areas in which only certain types of housing or simply no housing at all may be built. "A recent report by an American Bar Association commission notes that in the New York metropolitan area 99.2 percent of the undeveloped land zoned for residential use is restricted to single family housing" (AmJes., p. 167). With such regulations, it is virtually impossible for low and moderate income families to afford such housing.

Speculation in land is another reason for the increased cost of land. But what makes speculation in land so profitable? Underassessment of vacant land for property tax purposes. This reduces the cost of holding land and creates a deterrent for putting it to use.

The lack of redevelopment in our older cities has also reduced the amount of developed land that could be used. Urban redevelopment is lacking because owners of the land may refuse to sell or develop the land, thus limiting the amount available.

Increasing the tax on land would reduce the high cost of land. A tax increase up to its full value would eliminate speculation, enabling serviceable land to be used in the most efficient way, thus reducing the need to service unused land.

Readjustment in the zoning policies would make more efficient use of the land available.

Clearly we can do many things to solve the problems created by the rapidly escalating price of land.

Incentive Taxation

This bulletin is published by the Center for the Study of Economics, 580 N. 6 St., Indiana, Pa. 15701, with a special grant from LEAF, San Diego, Cal. (412) 357-2286 or 2284. Editor: Steven B. Cord. Inquiries invited. Subscription rate $8/yr.

Land Rent Fund Underestimated

Our November 1981 issue carried a story estimating the annual land rent in the U.S. in 1981 to be $800 billion. This would have to be an under-estimate because it was based on an annual land value increase of 12% per annum, 1975-1981, but more recent figures indicate that a more proper figure would be at least 14.4% (see **Land Review** 11/81). Also, we used a mortgage interest rate of 16% when 17% was more common in 1981.

Taking both of these factors into account, our estimate of $800 billion/yr. for land rent or land value taxes in 1982 should be increased by 14.4/12 x 17/16 = 1.275. In other words, the $800 billion should be increased by 27 1/2%.

This new amount would be greater than all current taxes! In other words, a tax on land values could replace all other taxes even for our welfare-and-welfare swollen government.

The basic figure for the original estimate was a study done by the prestigious Conference Board.

Quite obviously, land value taxation is not a tempest in a teapot and it would seem to be the Great Overlooked Factor in our economic picture.

New Capital Gains Tax Idea

by Joseph Running, Portland, Oregon

I propose a modification of our income tax. The change I propose may seem minor, but I believe its effect would be significant; it may even be the very stimulant our economy now so badly needs.

Under our income tax law, capital gains are taxed at a lower rate than ordinary income. I believe this should be changed, but it is a little complicated and calls for an explanation.

"Capital gains," as the term is used in connection

continued on page 3

From the Editor

- The city of Lancaster, Ohio grants a ten year 100% property tax abatement on all new industrial construction; this tax abatement applies only to new improvements and not to land. (Information submitted from the Wisconsin State Journal, 9/17/81, pg. 15, by IT reader Nadine Stoner.)

Ohio readers of this publication can take heart in this. Previously it was thought necessary to pass a State constitutional amendment in order to tax land more than buildings. But presumably this is a misconception since cities in the state can abate property taxes on improvements only.

- About a fifth of the price of a new home and lot goes to pay for the lot. Also, the cost of an average lot today is anywhere between 17 and 23 times as high as it was in the early 1940s and 10 to 16 times as high as it was in the early 50s. (Source, "Land Review" 9/81, based on FHA, Bureau of Census, Home Owners Warranty Corp. data).

- Federal, state and city taxpayers are spending millions of dollars to improve the main highway through Pittsburgh and also to build a 1.1 mile subway with a 10.5 mile rail connection. All this expenditure of money will enrich downtown Pittsburgh landowners as well as landowners all along the routes. Shouldn't their windfall profits be taxed to pay for these government expenditures?

- "When someone buys a piece of property and improves it, the city rewards him by increasing his assessment and taxes." - Seymour Rauch (Buffalo)

- Only Italy and the United Kingdom devoted a smaller share of output to fixed capital formation in 1979 than did the United States. The U.S. figure was 19%, compared to 18.7 for Italy and 17.6 for the United Kingdom. In Japan, the proportion was 31.6%. (Source: Tax Foundation, MTF 8/81).

Remedy: Un-tax business investments, up-tax land instead. Doing both of these simultaneously will promote capital formation without having to cut back on needed government services.

- Extract from a speech by Jack Kelly of Scranton, PA: "In Kansas City the citizens point with pride to the 85-acre Crown Center urban renewal project with its multi-million dollar complex of hotels, offices, apartments, motor inns, etc. Yet, the odds are this beautiful complex would never have been a reality if it weren't for the Missouri legislature providing urban developers with a special tax privilege permitting them to pay only land taxes for ten years and improvement taxes at a reduced rate for the next fifteen years."

- The Erie City Council recently approved unanimously a resolution to authorize the Erie Conference on Community Development to institute a study on a property tax rate shift from buildings to land.

- The United Mine Workers of America, in session at New York on April 14th, adopted a resolution urging Congress to levy a tax on land values to meet all the expenses of the war.

The year was 1917.

New Capital Gains Tax Idea

(continued from page 2)

with income tax collection, includes both capital gains from investment in land and capital gains from investment in industry. These two are entirely different and should be treated differently for income tax purposes.

I believe that capital gains from investment in industry - investment in the stock market, investment in the building industry, investment in any wealth-producing enterprise - should be tax exempt. Capital gains exemption from these investments would make them additionally attractive investments. It would stimulate expansion of industry, as well as speed up modernization of equipment; it would increase employment and increase productivity. I believe this capital gains exemption would be a powerful boost to investment in industry and a great stimulus to our economy.

Capital gains from speculative investment in land, on the other hand, is entirely different. I believe it should be taxed at the same rate as ordinary income. Land is not capital, it is a natural resource. While investment in industry not only stimulates expansion of industry and promotes modernization, therefore increasing employment and production, speculative investment in land does not increase the amount of land; it does not produce modernization or increase employment. Speculative investment in land drives up the price of land. This is undesirable. It makes it more difficult for a young couple who wants to farm to secure a piece of land upon which to live, to make a home, to produce a living. It makes it more expensive for a couple to secure a lot upon which to build themselves a house. It makes it more expensive for industry to secure land for expansion. If capital gains from investment in land were taxed as ordinary income, absentee ownership of land would be discouraged, and land would be more easily available for the one who wants to make productive use of it.

This proposed change in our capital gains taxation would have little effect on the amount of money capital gains taxation would yield. The amount lost from exempting capital gains from investment in industry would be slightly exceeded by the gain from full taxation of capital gains from investment in land. But, both exempting capital gains from investment in industry and full taxation of capital gains from investment in land, would be a very desirable stimulus to our economy.