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EDITORIAL

As We See It

THE YEAR AHEAD

The relative unanimity of view about the business outlook at the present moment and the vigor with which these opinions are held stand in strong contrast with the situation as it existed twelve months ago. There are still, of course, some observers who harbor doubt about what the state of business is to be like during the next half year, but it is almost a rarity to find one who is not definitely optimistic.

It is generally realized, of course, that an appreciable part of the current high rate of activity is a result of inventory accumulation. The fact is well known that a number of the statistical series commonly employed to measure current volume of business are being somewhat thrown awry by the exceptional activity in the automobile industry, and it seems to be widely accepted as a fact that anticipation of labor troubles somewhat later in the year is leading these manufacturers to stock up more heavily now than they would otherwise be doing. Naturally, this is being reflected in various industries supplying the motor industry, and in some of these also a policy of inventory accumulation has been inaugurated.

But even when these and other special factors are given their full weight, the outlook for at least the first half of the year is, according to almost all witnesses, definitely good. There are, as usual, those soothsayers who think their crystal ball offers a glimpse at the second half of the year. Possibly there is somewhat greater tendency to hedge forecasts for that more distant period—probably, if for no other reason, because distance lends uncertainty to the view. But by

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Next Ten Years in Retailing

By HON. JAMES C. WORTHY*
Assistant Secretary of Commerce

Predicting a $500 billion annual economy by 1965, Secretary Worthy cites the vast consumption that will arise from our growing population and the heavy capital outlays of industry and government. Lists as basic economic factors underlying the economy's growth: (1) continuing high rate of population growth; (2) expanding technical research; (3) high level of capital investment; (4) heavy Federal and local government expenditures; (5) opportunities for increased foreign trade and foreign investments, and (6) gradual reduction in the proportion of the military take of nation's total output. Urges retailers prepare systematically for shifts and trends in economic conditions.

In undertaking to talk about "The Next Ten Years in Retailing," I must stipulate at once that I have no more insight into what the future holds than any of you. No one can predict with any degree of assurance what combination of events will shape our economy over the decade ahead.

James C. Worthy

Despite my necessary caution, there are certain trends and tendencies that are now discernible, and we can talk with some degree of assurance about some of the potentialities the future holds.

To us in Washington, as I know to you in business, the past year has been an encouraging one as the economy has shifted from being mainly concerned with restoring our military strength, to again satisfying more broadly the wants of the consumer. In retrospect, it is clear that the transition was accomplished with remarkable smoothness. Business once more demonstrated its flexibility under conditions of rapid shifts in particular segments of demand. The sounder govern-

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*An address by Secretary Worthy before the National Retail Dry Goods Association, New York City, Jan. 10, 1955.

Business and Finance Speaks After Turn of the Year

Continuing our custom of former years, the CHRONICLE features in today's ANNUAL REVIEW AND OUTLOOK ISSUE the individual opinions of government officials and of the country's leading industrialists, bankers and financiers as to the probable trend of business in the current year. These forecasts, written especially for the CHRONICLE, provide the reader with up-to-the-minute official views as to the indicated course of business in all industries. The statements begin herewith:

HON. HERBERT BROWNELL, Jr.

Attorney General of the United States

Looming large on the antitrust horizon for 1955 is the anticipated Final Report of the Attorney General's National Committee to Study the Antitrust Laws.

That 60-man Committee was formed some 15 months ago. Its members include practicing lawyers, law professors, as well as economists, and is headed by Co-Chairmen, Assistant Attorney General Stanley N. Barnes, head of the Antitrust Division of the Department of Justice, and Dr. S. Chesterfield Oppenheim, Professor of Law, University of Michigan. The target date for submission of that group's Final Report is some time this February.

Herbert Brownell, Jr.

The Report will aim to evaluate current anti-trust operation and suggest changes in order to more effectively secure basic antitrust goals. In all areas its goal will be to probe beyond those traditional labels that have sometimes marked points of antitrust disagreement—labels that have all too often become little more than excuses for not thinking. Recommendations may cover proposals to Congress for legislative change, advice to enforcement agencies about administrative policy or suggestions to

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In the SECOND SECTION of today's ANNUAL REVIEW ISSUE we show monthly high and low prices of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1954.

The Security I Like Best

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

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

MAURICE S. BENJAMIN
Senior Partner, Benjamin, Hill & Co.
New York City
Members New York Stock Exchange

Combustion Engineering Inc.

My favorite stock would have to be of a company in which I would like to be employed. Besides my time and energy I would like to invest my money in the *Combustion Engineering Inc.*


M. S. Benjamin

This country's economy faces the most dynamic expansion in its history; and the greatest growth will occur in the development of power — especially Atomic Energy. In this field *Combustion Engineering Inc.* will be a leading factor.

This 70-year-old business specializes in generating equipment for public utility, industrial and marine power plants. It is one of the largest companies of its kind in the world, having eight plants in the United States and Canada, and subsidiaries and representatives in 31 foreign nations.

One example of the magnitude of a boiler the company furnishes to the T.V.A. is the following: it will generate all the steam required for a 250,000 k.w. turbine or 350,000 horse power. The boiler, supported on a steel structure, is 150 feet high, contains 125 miles of steel and alloy tubing; weighs over 10,000,000 pounds; will require almost 250 carloads to transport it; and will consume 100 tons of coal per hour. It is designed for 2,275 pounds of pressure. It cost $100,000 to draft its design and took 1½ years to build it in the company's plant, and another year to erect it at the site. Its value is about $6,000,000.

One can understand why *Combustion Engineering Inc.* designed and manufactured one of the most important components of the prototype nuclear power plant at the General Electric Co. in Schenectady and is designing and fabricating parts for the nuclear power plant to be installed in the U.S.S. Sea Wolf, the newest atomic-powered submarine. It built all the power boilers for the giant Atomic plant at Oak Ridge and in addition some units for the Hanford Atomic plant.

The company manufactures boilers suitable for operation either above or below critical pressure.

The du Pont Co. selected *Combustion Engineering Inc.* alone to build over 100 chrome alloy steel towers for powder plants.

Combustion Engineering Inc. has been foremost in building for the electric utility industry the high pressure, high temperature units that increase efficiency — reducing the amount of coal required to generate a kw.-hr. from two pounds to less than three-quarters of a pound—that being one of the reasons why electricity rates have not increased. The Federal Power Commission's report for 1952 showed that two-thirds of the most efficient power stations in the country had *Combustion Engineering Inc.* boilers.

In the marine field the company literally kept the American Merchant Marine afloat. At the height of the war 100 ships each month were launched with *Combustion Engineering Inc.* boilers and component parts—about 50% of the Maritime Commission's total requirements. Also many boilers were built for the combat ships of our Navy.

The company has developed a line of chemical recovery units for the pulp and paper industry—used extensively here and abroad. Foreign countries have been aided in their rehabilitation and economic progress through the installations of *Combustion Engineering Inc.* boilers.

In the next 10 years the electric power load in this country will more than double. This augurs well for the *Combustion Engineering Co.*

The capitalization is simple: $15,000,000 3⅛% debentures due in 1979 and about 1,000,000 shares of common stock. The book value is over $60.

	Earnings
1954 (9 months)	$4.50
1953	7.25
1952	6.15
1951	6.24
1950	9.35
1949	6.93
1948	7.25

The stock, listed on the New York Stock Exchange and selling around 56, pays $3.00 in regular dividends to yield about 5½%.

With the world's power demand scheduled to expand at a greater rate than other factors of the economy and its power facilities about to be converted to the use of Atomic Energy, it becomes evident why I have chosen *Combustion Engineering Inc.* for my favorite stock.

COLONEL WILLIAM FREIDAY
Partner, J. Robinson-Duff & Co.
New York City
Members, New York Stock Exchange

Motor Products Corporation

Motor Products Corp. has in the past been known as a speculative stock. This is primarily because of its close association with the automobile industry. This has resulted in highly volatile sales and earnings.


Col. William Freiday

The company is the largest maker of metal stampings for the automotive industry. 70% of its business is accounted for by metal stampings and the finishing thereof, mostly for the automotive industry.

Its earnings record was poor in 1954, owing in part to the difficulties experienced by Chrysler Corp., one of its leading customers. Earnings are expected to show a sharp upturn in the March quarter. While no estimates of earnings per share are available, it is thought that the good reception now being given Chrysler products will be substantially reflected in Motor Products' earnings.

The balance of Motor Products business is accounted for by its line of freezers and refrigerators. This line was completely redesigned last year, and it has been well received by the public. These products are marketed under the long established "Deep Freeze" trade name and include a combination refrigerator-freezer offering four cubic feet of freezer space.

The company has secured strong cooperation from its union with regard to increasing the efficiency of its labor operation and reducing costs. Labor relations are considered excellent.

The book value of the common stock is $50 a share. On a replacement basis, book value of the common stock is about $75 a share. The common stock listed on the New York Stock Exchange, presently is selling at 22⅛, a level far below that of recent years, and far below that which might be expected on the basis of current prospects.

The company had a 14-year record of continuous dividend payments, up to July, 1954.

This Week's Forum Participants and Their Selections

COMING EVENTS

In Investment Field

Jan. 24, 1955 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter dinner at the Furniture Club.

Jan. 24, 1955 (Chicago, Ill.)
National Security Traders Association meeting of National Committeemen at the Hotel Sherman.

Jan. 28, 1955 (Baltimore, Md.)
Baltimore Security Traders Association annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Feb. 25, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Benjamin Franklin Hotel.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

March 23-25, 1955 (Pittsburgh, Pa.)
Association of Stock Exchange Firms meeting of Board of Governors.

April 24-27, 1955 (Houston, Tex.)
Texas Group Investment Bankers Association spring meeting at the Shamrock Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

May 18-21, 1955 (White Sulphur Springs)
Investment Bankers Association Spring meeting of Board of Governors.

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Sept. 16-17 (Chicago, Ill.)
Investment Bankers Association Fall meeting of Board of Governors.

Sept. 21-23, 1955 (Denver, Colo.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 16-18 (New York, N. Y.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 27-Dec. 2, 1955 (Hollywood, Florida)
Investment Bankers Association annual Convention at Hollywood Beach Hotel.

Problems and Prospects Of the French Economy

By C. DOUGLAS DILLON*
U. S. Ambassador to France

Ambassador Dillon, after describing the political and economic problems of France resulting from the devastation of war, and the progress made in solving these problems, takes an optimistic view of future prospects in this key European nation. Says the inflation curve in France has flattened out and confidence in the French currency restored. Points out government controls over new securities flotations have been ended, and opportunities exist for American capital in France. Lists most promising courses for future action in French economic field.

Because of my background in the investment banking field I naturally have taken a great interest in the French economy. This is a most important subject for all of us, far more so than the spectacular votes in the National Assembly! The strength or weakness of the French economy in the long run will determine the influence of Communism in France and the position which France will hold in the world and in the Western Alliance. A strong economy means a strong France, a weak one may mean a France overrun by Communism. Because of the importance of this subject and the fact that it has been somewhat overlooked in comparison with some of the more spectacular political events that have occurred in the past year, I have chosen it as my topic.

C. Douglas Dillon

However, before I start on my main subject I want to say a few words on the recent ratification debate in the French Assembly. The factors entering into this debate were exceedingly complex and difficult to understand for those who do not follow the daily ins and outs of French politics. The treaties were ratified in a series of votes with varying majorities, the largest being about 500 to 100. The key vote on the rearmament of Germany, however, was 287 to 260. The important thing for us to realize is that despite the closeness of this vote an overwhelming majority of the French Assembly and the French people are solidly in favor of the Atlantic Alliance. Approximately two-thirds of the French Assembly accept the fact that the time has come to integrate West Germany into the defense of the West. There has been bitter controversy over the best method for obtaining this German defense contribution. There were at least 100 Deputies who had strongly supported the E. D. C. who either abstained or voted against the ratification of the Paris accords. They were not against a German defense contribution as such, but were politically opposed to Mendes-France and because he had helped defeat E. D. C. they were determined that he should take full responsibility for ratification of the Paris accords, which they felt were inferior to the E. D. C. But these men were not prepared to push their opposition to the point of taking the responsibility for endangering the Western Alliance. After the unfavorable vote on Dec. 23, it was primarily a switch of votes on the part of these political opponents of Mendes-France that provided the votes needed for ratification.

France Basically Attached to the Western Alliance

The important thing for you to remember is that France under any conceivable government remains basically attached to the Western Alliance of free peoples. We should never forget that France's attachment to liberty and freedom is every bit as deep as our own. Despite possible differences over methods and means which are only natural among free allies, France is and will remain a strong and reliable member of the free world.

It has been exactly ten years since the last German offensive in the Ardennes—commonly known as the Battle of the Bulge—was turned back—ten years since the final turning point of the war in Europe and the end of destruction in France.

We all have heard of some of the unhappy effects of the Occupation and the war on the French people, the loss of confidence in themselves as a nation, the hatred of Frenchmen for other Frenchmen resulting from the strains of the Occupation, from the actions of the Vichy Government, and from the violent reaction at the time of the liberation. We know that for nearly three years after the War France was governed by a coalition including the Communist Party, an era which has left its mark.

However, during the last year or two another and far more important outgrowth of the war has become increasingly noticeable, this time a development which can bring major benefits not only to France but also to all of western Europe. For want of a better word I will call it the revolution of youth—a peaceful revolution. French youth is today clearly on the march in business as well as in government. The average age of the Mendes-France Cabinet is only 47. There are numerous ministers still in their thirties.

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*An address by Ambassador Dillon before the Bond Club of New York in New York City on Jan. 14, 1955.

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Articles and News — Page

BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on the cover page of today's ANNUAL REVIEW AND OUTLOOK ISSUE, we present the opinions of leaders in Government, Industry and Finance regarding the outlook for business in 1955. [Commentaries which could not be accommodated in today's issue will be given in subsequent issues.—Editor.]

* * *

In the SECOND SECTION of today's issue will be found our usual tabular record of the high and low prices, by months, of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1954.

Regular Features

*Column not available this week.

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The State of Trade and Industry

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

Total industrial output for the country-at-large last week advanced about 5% above the similar period in 1954. Substantial gains were registered in the production of bituminous coal, electric power, automobiles and crude oil, while losses were noted in civil engineering construction and the output of lumber and paper.

The latest reports indicated that the number of initial claims filed for unemployment insurance benefits in the week ended Jan. 1 was at the highest level in almost a year and 28% above the preceding week. Continued claims in the week ended Dec. 25 were 5% above the prior week and 18% higher than in the corresponding week of the preceding year. Temporary layoffs for inventory taking and curtailment in food processing, textiles, apparel, lumber and metal products contributed to the increases.

The Federal Reserve Board currently reports that industrial production in December topped the year-earlier level for the first time in 1954. And a further gain is indicated this month by rising steel and auto output. It placed industrial production in December at 128% of the 1947-49 level, compared with 124% in the like 1953 month. For all 1954, however, output averaged 125%, against 134% in 1953.

Labor may turn out to be the most important factor in the steel market this year, states "The Iron Age," national metalworking weekly, this week. Both the steel industry and its biggest customer, the auto industry, will be negotiating new wage contracts during the first half of the year. Both will find the going tough.

There is no reason to believe that both will be able to clear the wage hurdle without a disrupting strike. But even if new wage agreements can be worked out peacefully in both industries, the coming bargaining will add a strong push to the steel market.

On May 1 the United Steelworkers of America can serve notice of its desire to reopen its contract on wage rates only. If a new agreement is not reached by midnight of June 30, the union is free to strike.

But a month before the steel wage contract deadline the famous 5-year pacts in the auto industry expire. If labor is serious about winning the guaranteed annual wage this year, it looks as if Walter Reuther and his United Auto Workers will have to lead the fight. David McDonald, head of the steel union, apparently has no thought of torturing the language of his present contract to ring in the GAW issue.

In addition to heading the UAW, Mr. Reuther is President of the CIO. This recalls an interesting parallel. When the late Philip Murray was President of the CIO his own steelworkers' union usually led the annual wage fight, comments this trade paper.

It is doubtful that Mr. Reuther will be able to get to first base with his demand for guaranteed annual wage. But the bargaining in Detroit is bound to have a very strong effect on the steel wage talks.

The auto industry is expected to build as many cars as it can before wage talks are begun. The idea being that a reservoir of cars would strengthen its bargaining hand. But so far there is no evidence that there is any float in the terrific production schedules that keep setting records week after week—and tighten the steel market proportionately, declares this trade authority.

Independent car makers, operating at their best level in a year, pushed domestic motor vehicle production to an 88-week peak the past week.

"Ward's Automotive Reports" counted 177,539 car and truck completions for United States plants or 3.4% more than last week. Scheduling was the highest since 182,594 was reached in late April of 1953.

Prompting the increase, the weekly publication stated, was a 43% gain by the Independents who began their "comeback" fight with the topmost weekly total since 6,799 units were recorded in late January a year ago. "Ward's" commented, however, that supply problems created by the industry's record output is restricting overtime operations within Chrysler Corp.

Despite this factor, Chrysler Corp. nudged 20% of United States car output last week and the Independents 4.2%. An additional 27% went to Ford Motor Co. and 49% to General Motors Corp., indicating no marked deviation from the 1955 model production pattern.

The statistical agency said that Chevrolet, Ford and Plymouth, in that order, continue to lead in 1955 weekly United States car output. Within the Independents the past week American Motors Corp. volume was divided evenly between Hudson and Nash, but Studebaker-Packard Corp. dominated the group's operations.

Production trends so far in January point to a monthly volume at the 641,973-unit December level and a favorable new car inventory situation on Jan. 31 even if sales fall off from the record December rate.

Domestic new car sales in December edged 2% over the 1954 high retailed in June, holding Dec. 31 inventories fully 30% under the year-ago level.

Heavy Saturday work persists in the industry, Ford again scheduling all of its 16 assembly plants on the extra day the past week. Elsewhere, Mercury closed down its Metuchen, N. J., factory Thursday last, due to an unauthorized work stoppage.

According to Secretary of Labor Mitchell, housing starts last year rose to 1,215,000, up 10% from 1953 and second only to 1950's record 1,396,000. After a slow start, home building activities wound up 1954 with a flourish. Work was begun in December on 91,000 dwelling units—a new high for the month. The steadily rising momentum from mid-summer on was attributed by the Secretary to the liberalized loan provisions of the new housing law.

Steel Output Scheduled This Week at 82.4% of Capacity

A strong first half is shaping up for 1955 in the steel market, says "Steel," the weekly magazine of metalworking, the current week.

Some mills are booked fully for the first six months on some products, particularly the light, flat-rolled. Other mills see their first-half books filling so rapidly they are telling customers they should get orders in right away before all space is gone, it states.

A substantial amount of this strength comes from the automobile industry which is putting on a big production push to beat a possible automotive strike at the end of May. To meet strengthened demand, the steel industry boosted its ingot production in the week ended Jan. 16 to 82% of capacity, a rise of 1.5 points over the preceding week. A year ago mills operated at only 74.5% of a smaller capacity.

By midyear, auto industry requirements may be slackening—either because of a strike or because all new-auto needs will be filled. As the auto industry is the largest user of steel, a decline in its ordering would relieve some of the pressure on the steel industry. A decline in steel production in the middle of the year would not be unexpected. At the beginning of the year some analysts said they expected the 1955 steel production trend line to look like the profile of a saucer. They thought output would dip during the summer and rise at the end of

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E. E. Henkle Adds

(Special to The Financial Chronicle)

LINCOLN, Neb. — Raymond A. Monnett is with E. E. Henkle Investment Company, Federal Securities Building.

With Merrill Lynch Firm

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Leo F. Oppenheimer is with Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

With Slayton & Co. Inc.

MONROE, La.—Elbert H. Miller is now connected with Slayton & Co., Inc.

Observations . . .

By A. WILFRED MAY

THAT STOCK MARKET "OUTLOOK"

(For Use January 1, 1956)

Following our custom begun in last year's *Annual Review and Outlook* issue, this column submits it observations on the stock market prospects in the form of factually citing the most important bullish and bearish factors which logically should influence stock prices in 1955.

A. Wilfred May

* * *

BULLISH FACTORS

(1) The permanent politically-motivated guarantee against major depression furnished by both active and stand-by government interventionism; currently highlighted by the currently-proposed $101 billion highway construction program.

(2) The high level of business activity, manifested in the near-record indices, with the economy's appearance of being in a *New Era* expansionist period.

(3) The expectation of a further increase in new construction in 1955, with housing enjoying its second best year in history with approximately 1¼ million units, and new construction expected to establish a record at $39½ billion —against $37 billion in 1954.

(4) The large pool of consumer purchasing power and individual savings, whose permanence is assured through the perpetual rise in wages and the power of labor.

(5) Budgetary *inflation*, bolstered by the ever-continuing Cold War.

(6) The remarkable increases in the nation's population, abetting the great postwar expansion of the country's economy.

(7) The market's investment status, in contrast to the speculative credit and manipulation attending former major bull markets. Dealings are practically on a cash basis with 99% of all securities being purchased outright.

(8) The secularly rising *respectability* of and demand for the American equity share from abroad as well as here, with constant addenda of regularly-programmed buyers.

(The presently large proportion of stockholdings occupied by institutions was detailed in this column of Dec. 23.)

(9) The current advantageous dividend and earnings yields, as viewed historically and in their relation to the probable level of long-term interest rates.

(10) The restrictive influence of the tax on capital gains, which freezes the currently enormous unrealized appreciation.

BEARISH FACTORS

(1) Un-profitability of business. Increasing competition combined with higher labor costs have kept profits way behind increases in volume; pre-tax profit margins falling 25% from 1950-54. Overall corporate profits in 1954 declined from 1953; and per share earnings of the stocks in the Dow-Jones Industrial Average were less last year than in 1950. In some industries, notably the chemical, despite huge capital expenditures for expansion, income even before taxes and depreciation has not increased at all.

(2) Likely interruption of the quiet on the labor front; as via violent agitation, including the possibility of strikes, for a guaranteed wage.

(3) Prospective harder money rates, apparently already foreshadowed by the Federal Reserve's open market sales of Treasury bills, and hiking of margin requirements. In any event, discriminatory credit restriction vs. the stock market which has no political friends—in contrast to, say, the mortgage area.

(4) The high level of private debt — up 40% since 1950 and 250% since 1945.

(5) Unlikelihood of tax relief; with the actual reversal thereof in New York State.

(6) Counter-acting the inflationary influences, the normally controlling impact of chronic over-production in most sectors of American industry.

(7) Stock prices' present generous multiple of earnings, which earnings are vulnerable in being derived from a high level of economic activity — a situation the converse of 1949.

(8) General vulnerability of today's advanced market level. Reduced price-earnings and dividend yields, down 32% and 21% respectively since a year ago, with many *Blue Chips* in the stratosphere; and the corresponding enhancement in the relative attractiveness of the take-home pay from tax-exempt bonds to the moneyed investor. The potential disappearance of the capital gains tax as a deterrent to liquidation once a major decline has got under way; coupled with the non-importance of that tax factor as a profit-taking deterrent to pension funds, fiduciaries, and mutual funds.

(9) Wall Street's present "get-rich-quick" atmosphere — in contrast to the toughness of making a living elsewhere.

(10) The forthcoming Fulbright "study"; carrying at least psychological effects of "authoritative" undermining of the public's confidence in the stock market.

* * *

This observer does not possess the wisdom to weigh the relative potency of the above-cited elements in affecting 1955 stock prices; or, in fact, to know whether they will have any effect at all. To commentators and the investment community in general he immodestly ventures to commend their usefulness in providing for January, 1956 a supply of explanations from which then can be selected those to fit the market's preceding 1955 behavior.

Palmer, Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gladys S. Albelt has been added to the staff of Palmer, Pollacchi & Co., 84 State Street.

Joins H. J. Lange

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles W. St. Denis has become connected with H. J. Lange & Co., Inc., 314 North Broadway.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — That forthcoming study of the securities markets will be the prime job of two men who are steeped in the scholarly lore of political science.

The first of these is Chairman J. William Fulbright (D., Ark.) of the Senate Banking Committee, and the second is Robert Williams, just selected to be Staff Director of the Banking Committee.

While Senator Fulbright was a law student, he reflects an interest in the forms of governmentalism. Thus, he led the inquiry which revealed so many alleged iniquities on the part of the old Truman management of the Reconstruction Finance Corp. Mr. Fulbright believed that the RFC's mismanagement was due to the fact that it was operated by a bi-partisan board. He advocated the replacement of this board by a single Administrator, a superior form of rule, in this opinion.

President Truman impatiently rejected the Arkansas Senator's advice about reconstituting RFC under a one-man chieftan. Thereafter the Senator conducted his public inquiry and tore away enough of the veil shielding RFC's operations from public view, as to convince the President of the wisdow of the Senator's original idea. Mr. Truman capitulated. He reorganized the RFC so as to place it under a single Administrator.

Senator Fulbright in his youth also was a Rhodes scholar. In this connection, his interest in the forms of government, influenced by the British example, led him to make an unique suggestion. When Mr. Truman lost the 80th Congress to the Republicans, Mr. Fulbright, although a Democrat and fairly well established as a "liberal," nonetheless in a spirit of academic-motivated self-sacrifice proposed that Mr. Truman appoint a Republican to a Cabinet post in the line of succession, and step down to make the way for a Republican President. This, of course, reflected the British traditional way of ousting a government on the basis of election of a popularly-chosen parliament.

Dislikes Investigations

Senator Fulbright personally dislikes investigations. As the readers of the "Chronicle" are perhaps already aware, the Arkansas Senator hastens to ex-

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Wheels on Keels

By IRA U. COBLEIGH

Enterprise Economist

A slight review of progress in the water transport of freight carrying rolling stock; and an up-to-date look at certain companies engaged in expanding this traffic.

Whereas elsewhere in this edition, the security savants, and the financial and industrial elite present their informed previews of 1955, this column will be content to set down a few notes about what may turn out to be a quite important industry—water transport of truck trailers. The background is quite interesting.

Ira U. Cobleigh

We all recall the many ferry lines that cut their steady swaths across inland waterways carrying people, cars, and later, trucks. They made an aquatic bee-line, saving dozens, and sometimes hundreds, of road miles. There were Hudson River ferries, 20 or 30 of them, scores on the Mississippi, Ohio, Missouri, Delaware, Connecticut and Columbia Rivers; and many spanning our lakes and bays. One by one, however, either because the roads around got better, or bridges were built across, most of these ferries stopped paddling; and many an historic double-ender wound up on the Amazon or the Orinoco.

Seatrains, Inc.

Railroad car ferries have seemed a little more durable. Dozens still operate in New York Harbor; there's a big Great Lakes service of the Pere Marquette R.R.; and an extensive coastwise car ferry service operated by Seatrain Lines, Inc.

This Seatrain Lines, Inc., has proved that putting wheels on keels is not only sound theoretical economics, but can pay off at the dividend window. The company has paid cash dividends since 1941, the present rate being 50c on the 1,329,146 common shares outstanding. The issue sells at 12½ over the counter.

Seatrain Lines owns six specially designed ships, each with four decks, and a 100 freight car capacity. These craft ply in three regular round-trip runs, New York-Savannah, New York-New Orleans, and New York-Texas City. Railroad opposition to this sea run has, from time to time, been strongly in evidence, but Seatrain has marched steadily forward and now grosses over $12 million a year.

But, to revert to highway freight units — there were some big changes taking place. Trucks which had grown from 2 tons to 15 or more still weren't big enough, and, further, the idea developed that it would be handy not to have to pay a truck driver when his vehicle was standing by waiting to load, when he could at the same time be propelling a loaded truck over the road. Thus the freight trailer was born; and it caught on big. There are over 600,000 such trailers in the U. S. right now, their numbers are growing rapidly, and 40,000 must be produced each year for replacements alone.

But these burgeoning trailers, some of 'em carrying 30 tons and almost as big as freight cars, have in turn created certain problems. With the truck cabs that pull them, they cover a lot of road; long hauls create extra time and a half pay costs for driver and helper; fog, snow, low visibility; and slippery roads cause road hazards and rising insurance rates; while night driving, with attendant fatigue, increased driving risk and danger of thefts or hijacking —all these have created some pressure for methods of delivering these trailers without driving them over the highway. Hence, a new word in our transportation vocabulary—"piggy-back."

This idea is lots older than people think. Actually it started back in 1879 and, of all places, on the Long Island Railroad! They ran some loaded farm produce wagons on a ramp up onto flat cars, and carried them over the rails from Syosset, Long Island to, I believe, Long Island City. More recently as you know, the idea was further developed by the New Haven Railroad, which now carries over 40,000 trailers a year between New York and Boston; and a dozen rail lines now offer piggy-back service, using in some cases the new type specially designed flat cars that can carry two trailers apiece.

Trailerships, Inc.

Waterway trailer transport also has advanced. For the number of years Trailerships, Inc. has carried truck trailers in a regular service on the Hudson River between New York and Albany, N. Y.; there's a similar service across Long Island Sound between Orient Point N. Y., and Saybrook, Conn.; and I have seen the quite ambitious blueprints of trailer-ferries costing several million dollars each, designed originally to run between Los Angeles and San Francisco. These proposed ships were laid out to carry several hundred trailers each trip, and were to be swiftly convertible to truck or tank carriers for the military.

Quite recently, the McLean-Loveland Line of Norfolk, Va., presented a plan for building and operating trailerships to ply between Norfolk and New York; a water line between Boston and New York has been discussed from time to time, and there is a line, I believe, from the West Coast to Alaska.

TMT Trailer Ferry, Inc.

While these projects all hold interesting promise, and may well result in public security flotation, there's a sea going company already in operation that fits in nicely with today's discussion. It's called TMT Trailer Ferry, Inc.

This company was incorporated as a merger of three existing companies. The best description of its activities (and all the information given here about it) is taken from a circular dated Dec. 23, 1954 offering its 5½% Convertible Debentures due Dec. 15, 1960. The company makes available "the through movement of freight in loaded highway trailers between points in the United States and points in the Caribbean area, including Porto Rico." Its service involves "(1) the pick up of freight, in trailers at origin points, (2) movement to shipside, (3) placement of loaded trailer on ocean vessel, (4) the subsequent ocean movement, (5) off loading of the trailer, (6) movement of trailer to destination point."

The rather apparent advantages of this comprehensive trailer services would seem to be speed, with substantial savings because goods and merchandise need not be crated and uncrated, and need not be stored on dock or pier where they might be pilfered or damaged. Further, safe door to door transport without rehandling seems assured.

Subsidiary companies have already established service between Porto Rico and Florida, and Porto Rico and New York. The New York run has been handled by rental of space on a Liberty ship, but the Florida-Porto Rica service is expected shortly to be served by a converted LST hull, for roll on, roll off, trailer operations. In fact, the financing referred to above, is designed to provide, among other things, funds for purchase of this LST, plus 60 trailers and certain terminal equipment set forth in the descriptive circular.

The prospect for substantial future growth for TMT Trailer Ferry, Inc. is indicated by arrangements with Allied Van Lines, Inc. (largest U. S. motor carrier of household goods) for movement of household goods between all points in the U. S. and Porto Rico. Other interesting traffic would include through shipment of frozen foods in refrigerated trailers (requiring no transfer) and the handling of heavy machinery without hazardous overside hoisting or expensive crating.

For the investment minded, TMT Trailer Ferry, Inc. 5½s are offered in units, a $1,000 bond with 100 shares of common for $1,010; and the debenture itself is convertible into 400 shares of common. Assuming the success of this enterprise, the bondholder seems to be offered a quite decent cut at capital gains through the rather generous conversion option. Management of the company headed by Mr. Eric Rath, President, appears to include men adequately versed in transportation matters.

This whole business of trailerships has been widely discussed and, as we've noted here, there are some large scale lines in prospect which seem to be more logical, with present highway congestion, and each new raise in the price of motor transport labor. Coast-wise, and perhaps on the Great Lakes, the idea can catch on; and as for off shore, why not trailer ships to Europe and South America? They'd duck a lot of stevedore strikes! This program of wheels has already made a significant contribution to the technique of transportation. It could become another important "growth" industry.

Dealer-Broker Investment Recommendations & Literature

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

Annual Review and Forecast — Booklet — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Consolidated Railroads of Cuba.**

Bache Selected List—Brochure of issues which appear attractive—Bache & Co., 36 Wall Street, New York 5, N. Y.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

Coexistance and Finance—Armand G. Erpf—Reprint of a talk before a private group in San Francisco—Carl M. Loeb, Rhodes & Co., 42 Wall Street, New York 5, N. Y.

Electronics Dollars and Sense—"Highlights No. 20" bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Equipment Trust Certificates—Semi-annual appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa. Also available are semi-annual appraisals of **City of Philadelphia** and **Philadelphia School District Bonds.**

Financial Statistics of the Commonwealth of Massachusetts including States, Counties, Cities, Towns and Districts—47th edition—Tyler & Company, Incorporated, 11 High Street, Boston 10, Mass.

Florida's Relocation Advantages—Information—Industrial Development Service, Florida Power & Light Company, P. O. Box 3100, Miami 32, Fla.

Graphic Stocks—January issue containing over 1001 charts showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every active stock listed on New York and American Stock Exchanges, covering 12 full years to Jan. 1, 1955—single copy (spiral bound) $10.00—yearly (6 revised issues) 50.000—F. W. Stephens, 15 William Street, New York 5, N. Y.

Investments in the Atom Age—Brochure including list of 25 stocks which should benefit—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a bulletin on **Pullman Inc.** and on **Automatic Vendors** with particular reference to **Automatic Canteen Co. of American, Rowe Corporation,** and **ABC Vending Corporation,** and an analysis of **American Motors Corporation.**

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Electric Power Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan, and 61 Broadway, New York 6, N. Y.

Market Outlook for 1955—Special report on 85 selected stocks —as for Letter CF 31—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Mr. Winkle Returns—8-minute film presentation of General Mills' 1954 Annual Report—Available without charge for showing before luncheon club, civic, or other groups—Film Department, General Mills, Inc., 400 Second Avenue South, Minneapolis, Minn.

New York City Banks — Preliminary results — Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Annual comparison and analysis —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oklahoma Oil Production—Bulletin—Arthur Davidor, 419 N.W. 47th Street, Oklahoma City, Okla.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Plant Locations in the Southeast—Details available—Atlantic Coast Line Railroad, R. P. Jobb, Asst. V.-P., Wilmington, N. C.

Positive Investment Policy for 1955—Study—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Products and Processes—Booklet M describing the useful products of research—Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Ratings for Ohio Municipal Bonds—Pamphlet—J. A. White & Company, Union Central Building, Cincinnati 2, Ohio.

Securities Outlook for the Investors and Business Executive—Assesses prospects, with list of investment possibilities—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Stock Market Analysis — Facts and Principles — George A. Chestnutt, Jr.—booklet plus next three weeks of American Investors Service Market Analysis Reports—$1.00—Ask for CC-101, American Investors Service, Larchmont, N. Y.

Tollroads, Railroads and Piggyback Operations — Brochure — John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill.

Turnpike Bonds—Market guide and reference card—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

What Atomic Energy Is and How It Is Applied—4-color sheet with listing of 100 atomic stocks—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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Air Products—Analysis—Walston & Co., 120 Broadway, New York 5, N. Y. Also available are bulletins on **American Enka, Bowater Paper Corp., Fireman's Fund Insurance, Rochester Telephone** and **Suburban Propane Gas Corp.**

Arkansas Western Gas Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

British Columbia Forest Products Limited—Current report—W. C. Pitfield & Co., Inc., 30 Broad St., New York 4, N. Y.

Cerro de Pasco Corporation—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Chemical Enterprises, Inc.—Data—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is information on **Oxford Electric Corporation.**

Chicago Pneumatic Tool Co.—Bulletin—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Anheuser-Busch, Inc.**

Cincinnati Milling Machine Co.—40-page book highlighting the company's facilities and engineering developments—Cincinnati Milling Machine Co., Cincinnati 9, Ohio.

Colorado Interstate Gas Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Columbus and Southern Ohio Electric Company — Bulletin — John F. Falvey, 25 Broad Street, New York 4, N. Y.

Crossett Company — Analysis — La Salle Securities Co., 208 South La Salle Street, Chicago 4, Ill.

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Northeastern Steel Securities Offered

Estabrook & Co. heads a group of 25 investment bankers offering for public sale today (Jan. 20) a new issue by Northeastern Steel Corp., a company formed in December, 1954 to provide New England with a steel mill suited to the needs of the area. The issue consists of $4,600,000 of 6% subordinated debentures, series A, due Feb. 1, 1975; 920,000 shares of common stock, par value $1 per share; and common stock purchase warrants for 276,000 shares of common stock.

These securities will be offered in 92,000 units, each unit including a $50 registered debenture, 10 shares of common stock and an eight-year warrant to purchase three shares of common stock at $8.33⅓ per share payable in cash or debentures at par. The price to the public will be $100 per unit for a total of $9,200,000.

Net proceeds will be used, with the proceeds from a private sale of $6,000,000 first mortgage 4½% bonds due Feb. 1, 1970, for expenditures in expanding the hot rolled steel strip mill of The Stanley Works at Bridgeport, Conn., and for general corporate purposes including paying off short-term loans borrowed in acquiring the plant.

The new company will increase the capacity of the Bridgeport plant from 188,000 tons of ingots to 300,000 tons a year and will diversify products to include production of carbon and alloy bars. Modern electric furnaces will be used and no blast furnace will be required since the company will use scrap instead of iron ore as its chief raw material.

Contemplated construction is estimated to cost $9,124,000 and is expected to take 12 to 18 months during which time the company will continue to operate its open hearth furnaces and strip mill.

Facing the Future With Confidence

By HARLOW H. CURTICE*
President of General Motors

Predicting the national economy will reach a new peak in 1955, with automobile sales the "highest in our history," head of leading auto producer predicts an aggregate output of 7,600,000 cars and trucks. Describes General Motors expansion policy to keep pace with growing consumer demands. Strongly endorses Administration's $100 billion highway program, which, he stated, will provide transportation facilities to match the heavy capital investments made by industry.

At this time last year, a great many people were pessimistic about the business outlook. I did not share that feeling. Perhaps you will recall my statement that there was no depression in my vision. I made three specific forecasts:

Harlow H. Curtice

First, that the automobile industry would produce in the area of six million, 300 thousand passenger cars and trucks for the domestic market and a total of seven million including Canada and overseas shipments.

Second, that General Motors volume of sales in physical and dollar terms would not be far from the high level attained in 1953.

Third, I predicted a continuing high level of employment, consumer expenditures, housing starts and capital investment by industry and a gross national product not far from the high level of 1953.

A brief review of what happened in 1954 would seem to be in order.

Once again the automobile industry demonstrated its unmatched vitality and power to spark the nation's economy.

The industry produced and the domestic market absorbed 6 million, 200 thousand units last year. Including Canada and overseas shipments, industry sales totaled 6 million, 950 thousand units.

Sales of General Motors cars and trucks in the United States and Canada, including overseas shipments, totaled 3 million, 450 thousand units. This compares with 3 million, 496 thousand in 1953 and makes 1954 our third best year. However, in passenger car sales 1954 was our second best year, exceeded only by 1950. Measured in dollars, General Motors sales within 2% of 1953 despite a 30% decline in defense deliveries. Defense products represented 14% of total dollar sales, as against 19% in 1953.

*An address by Mr. Curtice at the GM Motorama of 1955 Luncheon for Business Leaders N. Y. City, Jan. 17, 1955.

1954 A Highly Competitive Year

Nineteen fifty-four was a highly competitive year in the automobile industry. It was the first full year since 1940 in which the normal competitive forces of the market exerted themselves.

Unfortunately, bootlegging, which is the wholesaling of new cars by enfranchised dealers to used-car lots and other unauthorized outlets, was widespread. It had a demoralizing effect on the retail price structure—as did the pressures created by the disposal of slow-moving merchandise. These factors adversely affected the earnings of enfranchised dealers. Despite this, dealers handling General Motors products enjoyed another profitable year.

The national economy demonstrated far more underlying vitality than many forecasters had believed possible a year ago. Inflation in consumers' prices was halted; inventory adjustments was accomplished, and a sound and orderly transition was made from a part war to a peacetime economy. American industry maintained a high level of activity without artificial government stimulus.

Most elements of our economy showed surprising strength. The construction industry, both public and private, established a new record. Housing starts, for example, were 10% above my own forecast last January, which was considered by many as extremely optimistic.

Capital expenditures by all industry reached a total of $27 billion, a near record figure.

Consumer disposable income was at a record level, and total consumer spending rose throughout the year. Employment remained high.

While the final figure is not yet available, it is estimated that the gross national product for 1954 was the highest for any peacetime year and within 2% of the 1953 all-time record.

This demonstrates conclusively that American industry has the capacity and the leadership to keep the economy strong and virile.

Naturally, I am pleased that the 1954 results have confirmed my estimates. Probably it would be better for me if I did not risk further my amateur standing as a business prophet.

However, I think all of us are interested in the future. We should be because, as my good friend, Mr. Kettering, puts it, that is where we are going to spend the rest of our lives. So, once again I shall discuss the prospects for the year ahead as I see them.

I suspect it will come as no surprise to you that I am optimistic about business generally in 1955. Here are the reasons:

Elements of Strength in the Economy

The elements of strength in the economy are more discernible today than they were in January, 1954.

Of greatest importance is the widespread public confidence, which is in sharp contrast to the caution that prevailed a year ago.

I believe a high level of employment will be maintained in 1955. The work week should be somewhat longer than in 1954. Personal incomes will rise, and consumer disposable incomes will be at record levels. With confidence prevailing, consumer spending will be substantially higher than last year.

Capital expenditures by business should hold at the near-record level of 1954. The need for modernization and expansion is urgent and continuing.

The construction industry is expected to better even its amazing record of 1954. Housing starts should exceed 1 million, 200 thousand. More schools, hospitals and other public buildings, as well as many private projects, will be built.

Highway expenditures in 1954 have reached a total of about $6 billion. Estimates indicate that this year they will reach about $7 billion. This represents progress, but a realistic appraisal shows that we are moving ahead much too slowly. The best authorities agree that we must invest at least $10 billion a year for the next 10 years to get the safe and efficient highways this country needs.

While the prosperity of the nation is not dependent on war or defense expenditures, there is no indication that such expenditures will recede from the level of about $40 billion currently required for the security of our nation.

Other expenditures by the Federal Government will continue to be substantial, although we have every reason to anticipate a decline from the present high level. In the event of such a decline, there should be a corresponding reduction in the tax burden. This in turn will release additional funds for consumer and corporate spending.

A world-wide strengthening of national economies is clearly evident. I was greatly impressed with the economic recovery of England and six European countries which I visited last Fall. To cite one example, automobile production abroad has reached an all-time high. Our three overseas manufacturing operations in England, Germany and Australia produced 353 thousand units last year, an increase of 36% over 1953. The increasing productivity and prosperity of the free world

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What Convertibility Means to Business

By DONALD F. HEATHERINGTON*
National Foreign Trade Council

Foreign trade expert, after defining currency convertibility and the concept of business, with its diverse activities, discusses relationships of foreign trade to convertibility. Says convertibility is essential to a free market economy, which comprises: (1) freedom to locate potential buyers; (2) freedom of choice for the customer; (3) opportunity to compete; (4) the right to deliver merchandise without hindrance, and (5) the right to transfer proceeds of sale and receive payment in the currency agreed. Points out convertibility requires a full-fledged, functioning exchange market. Stresses importance of maintaining as well as fixing convertibility.

Granted that convertibility is a vital and timely topic, it is doubtful whether there is anything fresh or new to be said of major consequence about the requirements and the implications of convertibility *per se*. On the other hand, I believe that there is a great deal to be said publicly concerning the role and opinions of business, here and abroad, with respect to both policies and actions. There is a definite gap to be filled: there are, unhappily, misunderstandings in both directions to be corrected.

D. F. Heatherington

On reflection it sometimes seems as though we had been discussing the prospects and prerequisites of convertibility from the beginning of time, and—what is more—in repeating circles. The imminence of convertibility has been heralded so often that the average man certainly may be excused if he has become a bit cynical about the whole idea. Actually, convertibility alone hardly is worth the inordinate amount of attention it has received. But convertibility has become something more. It has become in a sense not only a shining symbol, but also a convenient peg on which to hang views and recommendations regarding a variety of truly fundamental matters. The inevitable result has been to confuse cause and effect, proposals and decisions, political choices and economic forces. Small wonder if the businessman and the lay public are perplexed as they try to fathom the merits of conflicting arguments and assertions.

*An address by Mr. Heatherington at the Annual Meeting of the American Finance Association, Detroit, Mich.

I

Concepts of Business

What convertibility means to business is essentially, if not wholly, a matter of "practical" interpretation, an assessment of views and an appraisal of effects. Perhaps the best way to proceed is by taking a look at the terms themselves.

In the broadest, most general sense, business is thought of as embracing nothing less than the complete process of production and exchange, and as being measured quantitatively by the total amount of all transfer transactions occurring during a prescribed time period. More narrowly, business also is regarded — perhaps with greater frequency — as identified with or denominating a specific sector of the economy, usually that portion concerned directly and primarily with manufacture and distribution, i.e. industry and trade. This concept, moreover, may be widened to permit inclusion of closely related and ancillary services, such as finance, insurance and transportation. From still another angle, business is at times visualized as an institutionalized grouping of firms and/or persons engaged in the indicated branches of activity, and sharing a common approach and outlook. Where individuals are thus involved, business becomes virtually synonymous with management, and the business view is the managerial view. There are other concepts of business, but these are the three of immediate, pertinent import.

Whatever the formal concept, business far from being indivisible and homogeneous is vastly diverse in interests, attitudes and scope of activity. The uniformity and identity attributed are largely illusory. A distinction must be made between business which is essentially local or national in character and business which is international, since the problems met and the personalities involved are decidedly different. The precepts and practices valid for the one type may not prove to be so for the other. Nor are the divergencies confined to those created by the factor of geography. They exist even as between firms in the same area or field of endeavor, and to a lesser extent may be found within the single firm.

These comments may sound elemental. They underline, nevertheless, the fact that convertibility's meaning for business must be read in a plural or multiple sense. In addition, they go far toward explaining certain inconsistencies and contradictions of which business as a whole has been accused, but which more properly should be ascribed to difference between particular parts. Finally, they provide a schematic backdrop against which to trace the varied implications of convertibility.

II

Convertibility and Foreign Trade

We know from observed experience that the degree of interest in and understanding of any event tends to recede the farther removed one is from the scene of action. It is not surprising, therefore, that among business groups it should be the foreign trader and investor who has demonstrated the greatest consistent awareness of what convertibility involves. Foreign trade, in fact, is by nature the first sector of the economy to feel the impact of a change in the international environment, and has the most to lose should the trend be adverse.

Here, as a parenthesis, it should be understood that "foreign trade" comprehends more than merchandise exports and imports. "Foreign

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A Summarized Investment Outlook for 1955

By THOMAS F. STALEY
Partner, Reynolds & Co., New York City
Members of the New York Stock Exchange

Mr. Staley maintains security prices on a broad front have a sound footing and there will be an end of publicising so strongly the "average" stock prices, and more emphasis placed on individual values. Sees too much misunderstanding arising from the over-publicised market of 1954.

In discussing the Investment Outlook for 1955, I shall cover what I consider to be two significant phases: first, the outlook for security prices and, second, the outlook for the investment business.

Thomas F. Staley

As we turn from 1954 to 1955, optimism can be felt in most areas. Impressive spokesmen for the business community have predicted that 1955, in most recognized indices, will surpass the year just past. It seems probable that these predictions are based upon three major factors:

(1) The outstanding success achived by a combination of government and business in turning the recession that threatened 1954 into the prosperity which beckons 1955.

(2) The favorable prospects for such key and basic industries as steel, automobile and construction.

(3) The government's announced billion dollar program of new highway construction—a step necessary to fill a serious nationwide need but, at the same time, a force of great importance to the overall economy.

It is common knowledge that the stock market of 1954 was a rampant bull. This fact regularly made front pages, a development normally calling for caution. The government's views in this regard were made equally obvious by the recent increase from 50% to 60% in margin requirements, an increase which, while it had little bearing on any over-extension of credit, was, nevertheless, an indication that speculation was not to carry to excess.

It is my feeling that security prices in 1954, at long last, began to reflect the tremendous strides this nation's economy has taken since the conclusion of World War II. It is also my contention that too much of the market is measured in terms of "averages" which often represent too small a section of the total market.

I feel that security prices on a broad front stand on sound footing at this time from an economic standpoint and that value will continue to be recognized in the security markets.

To sum up specifically, security prices in 1955, in my opinion, will cease to emphasize so strongly the "average" stocks and will concentrate importantly on individual values wherever available.

I would like to discuss for a moment the outlook for the investment business. A great deal of misunderstanding can arise from the over-publicized market of 1954. For more than 20 years the securities business was a favorite whipping boy. The ogres conjured up by events in 1929 and the change of political philosophy which came in 1933 are primarily responsible. However, let us not forget that the securities business is one of the most basic to the health and well being of a free economy.

Since the 1930's, because of the increased tax level plus factors mentioned above, the activity in the securities business has failed by a wide margin to keep pace with almost every major index of our economic progress. It is my view, therefore, that 1954 and the volume widely discussed as the busiest since 1953 was long overdue and that just as our nation today can proudly point to generations of new home owners, life insurance policyholders and two-car families, so will we, in the future, point with pride to a vast increase in the number of shareholders and the attendant overall volume in securities transactions.

To digress for a moment from the listed markets into the most basic function of the investment business, namely, that of supplying capital to industry. One product of the comparatively unrealistic level of security prices prevailing since World War II has been the continual resort by corporations to the debt method for raising new capital. The desirability of such action is questionable, particularly since it does not necessarily serve to spread the ownership of American industry. However, it is my feeling that, as a result of present recognition of a more realistic value of securities, as indicated in their market prices, equity floatations will come back into their own as the corporate means for raising capital. I point to the proposed General Motors offering of $325,000,000 of its common stock as the first outstanding example of this trend.

In closing, I wish to reiterate two main points:

(1) It is my contention that security prices have, at long last, assumed a realistic relationship to basic economic values and that individual relationships to corporate developments will continue to be the dominant market factor in 1955; and

(2) It is my firm belief that the securities industry, no longer a whipping boy, can assume in 1955 and beyond, its very important function by broadening the ownership of American industry and providing that same industry with the funds vitally needed to continue progress.

Join Draper, Sears

BOSTON, Mass.—Charles W. Bowen and Robert L. Mateer have become connected with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Business Man's Bookshelf

How Free Is Free Enterprise: A Symposium, Edited by Harry W. Laidler—with an article on "The Challenge of International Communism" by George Meany—League for Industrial Democracy, 112 East 19th St., New York 3, N. Y. (paper), 35¢.

International Banking Session in Alpbach August 1954—Creitanstalt-Bankverein, 6 Schottengasse, Vienna, Austria (paper).

Irish Catholic Confederacy and the Puritan Revolution—Thomas L. Coonan—Columbia University Press, New York 27, N. Y. $6.00.

Selected Economic Indicators — Federal Reserve Bank of New York—Public Information Division, Federal Reserve Bank of New York, New York 45, N. Y.—(paper), on request.

Joins Baxter, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Francis J. Crowley is associated with Baxter, Williams & Co., Union Commerce Building.

Joins Beer Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Perry H. Ginsberg has been added to the staff of Beer & Company, Trust Company of Georgia Building.

Cabell Hopkins Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — Thomas P. Molloy has joined the staff of Cabell Hopkins & Co., Columbus Bank & Trust Building.

Now With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William R. Cohen is now connected with Goodbody & Co., 1 North La Salle Street.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Thomas J. Nihill, Jr., has been added to the staff of Reynolds & Co., 39 South La Salle Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks reached new lows for the reactionary movement this week which, with the weakness in Treasury bonds under judicious prodding by the Federal Reserve, kept many observers cautious and left to the market itself the task of indicating what comes next.

* * *

From a technical standpoint the reaction is still well within the bounds of a normal correction of the spirited advance that started early in November. A growing body of opinion has settled on the area around 375 as the bottom limit unless the reaction is to be more extensive than currently expected. The big unknown is how far monetary policies are going to tame the market with the psychological effects of a Congressional investigation also to be weighed. From the standpoint of timing, the concensus is that a trading range could exist for anything from three to as much as six months without altering anything basic.

* * *

Liquidation Less Urgent

Selling shows signs of abating somewhat in urgency. The Jan. 5 setback was on a volume of 4,640,000 shares while this week's slump, which did approximately the same damage to the averages, brought out only 3,360,000 shares. Nearly 1,000 issues lost ground in the earlier downturn which was whittled to 949 losers in this week's harsh handling. The dour note was that the latest upset carried industrials three points lower than the previous low for the year with the rail average's new bottom representing a smaller retracement.

* * *

As had been widely expected, the market uneasiness found especially vulnerable the blue chips that have carried the bull movement so far for so long. Bethlehem Steel, Johns-Manville, Westinghouse, General Electric, U. S. Steel, United Aircraft, Goodyear, General Motors, Allied Chemical and DuPont — the "Average" stocks — were all prominent on the losing side with losses of two to five points when the going was rough. Among the rails, Rock Island, Santa Fe, Union Pacific, Coast Line and Illinois Central were similarly hard-hit among the index carriers.

* * *

Apart from the components of the averages, there was some damage sprinkled through even the more buoyant groups. Cement shares, for instance, have been in independent demand through previous storms, but in this week's selling some of the losses were sizable ranging to more than three points in Lone Star Cement. But this issue's loss proved to be only momentary and it rebounded well once the selling subsided.

* * *

Split-Conscious Aircrafts Strong

Aircrafts were among the first to meet support with the Chinese warfare furnishing a ready excuse. Douglas, which has had an erratic time of it recently, was able to put on some soaring exhibitions by spurting a handful of points at a time with the added help of speculation over another possible split. This is expected in face of the part that the issue was divided on a 2-for-1 basis as recently as last Spring after a similar split-up in 1951. In the stock split category Douglas cedes little to any of the other split-conscious issues.

* * *

The plane makers shared their popularity with General Dynamics, which acted as a star performer on at least one multi-point sprint as the atomic submarine it built proved that atomic energy could be applied to propulsion.

* * *

The Erratic Oils

Oils have held to an essentially erratic course with a few sprinters around now and then on specific developments. Mid-Continent Petroleum was a bit hard hit when it was disclosed that a merger with Sunray Oil was being discussed but Sunray was able to breast the selling of this week with a modest gain. Texas Pacific Coal & Oil, which featured in one unusual trade of 40,000 shares, recovered from rather persistent heaviness later and in a couple of trading hours rolled up a gain of about a handful of points, which isn't the normal course of this issue. On the other side of the picture, Houston Oil was rather prominent on the soft side and Standard Oil of Jersey was also sold down a bit easily at times.

* * *

Rails, which tipped off the latest decline when they refused to penetrate their previous high by a slim margin last week, were inclined to lag although on strength a fair sprinkling of gains of a point to two were spotted through the group. Missouri Pacific and Union Pacific were the better acting issues. New York Central continued to coast for the most, with the spirited buying in the issue at least temporarily halted. New Haven fluttered downward without any great damage and Baltimore & Ohio also seemed out of favor at least for the present.

* * *

The electrical equipment shares were far from distinguished, swaying with the varying currents elsewhere for a pattern that was mostly backing and filling. They proved a bit more vulnerable to the selling than the list generally and showed slow recovery powers. Nevertheless, since no important ground was lost and they remained within easy reach of the highs, they could best be described as in a trading range.

* * *

American Telephone has

been following an independent course for the most and was only mildly nicked by this weeks selling pressure. The issue subsequently turned around and showed mild strength after having been in something of a downdrift ever since its last ex-dividend date. The speculation over whether this year's financing will take the form of straight debt of convertible issues, plus revival of the age-old stock split rumor — this time by a responsible house all contributed to a cautious air around it.

* * *

Chemicals Listless

The chemicals have shown little sustained strength and have gone through the motions with the bulk of the list, but without any real conviction. Allied Chemical and du-Pont have been a bit more prominent on the losing side than on strength when that was the direction of the market. The others in the group weren't too far out of step with this pattern, either.

* * *

Utilities have the distinction of being the only group that was able to post a peak higher than the year's exuberant first day of trading, but it didn't seem to mean much to the group or the market generally, and their performance was somewhat drab. Only the high-priced People's Gas furnished anything in the way of wide movements, with these largely meaningless.

* * *

A bit of anticipation was a sudden breakout on strength in Keystone Steel right in the middle of a generally soft tone. It made a new high on a rather fat one-day gain, but subsided when the dividend was increased 10 cents. The issue has been in something of a trading hiatus in recent years, holding in a narrow range of two to four points most years since it was split 3-for-1 in 1948. Nevertheless its new high is the best price in history for it.

* * *

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Meek in Charge of Harris, Upham Branch

Thomas B. Meek

Tomas B. Meek, Manager of Midtown Offices for Harris, Upham & Co., members of the New York Stock Exchange, will be in charge of the new Harris-Upham office opened Jan. 19 at 99 Park Avenue. He will continue to supervise the existing midtown office at 604 Fifth Avenue.

Two With Scherck Richter

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Vernon W. Brown and Richard B. Rosenthal have joined the staff of Scherck Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

Chicago Analysts to Hear

CHICAGO, Ill. — Charles H. Percy, President of the Bell & Howell Company, will address the luncheon of the Investment Analysts Society of Chicago at the Georgian Room, Carson Pirie Scott & Co., Jan. 27.

The President of Hooker Electro-Chemical Company will be speaker at the Feb. 10 meeting.

Joins H. C. Wainwright

(Special to The Financial Chronicle)

BOSTON, Mass. — Raymond C. Swanberg is with H. C. Wainright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, Minn. — Orn W. Hier is now with State Bond & Mortgage Co., 28 North Minnesota Street.

Canada's Oil Picture

By J. GERALD GODSOE*

Vice-President, The British American Oil Company, Ltd.

After commenting on questions raised because of the introduction of new forms of energy, Canadian oil executive traces briefly growth of Canada's petroleum industry. Says the smooth transition to Canadian operation of the oil industry has been due: First, to the favorable political climate, and secondly, to the presence in western Canada of one of the world's greatest oil bearing regions. Describes oil exploration activity in Canada, and points out Canada is not only becoming self-sufficient in oil, but requires new markets for its products.

The energy sources of Canada are vast and varied, and giant new sources before long will be tapped to bring us still greater wonders. The demands of our expanding economy to provide energy, in the proper form, in the necessary amounts, in the right places, at the right times are most important.

J. Gerald Godsoe

Some questions have been raised that the introduction of new forms of energy—for example, nuclear energy—will restrict the employment of the older forms. This does not disturb me, nor indeed anyone in the oil industry, because, insofar as petroleum is concerned, oil and the atom will be partners serving the nation—not competitors. Each form of energy will have its own use—and there will be a need for them all.

We need have no concern about too much energy or too many forms of energy. The real concern is that of those less favored nations which lack it.

With energy, therefore, in one form or another, as a basic interest for all of us in this room, I would like to tell you something of the present day petroleum picture in Canada and briefly refer to some of the prospects that lie ahead, at least as far ahead as it is prudent to look at present.

*An address by Mr. Godsoe before the Electric Club of Toronto, Toronto, Ontario

Transition in the Oil Industry

If any one had been bold enough to forecast in February, 1947, that by the same date in 1954 the oil industry would have increased its spending on exploration and deevlopment from $1 million a month to $1 million a day—that refineries would have more than doubled, and our consumption of petroleum products have kept pace—that we would witness the growth of a gigantic maze of thousands of miles of pipelines, including the longest pipeline in the world — that our crude oil reserves would increase from a mere 72 million barrels, by 3,300% to over 2½ billions, he would have been dismissed as a visionary whose enthusiasm had run away with his common sense. Yet that—and a great deal more—is exactly what the Canadian oil industry has succeeded in doing, and we who are in the midst of it find ourselves still gasping for breath.

It used to be said—and but two years ago—that if someone were to strike up the "Star Spangled Banner" in the lobby of the Palliser Hotel in Calgary any Friday evening, even the two Canadians present would stand up. But there has been a remarkable transition in the oil industry since this quip became current. The United States oilmen, who have poured their money into Western Canada at a time when, be it remembered, our own investors were somewhat reluctant about anything as speculative as searching for oil, have been more than generous in passing on their technical knowledge of the industry to an increasing number of Canadians and then quietly fading out of the picture, or becoming assimilated as Canadians in the progress of the fastest growing business in this country.

As a result of this, it is common now in travelling about the pipeline construction jobs, through the oil fields, and in the seismograph survey camps, to find Canadians holding responsible positions, which four or five years ago were filled almost exclusively by United States citizens with their greater experience. The opportunities for Canadians to engage in valuable contributions to the petroleum industry of this country are expanding every day, so that not only should we be able to induce many of the graduates of our universities to ignore the old appeal of jobs across the border, but young men of the United States with the proper training are now looking to the Canadian oil industry as a field in which they can progress with the full and great development that lies ahead.

The smooth transition to Canadian operation of the Canadian oil industry has been accomplished mainly through two factors which bulk large in the development of oil in any country in the world. In the first place, the political climate in which the companies operate in Canada has been consistently favorable. The manner in which our governments, both Dominion and Provincial, have cooperated with and assisted the industry in its progress has left little to be desired.

The second factor, without which the progress would have been much slower despite the favorable climate, is the presence in Western Canada of one of the world's greatest potential oil bearing regions embracing some 800,000 square miles.

Exploration Activity

Looking back over the past year we can see the culmination of a great many promises and from these some trends can be pro-

Continued on page 65

The Federal Reserve and The Treasury Bill Market

By EDWARD MARCUS
Assistant Professor Economics, Brooklyn College

Prof. Marcus, in examining the effects of the Federal Reserve's policy to limit open market operations to Treasury Bills, draws the conclusion there does not appear to have been any noticeable effect of this policy on the Treasury Bill market, and what reactions that have occurred were similar to those in other areas of the government securities market. Holds this may indicate that the money market operates so smoothly that shifts affecting Bills are soon communicated to the longer maturities, so that the rates on all tend to react alike.

In the implementation of its monetary policy the Federal Reserve has concentrated its operations increasingly in Treasury Bills over the past few years. This was formalized privately probably in 1952[1] and publicly in the Federal Reserve Board's annual report for 1953 in its "Record of Policy Actions" of the Federal Open Market Committee for March 4-5, 1953. The stated objective was to establish the influencing of monetary and credit conditions through variations in member bank reserves as the sole aim, and to remove any uncertainty that a particular open market action might be aimed at establishing some pattern in the interest rate structure.

Edward Marcus

This limitation in the area of operation has been the subject of much controversy both within and outside the System. One has only to read the remarks of President Sproul of the New York Federal Reserve Bank at the December hearings to realize the uneasiness with which this self-imposed "strait-jacket" was donned. The issue was debated at these hearings as one of the main parts of the questionnaire on over-all monetary policy.

Much of the thinking, however, has been along somewhat theoretical lines, while very little published information has been furnished about the actual effects of the change in technique. One aspect that has hardly been looked at is the behavior of Bill rates both before and after this narrowing of operations, to see whether it did cause a decided change in the character of the money market itself. Wth this problem in mind the author analyzed the rate structure and the Federal Reserve portfolio, and concluded that the effects were not as significant as generally supposed, particularly for the Treasury Bill rate, where the impact of the change would be felt first.

I

The investigation, mainly statistical, pursued two lines of thought. One compared the volatility of the Treasury Bill rate before and after the change in Reserve technique with the volatility of other rates in which the Reserve no longer operated—Certificates of Indebtedness, 3-to-5 year notes, and 15-year bonds. As an additional comparison high-grade municipals and AAA bonds were also included. The second group of studies centered around the Reserve portfolio, comparing changes in selected components with the behavior of the Treasury Bill rate. Weekly changes in the total portfolio of government securities, both inclusive and exclusive of repurchase agreements, Bill holdings (also inclusive and exclusive of repurchase agreements), and repurchase agreements were compared with the Bill rate, both for agreement in movement and degree of variance. These comparisons, in turn, were broken down by years to see if the shift in technique made any difference in the results.

This treatment was necessary to isolate the effects of open market operations effectively. Repurchase agreements are Federal Reserve purchases of short-term securities (usually Treasury Bills) from government securities dealers, the funds so supplied helping them to carry their inventory during a period of temporary stringency. Once the tightness has passed the dealers will repurchase the securities, thus extinguishing the reserves previously supplied. As a result, unlike other open market purchases, the additional reserves are short-lived, and do not enter the banking system to expand credit more generally. Hence, the item "total government portfolio inclusive of repurchase agreements" (or "Treasury Bills inclusive of repurchase agreements") studies the effects of a particular week's System operations on the entire money market; the same items exclusive of repurchase agreements center attention on the money market other than government securities dealers, and the repurchase agreements aim primarily at studying the dealers' sector of the money market.

Statistically it was necessary to assume that all repurchase agreements applied exclusively to Treasury Bills. This is not quite accurate—for example, on July 30, 1952 the repurchase agreement total exceeded the Bill holdings of the Federal Reserve—but lacking the desired data, especially for the period before April 1953, this simplification seemed the most realistic.

The rates selected were those published regularly (by weeks) in the "Federal Reserve Bulletin," for new Treasury Bill issues, 9-to-12 months issues, 3-to-5 year issues, U. S. Government long-term bonds ("Old Series" — fully taxable, marketable 2½s), Moody's AAA bonds, and Standard and Poor's high-grade municipals.

II

Some rather unexpected findings emerged from this study. Although the various rates showed greater fluctuations after 1952—when the new Reserve technique went into effect — the Treasury Bill rate does not seem to show a markedly different pattern from that exhibited by the other, longer term issues. All show increasing volatility in 1953 and the first half of 1954, and then a decline in the second half of 1954; in fact, the last six months of this past year saw changes narrower than in the preceding three-and-a-half years for most of the selected maturities.

The second general conclusion is that there does not appear to be any noticeable **immediate** effect on the Treasury Bill rate as a result of a change in the Reserve's portfolio; that is, the rate does not appear to have any close connection with the System's operations in the very short run. In any one week changes in the Bill rate did not appear to reflect any consistent connection with changes in the System portfolio for that week. While over the longer run the general level of rates undoubtedly adjusted to the prevailing policy of the Federal Reserve, this would have been the gradual workings of the change in reserves and the consequent effects on the various money market institutions. But in the immediate period when the Reserve operated the Bill market seems to have remained quite independent in its moves.

Hence it would seem that the fear that this limitation of operations would cause undue fluctuations in the area of first impact has been greatly exaggerated.

III

The changes in activity of the selected rates can be seen best in Table I. There the average weekly fluctuation for each type is expressed as a percenetage of its average weekly change for the four years 1951-54. The general increase after 1952 and then decline in late 1954 can be seen clearly. Significantly, it should be noted that, other than for the increase from 1951 to 1952, the Bill rate behaved similarly to the other groups.

TABLE I

Average Weekly Change of Selected Issues as a Percentage of the Average Weekly Change for 1951-54

	1951	1952	1951-52	1953	1954 1st half	1954 2nd half
Treasury Bills—New Issues	45.6%	98.0%	71.8%	154.8%	129.6%	74.4%
Other U. S. Government Issues:						
9-12 Months	75.0	67.6	71.3	124.1	155.6	111.1
3-5 Years	83.6	73.6	78.6	141.2	142.4	64.0
15 years ("Old Series")	82.4	97.2	89.8	124.4	139.2	55.2
Municipal (High-grade)	116.0	64.8	90.4	130.4	100.8	76.8
AAA	107.6	73.2	90.4	149.2	97.6	43.2

This table eliminates the effects of wider changes in percentage points characteristic of the shorter-lived issues. For example, in 1951 the average weekly change in the Bill rate was .026 basis points, or almost twice that for the 15 years series (.014). But since the average weekly fluctuation for Bills during the four years was more than three times that for the long term bonds (.057 compared with .017), its 1951 fluctuation was much less proportionately—.026 being but 45.6% of .057, whereas .014 is 82.4% of .017. (For arithmetic reasons yields on the longer term issues were carried to three decimal places, instead of the more usual two.)

Hence, the data do not seem to indicate that the restriction of Federal Reserve operations to Treasury Bills after 1952 caused any greater impact on that market than was occurring in the other sectors at the same time. The only difference is in the decline in the extent of fluctuation after mid-1954; unlike the longer term issues (other than 9-to-12 months) the Bill rate did vary somewhat more than in 1951 (or for the average of 1951-52) during the latter half of 1954.

IV

The next series of tests centered about the immediate reactions of the Treasury Bill rate on new issues to changes in the Federal Reserve System's government portfolio. Since it was not the intention to study the longer range effects, such as the switch to a policy of "active ease," but rather the immediate repercussions on the money market; changes in securities holdings were related only to rates in the immediately preceding or following week.

The logic underlying this procedure can be stated quite simply. Two hypotheses governing the examined relationship are possible. Hypothesis I regards the change in the Reserve portfolio as the *response* to money market conditions, at least for weekly periods. If money becomes tighter presumably Treasury Bill rates would rise. The Federal Reserve might then purchase government securities in the open market to ease the strain. Here a change in

[1] See pages 257-331 of the Dec. 6 and 7, 1954 *Hearings* on "United States Monetary Policy: Recent Thinking and Experience" before the Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report (83rd Congress, Second Sssion).

the rate would be *followed* by a similar change in the portfolio—increases (or decreases) in the former followed by increases (or decreases) in the latter. The other line of reasoning, hypothesis II, sees the Bill rate as the response to Federal Reserve actions attempting to influence the money market. If, for example, the intention is to tighten credit, the System portfolio holdings of governments would drop, and, as a result, the pressure would first show up in the Bill rate rising above its previous level. Here changes in the Bill rate would *follow and be opposite* to the change in the portfolio; a rise in the rate would follow a decline in the size of the portfolio (or a decline in the rate would follow a rise in the portfolio).

TABLE II

A. Weekly Changes in Selected Federal Reserve Government Securities' Holdings Compared with *Changes* in Rates on New Treasury Bill Issues in the Immediately *Preceding* Week.

	Agreement*	Opposite*	No Change*
1. All Government Securities Including Repurchase Agreements			
1951	21	23	8
1952	27	23	2
1953	22	20	10
1954	16	27	10
2. All Government Securities Excluding Repurchase Agreements			
1951	17	24	11
1952	21	25	6
1953	12	18	22
1954	14	20	19
3. Treasury Bills Including Repurchase Agreements			
1951	27	18	7
1952	22	15	15
1953	20	20	12
1954	17	26	10
4. Treasury Bills Excluding Repurchase Agreements			
1951	24	20	8
1952	20	18	14
1953	12	19	21
1954	13	22	18
5. Repurchase Agreements			
1951	18	4	30
1952	21	7	24
1953	22	11	19
1954	10	9	34

*Agreement: Both rose or both fell. Opposite: One rose while the other fell. No Change: Either or both were the same as the preceding week.

NOTE: There were 53 Federal Reserve weekly statements in 1954.

B. Weekly Changes in Selected Federal Reserve Government Securities' Holdings Compared with *Changes* in Rates on New Treasury Bill Issues in the Immediately *Succeeding* Week.

	Agreement*	Opposite*	No Change*
1. All Government Securities Including Repurchase Agreements			
1951	21	22	8
1952	19	31	2
1953	20	22	10
1954	13	25	15
2. All Government Securities Excluding Repurchase Agreements			
1951	20	19	12
1952	17	29	6
1953	14	16	22
1954	9	25	19
3. Treasury Bills Including Repurchase Agreements			
1951	17	27	7
1952	19	18	15
1953	20	20	12
1954	19	24	10
4. Treasury Bills Excluding Repurchase Agreements			
1951	15	27	9
1952	23	15	14
1953	13	18	21
1954	13	22	18
5. Repurchase Agreements			
1951	8	12	31
1952	16	12	24
1953	18	15	19
1954	12	8	33

*Agreement: Both rose or both fell. Opposite: One rose while the other fell. No Change: Either or both were the same as the preceding week.

NOTE: Only 51 pairs for 1951.

To investigate these two possibilities a simple sign test was used. The significant items of the Federal Reserve portfolio—repurchase agreements, Treasury Bills (both inclusive and exclusive of repurchase agreements), and total government securities (also inclusive and exclusive of repurchase agreements) were compared with the Bill rate for the immediately preceding and succeeding weeks. For example, to test the first hypothesis in the preceding paragraph the portfolio holdings as of the Statement date—Wednesday—would be compared with the immediately preceding rate on new issues of Treasury Bills. This was done for each week during the four years 1951-54. If the hypothesis is correct, there should be a high degree of agreement for each week; that is, where the Bill rate rose, the next Reserve statement should show an increase in the portfolio item, or a drop in the rate should see a drop in the portfolio item. A similar sign test with the comparison of the Wednesday portfolio and the immediately following rate on new Treasury Bills would test the second hypothesis—that the action went from the Federal Reserve to the money market—except that the signs should be opposed (increases in one associated with decreases in the other).

Contrary to expectations neither hypothesis showed much validity. At times a rate change would be followed by an opposite change in the portfolio, at times the two moved together. Similarly, portfolio changes sometimes were followed by opposite movements in the Bill rate—as expected by the second hypothesis—but at times the rate moved in the same direction. For example, in the first half of 1951, the change in the System's holdings of all government securities (including those covered by repurchase agreements) moved opposite to the immediately preceding rate change in 15 weeks, similarly in 8, in 1 week the portfolio was unchanged, and in 3 weeks the yields on Bills were unchanged. In the second half of the same year the two moved together in 13 weeks, opposite in 8, while in 4 either yields or securities held remained unchanged. That is, within the same year the extent of agreement was low for the first six months, fairly high for the next six months. This lack of consistentcy persisted throughout the four years, and for all the selected portfolio items. The one partial exception was the repurchase agreement figure: for 1951-53 there was a significant degree of agreement between changes in Bill rates (up or down) and changes in the following week in repurchases (up or down), but in 1954 the agreement was negligible.

For individual years either hypothesis could be sustained, of course, but if correct the agreement should have persisted throughout the period. Such was not the case, either for the years before or after the concentration of open market operations in the Bill market. For example, in 1954 the total portfolio exclusive of repurchase agreements changed in a direction opposite to the succeeding bill rate—hypothesis II—in 25 out of 34 weeks (the portfolio having been inactive in the remaining weeks). But in 1951 the two were in opposite agreement only half the time, and in the latter half of 1953 the hypothesis was actually contradicted—in 10 out of 15 changes in the portfolio the Bill rate moved in the same direction. In other words, increases in the Reserve's holding of government securities, which should have eased the money market, were followed by increases in the Bill rate, or an indication of a tighter credit situation! (Conversely, of course, for decreases in the portfolio.) Only by arguing that without the System's intervention the rates would have moved even further up (or down) could such reactions be rationalized, but such a statement, obviously, cannot be readily tested.

For those interested in the complete data, table II gives the findings for each year.

V

The final group of tests attempted to assess the influence of Federal Reserve activity on the volatility of the Bill market. Here the same selected portfolio items—repurchase agreements, Bill holding (inclusive and exclusive of repurchase agreements) and total government securities (inclusive and exclusive of repurchase agreements) were studied to see whether their changes made the Bill rate move variable than when the Federal Reserve was inactive. However, since there were few weeks wherein the System was out of the market the conclusions based on these results cannot be considered too good a guide.

For repurchase agreements the evidence does indicate that the System operations made for greater changes in the rates. For example, in the first half of 1952, in those weeks in which there had been a change in repurchase agreements, the succeeding change in the Bill rate averaged .079 (basis points), whereas during the same six months, for those weeks in which total repurchase agreements remained unchanged, the average Bill rate change was only .047. This greater change because of Federal Reserve intervention increased during the period that the Open Market Committee was limiting its operations to Treasury Bills; in 1951-52 the average rate changes during those weeks when the System was active exceeded the inactive weeks' changes by a quarter (.051 compared with .041), whereas in 1953-54 it was almost a half greater (.087 compared with .060).

For the other portfolio items tested the differences were less marked, and no consistent pattern appears evident. In some years

Continued on page 109

Bank and Insurance Stocks

By SHELBY CULLOM DAVIS

This Week — Insurance Stocks

Traditionally St. Paul Fire & Marine is the first fire or casualty company to report its annual results and this year was no exception. The report is a good one. Despite the hurricanes whose toll now bids fair to reach $300 million, the worst hurricane year in history, St. Paul's total adjusted earnings work out to $3.02 per common share contrasted with $3.06 a year ago. Investment income rose 5% to $2.01 per share. Premium writings advanced 2%. The real boost came in net asset or liquidating value from $33.72 to $39.16 or up 16%.

More detailed figures, showing the breakdown between insurance and investment operations, appear in the accompanying table.

The avalanche of insurance company reports will begin toward the end of the month. It is believed, however, that few fire or multipline companies will have reports superior to that of St. Paul and, because of the hurricanes many will show reduced earnings compared with 1953. This will not be true of casualty companies. St. Paul's casualty subsidiary illustrates the trend clearly, statutory underwriting profits of $3,897,000 versus $2,933,000 a year ago, a rise of 34% before taxes. Other companies are expected to announce similar results.

On the whole 1954 reports, as those of 1953, for fire and multipline companies must be read with a great deal of caution. The dominating influences in both years have been the abnormal number and magnitude of the hurricanes, particularly on the Eastern Seaboard. Hurricanes, at least up to now, have not been underwritten in the sense that companies have scrupulously avoided the Eastern Seaboard as a hurricane belt. Demage resulting therefrom has been viewed as a "act of God" and the companies themselves are inclined to credit favorable hurriance experience more to good luck than good management. 1955 may see the other side of the coin. Those companies which were hurt in 1954 may, under more normal windstorm experience and higher rates, show sharply higher overall underwriting earnings in 1955. A poor 1954 report may therefore be more of an invitation to buy rather than sell.

Meanwhile rates continue to trend downward in the fire field, not only in the straight fire but in auto physical damage. And yet thus far fire losses have more than kept pace with the general level of fire rates, fire losses being off 4% for the first 11 months and 9.4% in November. Auto physical damage (fire, theft, collision) has been unusually profitable for some years and rate cuts appear justified. The steadily increasing car population and demand for all kinds of auto insurance would appear to hold rate cuts and competition within moderate levels. There is no necessity for a "cycle" in auto insurance, whether physical damage, liability or property damage.

The outlook for 1955 appears favorable for both fire and casualty companies unless the big wind blows again. In fact if the law of averages is not "repealed" a normal hurricane year should send fire (in particular) and multipline (in part) underwriting profits higher. Thus the outlook at the beginning of 1955 is different from that of mid-1954 when an 11% average underwriting profit in the first half made it appear that peak profits had been reached and that 1955 and 1956 were bound to be lower. And it is rising underwriting profits which traditionally have proved most exhilarating to insurance company stockholders.

Consolidated—	1954	1953	Change %
Net premiums written	$109,206,194	$106,933,190	2.1%
Net premiums earned	106,158,670	106,668,000	— 0.5
Statutory underwriting profit	5,041,713	8,570,630	
Est. equity unern. prem. res.	1,132,787	44,232	
Adjusted underwriting earnings	6,174,500	8,614,862	—28.3
Net investment income	6,427,280	6,067,634	5.9
Federal taxes	2,949,717	4,889,697	—39.7
Total adjusted earnings	9,652,063	9,792,799	— 1.4
Net asset or liquidating value	125,317,476	107,904,000	16.1

Texcrete Structural Offering Underwritten

Texcrete Structural Products Co. is offering to common stockholders of Texas Industries, Inc., of record Dec. 10, 1954, the right to subscribe on or before Jan. 27, 1955 for 350,779 shares of Texcrete stock (par 10 cents) at $3 per share on the basis of one Texcrete share for each Texas Industries share held (with an oversubscription privilege). The offering is underwritten by a group of underwriters, headed by Rauscher, Pierce & Co. of Dallas, Tex., and Russ & Co. of San Antonio, Tex., who will reoffer any unsubscribed stock at $3.50 per share.

Texcrete is engaged in the production of monolithic structural concrete products. Proceeds from its financing will be added to the general funds of the company and applied to such corporate purposes as the board of directors in the future may determine to be necessary or desirable in the business. The company contemplates possible expenditures for additional facilities. When all of the new securities are sold, Texas Industries will own approximately 36% of the then outstanding stock of the company. In addition, Texas Industries has an option to purchase an additional 200,000 shares within two years at $3.50 per share.

Frank V. Lawrence, Jr.

Frank Vinton Lawrence, Jr., a partner of Scudder, Stevens & Clark, investment counsel, died today at his home, 191 Brayton Street, after a brief illness. He was 50.

Smith, La Hue Adds

(Special to The Financial Chronicle)

S. PAUL, Minn. — Arthur M. Carlson has become affiliated with Smith, La Hue & Co., Pioneer Building. In the past he was associated with John G. Kinnard & Co.

Joins King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, Mo. — Thomas L. Walsh has become connected with King Merritt & Co., Inc., Woodruff Building.

With Eisele Axtell

(Special to The Financial Chronicle)

OMAHA, Neb.—Kay L. Bredensteiner has become affiliated with Eisele, Axtell & Redelfs, Inc., First National Bank Building.

With Clement A. Evans

(Special to The Financial Chronicle)

ATLANTA, Ga. — Lester J. Blackstone Jr. is now affiliated with Clement A. Evans & Co., Inc., First National Bank Building, members of the Midwest Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

John J. McCloy, Chairman of **The Chase National Bank of the City of New York,** and J. Stewart Baker, Chairman of the **Bank of the Manhattan Company,** of New York, announced on Jan. 14 that the respective Boards of Directors of the two institutions are in agreement on basic terms to merge the two institutions, subject to the approval of the appropriate authorities and the shareholders of the respective institutions. The plan is to merge the Chase National Bank into the Bank of the Manhattan Company and to continue the functions of the two institutions under the charter of the Bank of the Manhattan Company which was originally issued by the New York Legislature in 1799. Based on the Dec. 31, 1954 published figures the enlarged institution would have total resources in excess of $7.5 billion. On consummation of the merger it is contemplated that the capital funds would approximate $500 million.

It was emphasized that the merger would result in a joinder of the two banks rather than a taking over of one bank by the other. The combined institution would continue to operate as a member of the Federal Reserve System and of the Federal Deposit Insurance Corporation. The name of the combined institution would be **"The Chase Manhattan Bank"** and its first Board of Directors will consist of 15 members of the Board of Directors of Chase and 10 members of the Board of Directors of Manhattan.

It is contemplated that John J. McCloy, as Chairman of the Board of Directors of the combined institution, and J. Stewart Baker, as Chairman of the Executive Committee and President, will be the chief executive officers. Percy J. Ebbott, President of Chase, has agreed to continue as a Vice-Chairman of the combined institution, although he has reached retirement age, in order that the continuing institution may have the benefit of his knowledge and experience in the integration and administration of the busines of the two banks. It is likewise contemplated that Graham B. Blaine, Vice-Chairman of Manhattan, will continue in that position and that Lawrence C. Marshall, who is now President of Manhattan, will become an Executive Vice-President of the continuing institution. It is also contemplated that Edward L. Love, George Champion and David Rockefeller, who at present are Senior Vice-Presidents of Chase, will become Executive Vice-Presidents of the continuing institution. It is further contemplated that all other personnel of the two banks will continue with the combined institution.

The terms agreed on provide that upon the merger the continuing institution will have outstanding 12 million shares of common stock. Upon the merger becoming effective, the stockholders of Chase will become holders of 1¼ shares of the capital stock of the continuing institution for each share of capital stock of Chase held by them, and the stockholders of Manhattan will continue to hold the number of shares of capital stock held by them prior to the merger. There are now 7.4 million shares of Chase stock and 2.75 million shares of Manhattan stock outstanding. It is the present expectation that the combined earnings will enable the enlarged bank to pay dividends at the annual rate of $2.20 per share on stock to be outstanding after the merger.

The combined institution would have a city-wide system of 87 offices, which will effectively cover the business and residential areas of the city, with 37 offices in the Borough of Manhattan, 35 in the Borough of Queens, nine in Brooklyn, and six in the Bronx. There is no problem of overlapping in the branch locations of the two banks in the four boroughs where they operate. Chase, prominently identified in commercial and world-wide banking, would bring to the continuing bank, in addition to its local branches, its 17 branches in England, France, Germany, Japan, Cubá, Puerto Rico, Panama and the Canal Zone, and its five representatives' offices in Mexico, Argentina, Italy, India and Lebanon.

In confirming their plans for the merger, Messrs. McCloy and Baker emphasized their purpose to unite the two banks solidly on a basis which would reflect in terms of directorship and management positions the concept of the merger as a joinder of forces of the two banks.

* * *

George A. Mooney, **New York State Superintendent of Banks,** announces the appointment of **Rudolph W. Stewart** as his Executive Assistant. Mr. Stewart is a former member of The New York "Times," having served on that newspapers from 1929 to 1949. Since then, he has specialized in financial, industrial and banking public relations. He was born in New York City and attended New York University.

* * *

The Board of Directors of **The Marine Midland Trust Company of New York** on Jan. 19 elected George C. Textor as Presidlent. It was also announced that James G. Blaine, who has been President since 1927, was elected Chairman of the Board and Chief Executive Officer for the year 1955. Mr. Textor, the new President, has spent his entire business career with the bank, having started Jan. 2, 1916. He became an oficer in 1927, and in 1950, Executive Vice-President. On Jan. 17, 1952, he was elected to the bank's Board of Directors. Mr. Textor is a director of numerous other companies including Colorado Fuel & Iron Corp., Foremost Dairies, Inc., American Bosch Arma Corp., and Liberty Products Corp. Announcement was also made of the following promotions. James G. Baldwin, Vice-President to Vice-President and Secretary; Charles F. Mansfield and James F. Schneider to Vice-President; Roy S. Greer and Ernest Hanel to Assistant Vice-President; Aksel Anaerson, Harry Baechtold, Walter Graf, Kenneth Jones, and Martin Oberlander to Assistant Treasurer.

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R. Gould Morehead has been elected a Trustee of the **Harlem Savings Bank of New York,** according to an announcement made

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From Washington Ahead of the News

By CARLISLE BARGERON

It is becoming increasingly apparent that in Mr. Eisenhower we have a man in the White House who is less susceptible to propaganda or whipped up agitation than any President within the memory of the oldest inhabitant. Roosevelt the Great was indisputably a leader and a very "strong" man but a lot of his popularity was due to his facility in bending to every wind that blew up from the hinterlands. The demagog Huey Long was a thorn in his flesh and kept him on the jump trying to keep abreast with Huey's slogan "Every Man a King." Social security came out of Dr. Townsend's agitation that every old man be given $200 a month.

Carlisle Bargeron

One episode will serve to show Harry Truman's weakness in the face of popular clamor. Congress passed a bill by Senator Kerr of Oklahoma, to exempt natural gas production, not distribution, from Federal regulation. He and Truman were close friends. There was every indication that Truman was for the bill.

Immediately it passed, the Public Power propagandists set up an awful clamor that it meant increased costs to the users of natural gas. Governors of several consumer states joined in the propaganda. Truman vetoed the bill. Then the Federal Power Commission got the word that Truman didn't really care whether it regulated the industry or not and the Commission sidestepped it. Everybody was satisfied, the Public Power propagandists and the natural gas producers. Sometime ago, however, the Supreme Court ruled that the Commission had to accept jurisdiction. A big fight at this session will be over the efforts to pass another bill similar to the one Truman vetoed.

Certainly neither Roosevelt nor Truman would have stood up against the agitation around the Dixon-Yates contract to build a power plant on the periphery of the TVA. Of course, neither would have sponsored such a contract but had they done so they would have turned flip flops when the agitation began.

Mr. Eisenhower has not only stood fast, and the indications are that he will win in the end, but his annual budget gave TVA a decided kick in the pants. He will have the Public Power crowd on his neck with renewed fervor now.

What really surprises me, though, is that his budget reveals he is still resisting the Education lobby, just about the most vociferous in this country. Whether the alleged shortage of grade school facilities is a national problem, I don't know, but the Education lobby is.

It had been counting strongly on President Eisenhower and Oceta Culp Hobby to move the Federal Government into the schools with a tremendous outpouring of Federal money. I don't know just exactly why, except that Mrs. Hobby is a woman and nearly all of our outstanding and energetic women find that joining in the chorus about the inadequacy of schools affords a good outlet for their talents and Mr. Eisenhower being a world minded man is supposed to have a broad, high level view on matters of this kind. The lobby's disappointment at not finding a one or two billion dollar item in the budget for schools is keen. In fact, accompanying publication of the budget was a lot of handwriting by "liberal" columnists and commentators. You will see a lot more with the "liberal" members of Congress joining in.

Frankly, I thought the President had succumbed to the lobby in his State of the Union message when he said he recognized the need for the Federal Government to act as a "catalyst" among the states in their school problems. But it appears now that he didn't mean the Federal Government should go in for school construction, but should establish some sort of a research agency.

Schools have become a problem to me on the State level. Ever since my young manhood I have been told that the thing to do was to own my home, then nothing could disturb me. I would be secure against the peaks and valleys of our economy.

Well, I own my home in Maryland just outside of Washington but it is not necessarily mine for keeps. I have still got to have an income beyond what social security I will get to pay the taxes on it and 80% of these taxes are for schools. The population in our county has been steadily increasing for years and with it has been a steady increase in my school taxes.

The theory of mass production is lowered costs—in automobiles, food, clothing and whatnot. It seems to me that with more families and more children moving out here the cost for schools for the individual taxpayer should go down, not up. But up it goes—100% in the last 10 years.

Klee, Weiss, Sachnoff Join Arthur Krensky

CHICAGO, Ill.—Albert H. Klee, John J. Weiss, Jr., and Morey D. Sachnoff have joined Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, it was announced by Arthur M. Krensky, President. Mr. Weiss was appointed Sales Manager of the Chicago office succeeding Alfred J. Betar, who has been named Vice-President in charge of national sales.

Mr. Krensky also announced the promotion of H. B. Shaine of the firm's Grand Rapids, Michigan, office to the position of Vice-President in charge of that office. Edward Silverstein has been appointed a registered representative in the Grand Rapids office.

Messrs. Klee, Weiss and Sachnoff formerly were associated with the brokerage firm of Straus, Blosser and McDowell of Chicago for many years.

Joins Carter Harrison

(Special to THE FINANCIAL CHRONICLE)

EVANSVILLE, Wis.—Paul P. Pullen has become associated with Carter H. Harrison & Co. of Chicago. Mr. Pullen was formerly Evansville representative for the Marshall Company and prior theerto was for many years with the Chicago Title & Trust Co.

Bankers Offer Toledo Edison Pfd. & Com.

Public offering of 400,000 shares of common stock and 100,000 shares of new 4.25% cumulative preferred stock, $100 par value, of The Toledo Edison Co. was made yesterday (Jan. 19) by underwriting groups headed jointly by The First Boston Corp. and Collin, Norton & Co. The common stock is priced at $14.25 per share and the preferred at $100 per share and accrued dividends from Dec. 1, 1954.

The utility company will apply the proceeds of the sale in part to the payment of revolving credit notes outstanding in the amount of $5,270,000. The balance of proceeds will be applied to construction expenditures which for the period 1955 through 1957 are estimated at $41,000,000. The most important items in the construction is a new steam generating plant being erected just east of Toledo. The initial unit will be one turbo-generator with a net capacity of 135,000 kw. Cost of the plant with the initial unit is estimated at $29,350,000 of which $13,900,000 was expended through 1954.

The new preferred stock is subject to redemption at $104.25 per share if redeemed on or prior to Dec. 1, 1959.

Giving effect to this financing, including payment of revolving credit notes, the company will have outstanding 310,000 shares of $100 par value preferred stock in three series, 5,160,125 of common stock of $5 par value and $62,125,000 of funded debt.

Toledo Edison provides electric service in a territory in north western Ohio covering about 2,500 square miles, including Metropolitan Toledo. Population of the area is around 564,000. For the 12 months ended Nov. 30, 1954 the company reported operating revenues of $34,445,905 and net income of $5,753,071, equal after preferred dividends, to $1.02 per share on the common.

The company has paid dividends on the common stock each year since 1922. Since 1950 dividends have been paid quarterly at the annual rate of 70 cents per share.

Eisenhower's Foreign Trade Policy —A Move in the Right Direction

By SAMUEL W. ANDERSON*
Assistant Secretary of Commerce

Asserting the Administration's foreign economic policy is "a moderate and well-conceived step in the direction we should move," Mr. Anderson discusses the motives and objectives of the President's foreign trade program recently submitted to Congress. Stresses importance of expanded foreign trade in the national interest. Points out economic progress in the world requires further development of the resources of many countries, and therefore it is in our interest to encourage flow of U. S. capital abroad. Explains purposes of the proposed International Financial Corporation

The President has just renewed his request to the Congress to enact the necessary legislation to enable him to carry on his Administration's foreign economic policy. Since it is my deep conviction that the President's program in this field is a moderate and well-conceived step in the direction in which we should move, I am very happy for this opportunity to discuss it with you.

Samuel W. Anderson

The two years of study and debate since the Administration took office have brought the issues relating to our foreign trade policy into sharper focus than ever before. Never before has there been as clear or as widespread public understanding of the national interest in international trade. Never before have so many of us—businessmen— sumers—individually recognized our stake in foreign trade. Most of us now know that international trade is not the private preserve of a few exporters and importers, but is rather an important factor in our national economic life with important effects on our material well being. As retailers, the goods on your shelves testify to the contribution which imports make to business and to the unparalleled wide choice which American consumers have.

It is altogether fitting that the issues be brought out into the open and thoroughly debated. Our position of world leadership requires us to make enduring policy decisions. In our democracy, we can only do this if there is substantial public understanding of the basis for these decisions and of the direction in which we are moving.

As a member of the Eisenhower Administration, I am proud to have had some part in the discussion and debate of the last two years. Under the inspiring leadership of the President and as a result of the yeoman service of my good friend Clarence Randall, we have not only developed an integrated set of moderate policy proposals, which move in the right direction, but we also all have a keener understanding of what the shouting is all about.

Stated in its simplest terms, as Mr. Randall has done so effectively, the basic policy issue is whether we believe firmly enough in our free enterprise system to work towards acceptance and application of its underlying principles throughout the free world. Do we believe firmly enough in competition so that we are willing to accept competition from abroad as well as competition at home? Do we believe firmly enough in a freemarket so that we would like to do our part towards the development of such a market throughout the free world? Will we work with our friends abroad towards an improved investment climate throughout the free world so as to encourage reliance on individual initiative and private resources?

President Eisenhower's broad and constructive foreign economic policy as set forth in his message to the Congress answers all these questions YES. This, his program, as he pointed out last year, consists of four major parts "AID—which we wish to curtail; INVESTMENT—which we wish to encourage; CONVERTIBILITY—which we wish to facilitate; and TRADE—which we wish to expand."

As I have already stated, the debate and discussion of the past two years has been all to the good. But now is the time for decision and action. We must study the President's recommendations and make up our minds whether we believe them to be sound and wise in the direction in which they point. If they are, as I firmly believe they are, it is our obligation to give him our maximum support. Above all, we should urge our representatives in Congress to move rapidly towards clear-cut decisions. It would indeed be a great tragedy if this debate left the President, his Administration, the American people and the Congress in a fuzzy state of indecision. Indecision invites frequent patchwork actions which obscure the direction in which our national interest lies.

This is not a matter of partisanship. As in other parts of our foreign policy, we must as citizens regardless of party, conscientiously face up to the soul-searching task of determining the national interest. We should remember that the President's policy was developed through the bipartisan Randall Commission to which he gave just this one instruction—"Above all," he said, "I urge you to follow one guiding principle. What is best in the national interest."

It is also important to remember that the President's series of recommendations are moderate and directional. These policies are not great about-faces. They are not radical changes in our official attitude. On virtually every subject they are designed to move carefully and not too hastily towards the President's broad objectives.

It is proper that as we face the rest of the world, the direction of our policies be stable and clearly evident. Our policy decisions may be changed in detail by the march of events, but we must constantly bear in mind our objectives and goals. The topography may require that the road we travel have grades and curves but our general direction must remain clear. Emergency situations may require detours from time to time, but we must always make sure to return, at the first opportunity to the main road.

There must be full agreement with the President's general approach to our foreign economic relations. Surely none of us would deliberately choose to limit our exports rather than to accept a moderate and gradual expansion in our imports. Surely none of us wants to continue to give away the fruits of our labor through programs of unrequited assistance for one day longer than the emergency for which these programs were created. Certainly the practical businesslike approach is to sell abroad as much as our customers can pay for and let them earn their payments in the form of slowly increasing imports. All the world wants American goods in increasing amounts.

Thus the objectives of the Administration as announced by the President are clear and should meet with general agreement. These are the goals towards which we must move if we are to have a foreign economic policy genuinely in the national interest.

The program recommended by the President to carry us forward towards these goals should similarly receive the full support of the overwhelming majority of our citizens if they are given the opportunity to understand it well.

The Tariff Phase of the President's Program

The tariff phase of the President's program are perhaps the best example of the moderate and gradual approach towards the Administration's objectives. It embodies a "gradual and selective revision of our tariffs."

Within the framework of a three-year extension of the Trade Agreements Act, the President requested authority to take any one of three alternative forms of action with respect to a given commodity, either (a) to reduce the rate by not more than 5% of the present rate in each of the three years, or (b) in the event that the commodity is not being imported or is being imported only in negligible volume to reduce the 1945 rate by not more than 50% over the three-year period, or (c) in the event that the existing rate is more than 50% ad valorem or its equivalent, to reduce the rate to not less than 50% over the three-year period.

In all of these cases, the reductions can only be made after peril point findings by the Tariff Commission, an independent body. Furthermore, if a reduction is made and if serious injury ensues or threatens, the reduction can be withdrawn by the President by use of the escape clause mechanism.

Moreover, except in the case of the authority to reduce the rates of commodities which are not being imported or which are being imported only in negligible volume, the reduction can only take place in return for negotiated concessions from other countries.

These proposals are thus perfect examples of the President's balanced approach to the problems of trade. The direction is clear. It is recommended that we move toward a lower level of tariff rates. We must, however, move gradually and selectively so as to make sure that in accomplishing the desirable goal of inviting more trade through lower tariff rates, we do not unwittingly damage any legitimate domestic interest of industry, labor or agriculture and so as to insure that industry and agriculture have adequate

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*An address by Sec'y Anderson before the National Retail Dry Goods Association, New York City, Jan. 13, 1955.

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Eisenhower's Foreign Trade Policy —A Move in the Right Direction

time to make those adjustments which may be necessary in the national interest.

The President's Program And Japan

The President's program gives high priority to expansion of Japan's trading opportunities because of Japan's difficult economic situation and because of Japan's vital importance to free-world mutual security.

Japan, as you know, is an industrial nation, with a skilled and hardworking population now numbering some 88 million people, occupying an area about the size of California. The density of population per square mile of arable land is approximately double that of the next highest in the world. The population is increasing at about 1.2 million people per year on the basis of a death rate lower than the United States and a birth rate almost as high as ours. I have seen no responsible demographic forecast which suggests a population of less than 110 million people by 1980—25 years from now.

As a result of the war, Japan lost her major sources of supplies of raw material on the continent of Asia and her island empire. In addition, the markets to which she traditionally shipped products of her industry to pay for her supplies of food and raw materials have become severely restricted. Her large merchant fleet of over six million tons was largely destroyed and has been rebuilt now to only three or four million tons. Her industries suffered severe depreciation and obsolescence during the war and this process continued to a considerable extent during the postwar period as well. Capital and credit are very scarce in Japan.

The extra expenditures which the United Nations' forces, especially the United States, made in Japan prevented, up to 1953, the emergence of the consequences of a severe imbalance in the Japanese international payments. In 1953, however, Japan suffered a balance of payments deficit of $300 million in spite of large U. S. expenditures. These expenditures have declined appreciably since the Korean truce and in 1954 were less than $600 million, or about 25% of the peak and further declines are in prospect.

The stake of the free world in the Japanese future is very great indeed. If the Japanese people, for whom Communist domination would have disastrous consequences and who now have a deep-seated desire to be a member in good standing of the free democratic world, can look forward to the time when they can have an economy in reasonable balance and can be accepted fully as a trading partner in the free world on a reasonably balanced basis, they will, I feel sure, stay on our side of any curtain. But, as the President himself has said, Japan may slip behind the iron or bamboo curtain if they are denied the right to work toward a good partnership with the free world through their own efforts and through acceptance of that partnership on the part of the rest of us. I can think of few greater tragedies to the position of the free world than such an unhappy event. Again, as the President has said, it could turn the Pacific Ocean into a Communist lake.

The major effort to solve the Japanese problem must be made by the Japanese themselves. They must develop their resources more fully and hold to the sound fiscal policies they have now adopted. They must catch up with the rest of the world in techniques and knowledge in their industrial life and must become competitive, as they are not now in many respects, if they are to export. They must turn their backs upon unsound trade practices in international trade and be willing to accept the rules of the game which govern the rest of us. Finally, they must work hard, live frugally and be resourceful and efficient.

It is perfectly clear, however, that even if the Japanese people and their government take and vigorously stand by the necessary steps and decisions for a protracted period, they will not succeed in balancing their position and relieving themselves from reliance on unsure and impermanent sources of dollar exchange unless the free world as a whole is ready, on a fair basis, to accept several hundred million dollars more of Japanese goods in their markets, an amount, may I add, much less than 1% of the free world's imports.

Japan had a prewar reputation of engaging in many unfair trade practices including dumping, and unfair pricing and sales practices. Although there is sufficient evidence to support some of these charges, the practices were not as widespread as some of the claims would suggest. In our planning to encourage trade expansion we have been especially mindful of these "unfair" practices. We know of Japan's prewar reputation and that there have been some similar complaints in the postwar years against the Japanese. Naturally there are always some individual Japanese businessmen who resort to practices which are inconsistent with the best interests of Japan. They are responsible in large measure for continuing the unsavory reputation of Japanese commercial practices. The Japanese Government, however, has taken measures to protect foreign property rights, to improve quality control, and to prevent dumping by a system of floor prices on certain export goods. But the Government has not always been successful in ferreting out the violators. Moreover, the Japanese Government link system, which was intended to encourage exports, has led to dual pricing on the part of some Japanese exporters. The United States Government has called the attention of the Japanese to the undesirability of such practices and has indicated that they may very well jeopardize the free flow of Japanese goods. The Japanese Government officials have promised to remove any remaining obstacles to the freer flow of trade. They have recently indicated the modification of the link system so as to minimize, if not remove, the resulting dual price practice on the part of some exporters.

Customs Simplification

While the Administration takes legitimate pride in its progress in the customs simplification field in the last Congress, it is determined to continue in the direction of further simplification. The goal of customs simplification is an important one. There is no reason why business should be impeded by archaic procedures. These are costly both to business and to government. Any protection which business requires in the national interest should be in the form of open substantive provisions such as the tariff and not in the disguised form of procedural handicaps to trade.

Moreover as you all know as businessmen, it is impossible to do business in an atmosphere of uncertainty. Both in the field of valuation and in the field of classification the importer must proceed at his risk. He finds it difficult to know in advance how his merchandise will be valued and how it will be classified.

As far as valuation is concerned the President has recommended the passage of legislation similar to the so-called Jenkins Bill which passed the House of Representatives in the last Congress but which failed of enactment in the Senate. The present law calls upon the appraisers to ascertain both the "foreign value" and the "export value," and to assess the duty upon the higher of the two. It is now proposed to end this confusing and unnecessarily laborious process of ascertaining both these sets of values, and to standardize the basis of duty assessment as the export value of the goods. Experts in the field have been urging this change for years, and it is probably the most important single improvement that could be made in the customs administrative provisions.

Equally disadvantageous to business is the present customs classification structure. Its undue complexities which bear often little relation to current business practice make for considerable uncertainty as to the rate of duty applicable to many imports. Only recently I noticed that the Customs Court had to pass on the question of whether a canned beef stew which was being imported was a soup, a hash, or a nonenumerated manufactured article. In practical business terms, this sort of thing often means that the importer has to buy and sell for several years with the knowledge that the duty can vary by as much as 100% or more depending upon the ultimate determination. As in the case of valuations, the only hedge that the importer has against possible losses is to set an exceptionally high price mark-up on the imported product.

In order to take the first step in improving and simplifying our classification system, the Congress last year directed the Tariff Commission to make a study of existing classifications and to recommend a revised classification of imported products. I am confident that as a result of this study, the Tariff Commission will propose a simpler more modern classification structure which will decrease the area of uncertainty in determining the rates of duty which are applicable to particular products.

Many of the customs problems which I have been discussing can be materially decreased by the use of our Foreign Trade Zones since it is possible to get the duty on goods which pass through the zones into the United States predetermined whether or not the goods have been worked on in those zones. As most of you know, I am sure, our five Foreign Trade Zones—New York, New Orleans, Los Angeles, San Francisco and Seattle — are areas in the port where foreign goods can be landed, repacked, processed, displayed, re-exported or stored. Since these zones are technically outside the customs jurisdiction of the United States, United States duties do not have to be paid unless and until the goods are brought into the United States. The zones serve a useful purpose but in my judgment they have by no means fulfilled their full potential to the importing fraternity and to American merchants. I have recently had the pleasure of discussing this subject with some of the officials of your Association. I think, in particular, that with a more imaginative approach, it would be possible to create some cooperative entity in which foreign manufacturers and exporters as well as American importers and merchants such as yourselves could join and which could establish a kind of permanent selers' exhibit at one or more of the zones. This would help the buyer in his search for attractive goods. The Foreign Trade Zones Board of which the Secretary of Commerce is Chairman and I his alternate, would like very much to cooperate with you and other groups in developing constructive plans in this direction.

General Agreement on Tariffs And Trade

For some years now this country has been a party to the so-called General Agreement on Tariffs and Trade. This Agreement which has never been submitted to the Congress has served several important functions. In the first place, it has provided the framework for the conduct of tariff negotiations with a great number of countries simultaneously. This practice has been found infinitely better than the bilateral discussion of tariff problems which was current before the war. In the second place, it has provided a code of trade policies and practices. In the third place, it has given us a useful forum for the discussion and airing of trade grievances and complaints as to the infraction of the Code.

The President's program in this field has been to participate in the renegotiation of the organizational provisions of the Agreement "with a view to confining the functions of the Contracting Parties to sponsoring multilateral trade negotiations, recommending broad trade policies for individual consideration by the legislative or other appropriate authorities in the various countries, and providing a forum for consultation regarding trade disputes." Such renegotiated Agreement will be submitted to the Congress for its approval. At the same time, the Administration has proposed to other Contracting Parties revisions of the substantive provisions of the Agreement to provide a simpler stronger instrument contributing more effectively to the development of a multilateral system of world trade.

The Contracting Parties to the General Agreement are now meeting in Geneva and are actively negotiating with these two purposes in view. It is the hope of the Administration that these negotiations will result in instruments which meet its objectives in this field.

More U. S. Investment Abroad Needed

Economic progress in the world requires further development of the resources of many countries. In many instances local capital cannot do the job alone. It is therefore in our interest to encourage the flow of capital into those countries from abroad. As a natural expression of our free enterprise economy it is our view that such capital should be privately invested capital.

The job of attracting capital is of course primarily one for the capital-importing countries. They alone can create the legal and institutional conditions which favor investment. We can point out to them the advantages of private investment and give them advice as to the conditions under which private capital will move. Beyond that we can do little to affect the socalled investment climate.

Let us not forget, however, that the soundness of larger American private investment abroad is indissolubly linked with American trade policy. It would be foolish for us to encourage a larger export of capital if that capital must face disappointment and frustration in repatriating that share of its proper earnings not reinvested abroad. In 1953 the 20 billions of American capital invested abroad remitted 1.7 billion in earnings. Doubtless more would have been returned in the absence of restrictions. The outflow of fresh capital in 1953 was only about .7 billion. Thus even now we have to buy an extra billion dollars of goods and services to finance this net remittance. It would clearly be tragically inconsistent to advocate a greater export of American private capital unless we follow a trade policy designed to increase in an orderly way the dollar earning power of the rest of the free world.

In order to do whatever we can to make foreign private investment financially more attractive, the President has recommended legislation which would give a 14 point tax advantage to American direct investment abroad.

To encourage economic development abroad in those fields where private investment is unlikely, the President has announced our firm and continuing support for the activities of the International Bank. Moreover, in situations and areas in which the Bank cannot operate, development loans by the Export-Import Bank will be carefully considered by the Administration.

The International Bank secures most of its lending resources from the private capital market. It has thus proved a useful instrument for the channeling of private resources into development projects abroad. However, its loans must be made either to member governments or to enterprises which can secure the guaranty of a member government. Moreover, the nature of its operations and its charter make it inevitable that its loans be fixed interest loans. These two factors combine to make the operations of the Bank most successful in the field of loans for basic facilities particularly those basic facilities which are owned by governments.

The Proposed International Finance Corporation

In order to expand the usefulness of the International Bank and its capable management into the fields where venture capital is most necessary and thus to encourage the entry of private capital into those fields, the President is recomemnding to the Congress that authority be granted to participate in the creation of an International Finance Corporation as an affiliate of the Bank. It is anticipated that this Corporation will make loans to private enterprises in the fields of industry, mining and agriculture without the requirement of a government guarantee. Moreover, it could purchase debentures the interest on which would be payable only if earned. These debentures furthermore could contain a provision under which they would be converted into stock in the event that the Corporation should sell them to private investors.

This proposed International Finance Corporation is a frankly experimental attempt to use governmental resources in partnership with private capital in the hope that this may be a useful device for attracting private capital into worthwhile enterprises. When I was on the Staff of the International Bank, I partiicpated actively in the discussions leading up to the development of this proposal. I am confident that it will prove a useful instrument.

As a further example of our continuing interest in economic development abroad, I should mention the President's firm support for the technical assistance program. This support extends both to our own bilateral program and to the program administered by the United Nations with large contributions from the United States. I am pleased to note in this connection the increasing attention being given to the part that private enterprise can play

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Eisenhower's Foreign Trade Policy —A Move in the Right Direction

in transferring skills to other countries.

If we are to have increased trade in both directions and if we are interested in economic progress throughout the world, nothing is more important than the re-establishment of the system of multilateral trade and payments which was one of the war's casualties. For this to be done, the convertibility of the major currencies must be reestablished.

The President has therefore announced the firm support of the United States for appropriate actions which countries having inconvertible currencies are willing to make in the direction of convertibility.

In this respect, the President has followed the wise counsel of the Randall Commission that we undertake no dash towards convertibility but a moderate and gradual approach. He has also followed the advice of the Commission in recognizing that the initiative must come from the countries now having inconvertible currencies. We can give our encouragement and at appropriate times throw our support in the International Monetary Fund to the use of its resources as a secondary line of reserves for countries undertaking currency convertibility. The main part of the job is, however, theirs.

Through the General Agreement on Tariffs and Trade which the President proposes to renegotiate through the International Monetary Fund and in bilateral negotiations, the Administration will continue to urge other countries to abolish or reduce barriers to trade and payments as rapidly as possible. If we are to have economic progress throughout the world, we must get rid of import quotas, exchange controls, multiple currency practices and similar devices which discourage the most efficient use of resources.

Sometimes we forget the massive effect which the overwhelming strength of the United States has upon the policies and actions of the rest of the free world. One only has to spend a few days talking in the Ministries of our friends in Europe and elsewhere to recognize that the whole free world is waiting to see in which direction we will move. The direction is the important thing. If the United States should now decide to don again the cloak of protectionism, there is no doubt it would attract the rest of the world strongly in the direction of further regional preference systems, bilateral trade and payments schemes, policies of self-sufficiency however uneconomic and an expansion of East-West trade irrespective of security considerations. Is this what we want to see? I think the answer is clearly NO. In our own deepest self-interest, we need a world of fair competitive enterprise rapidly approaching a proper balance of which full convertibility of currencies is the crowning symbol. The leaders of the free world outside the United States want this too—want it in fact as much if not more than we do. Let us then give them the encouragement they ask so that they may be heartened to take the difficult decisions and steps so essential to a freer world trading community based on the sound principles of time-tested economics.

Sees Greater Role for New York City Banks

N. Baxter Jackson, President of recently merged Chemical Corn Exchange Bank, says metropolis banks stand ready to play part in new world of atomic energy and automation.

An expanding activity for New York banks was predicted on Jan. 18 by N. Baxter Jackson, Chairman, at the annual meeting of Chemical Corn Exchange Bank of New York City.

N. Baxter Jackson

Mr. Jackson, who also is President of the New York Clearing House, declared that "Just as the city has played leading roles in financing the great eras of railroad, industrial and public utility expansion, this metropolis stands ready and willing to play its part in a new world of atomic energy and automation that should bring better living standards to all people." In this regard, Mr. Jackson said, "it should be noted, increased productivity always provokes increased consumption of goods and services with correspondingly greater employment of capital. Thus, we believe, banking in general and Chemical Corn Exchange Bank in particular are on the threshold of larger responsibilities with commensurate reward for quality service."

Their first annual meeting since the merger last October of Corn Exchange Bank Trust Company with Chemical Bank & Trust Co., the shareholders were given a picture of the present Chemical Corn Exchange banking system which has a total of 98 offices in all five boroughs of Greater New York.

The bank, Mr. Jackson pointed out, is now "in excellent position to contribute to the economic growth not only of Greater New York but of the nation. We are indeed fortunate to be strategically located in the greatest of all cities, the crossroads of international business and finance. It is interesting to know that in New York City, since the war, more than 17 million square feet of modern office space have been completed or are well under construction. This increase alone is a greater amount of space, both old and new, than exists today in any other city of the world, save one."

The meeting was held on the banking floor of Chemical's Main Office at 165 Broadway. Eight directors, whose terms were expiring, were re-elected as follows: Robert A. Drysdale, Drysdale & Co.; Frank K. Houston, Honorary Chairman of the Board; Dunham B. Sherer, New York; Robert Goelet, real estate; Thomas R. Williams, Ichabod T. Williams & Sons; John R. McWilliam, Vice-Chairman; Harold H. Helm, President; W. Ross McCain, Chairman of the Board, Aetna Insurance Group.

The Appliance Industry in 1955

By D. A. PACKARD*

General Sales Manager

Kelvinator Division, American Motors Corporation

After pointing out the unfavorable situation in the appliance industry in 1954, Mr. Packard discusses business factors which portend improved conditions and greater marketing opportunities in 1955. Says, however, the capacity to produce major electric appliances still exceeds size of the present market, and appliance merchandising can be expected to be intensely competitive. Refers to problem of "discount houses," and contends, despite unfavorable factors, the "appliance business is well worth fighting for," and stresses need of more creative selling. Forecasts appliance sales in '55 at around 14 million units.

Since trends indicate changes from the present, perhaps I should spend a few moments summarizing 1954, so that as we discuss '55, we can do it from the standpoint of the changes we can expect from conditions of this past year. Without going into a lot of detail, I think it is now obvious to all of us that as an industry we went into 1954 with business conditions generally at a slower pace than they were in '53. The market for major electric appliances during 1954 was lessened by a continuing lower family formation rate, and by the fact that we had no appliances reaching the replacement age of 10 years, since, of course, none were manufactured in 1944.

In addition to these two market factors, inventories of prior-year merchandise as of Jan. 1, 1954 were on the high side in relation to sales rates. As a result of these factors, the first five months of 1954 saw what I believe was the most competiitve sales condition that we, as an industry, had ever faced.

Beginning in July, with the general pick-up in business conditions, new life came into the appliance business, and from August on, previous year's sales figures were exceeded in every month. As a result of this change, much of the lost volume in the early part of the year has been picked up, and according to the statistics on annual sales furnished by Electrical Merchandising, we will wind up 1954 with only about 40,000 less appliance sales than were made in 1953. Electrical Merchandising's final figures show 12,771,000 units for '54 against 12,813,000 units sold in 1953. By every standard, nearly 13,000,000 appliances sold in a year is big business.

As we come to the close of the year, we see another very favorable factor. Inventories of major appliances in the hands of manufacturers and distributors are only 5,000 units more than they were at the end of last year. When the carry-over inventories of room air conditioning units and automatic washers, which are of course up because of the increased selling pace of this product, are eliminated from the totals, inventories of all other appliances combined are 24% less than they were on Nov. 30 a year ago. Coupling this fact with the increased sales pace, I feel our industry inventory

*An address by Mr. Packard at the Annual Convention of the National Appliance and Radio-TV Dealers Association, Chicago, Ill., Jan. 10, 1955.

situation is in a very healthy condition. Certainly there is every indication that there will be less prior-year merchandise to be moved in '55 than any year since 1951.

As we look at the performance of individual appliances last year, refrigerators, ranges, and freezers will all come within 10% of 1953 figures. Although the air conditioning industry is plagued by tremendous overproduction, its final sales figures indicate the biggest year yet, with over 1,200,-000 units. For the first time automatic washers out-sold conventional washers two to one, and one clothes dryer was sold for every three automatic washers. The result of this performance means that the total dollar volume in laundry equipment sales greatly exceeded the previous year.

So much for 1954.

As we look ahead to the next year, we are, of course, all conscious of the predictions by both government and business economists that better over-all business conditions can be expected. Employment will be up, and unless conditions on which these predictions were made change during the year, it is expected that over-all business will exceed 1954 by from 5 to 10%.

There are two factors which directly affect the appliance industry, in addition to the encouraging over-all business improvement. Reflecting the low national birth-rate of the depression years two decades ago, 1954 was probably the low year in the rate of new family formation, which has been dropping since 1950. The turn upward should begin in 1955, with each year showing greater increases from here on. New family formation is, of course, one of the most important factors in determining the market for major appliances.

The second factor is the current boom in new home construction. As a result of the changes made in the Housing Act of 1954, making lower down payments and more favorable purchase terms available to home purchasers, new home construction has gone ahead by leaps and bounds. Preliminary figures indicate that Novemebr, 1954 will set an all-time record in new home starts for that month. Here, again, both government and business economists are forecasting a continuation of this trend, and if it continues 1955 will see 1,300,000 new residential units built in this country.

When you add to these favorable business factors the continuing growing acceptance of our newer appliances, it all adds up to a much brighter picture from the standpoint of market opportunity in the year ahead.

However, we all realize that the capacity to produce major electric appliances of all types still exceeds the size of the present market. As long as this condition exists and, in my opinion, it may be with us for two or three more years, appliance merchandising can be expected to continue to be intensely competitive. To say it another way, I think we all know that we have more manufacturers, more distributors, and more retailers in the appliance business than are required to serve adequately present market needs. Under conditions of this kind, each manufacturer, distributor and retailer is constantly striving to obtain a larger share of industry volume than is readily available to him. The result of this can only be aggressive competition at all levels within our industry.

I am sure that all of you expect me to include in my remarks on trends in our industry some reference to what has been the most publicized retail trend of 1954. I refer, of course, to the growth in both number and volume of what the trade has termed "discount houses." This problem is facing retailers in many fields besides appliances, including floor coverings, jewelry, silverware. You even find it now in the automobile business. Our industry has borne the brunt of many newspaper and magazine articles on the subject.

Most of the men in this room know me personally, and many of you have know me for a good many years. All of you who know me personally also know of my sincere and continuing interest in the stability of the retail segment of our industry. You also know that my associates and my company continue to work in every way we can in the interests of sound retailing. I think most of you know that we refer to this as "retail-minded thinking."

Knowing this, I am sure all of you must understand that we have studied this trend in discount house operations — literally inch by inch — in the hopes that we could find a practical solution to the problems this type of selling has brought to conventional retailers. You must understand that we or any other company would love to be the first to find the solution, and I am sure that whoever does will deserve and receive a lot of credit from the industry.

However, as of now, I can only honestly say to you that in spite of the time and attention we have given to this subject, we still do not see what the lasting effects of this trend will be on the over-all retailing structure in our industry. There is one important historical lesson, however, regarding this situation which I want to leave with everyone of you this morning.

A number of you can go back with me in your minds to the early 1930's when the department and furniture stores of America entered the retail appliance field. Those of you who remember this in the early 30's will also remember that these stores brought into our industry a new and more liberal term structure. They initiated the selling of refrigerators on the meter plan, for nothing down and only 15c a day. I well recall the predictions made at that time—that since these terms were not available to the appliance-type retailer, he would soon lose his position in our industry. But it is now a matter of history that that did not happen. While these merchandising accounts brought new competitive terms into the business, at the same time they brought with them a tremendous volume of retail advertising. Public acceptance for appliances increased rapidly and, as a result, there was more business for all. Appliance dealers gained in strength.

A few years later the mail order segment of our business became unusually aggressive and offered appliances at $40 to $60 under existing price structures. Once again dire predictions were made about the end of the appliance retailer; but, once again, and partly as a result of moves my company was able to make, appliance retailers emerged from these competitive conditions stronger and with a larger per cent of industry volume than they had had before.

Just as the appliance retailer met the challenge of these two revolutions in merchandising methods in our industry in the past, so, too, do we expect that he will meet the challenge of today. By working closely with those manufacturers and distributors who believe in and practice sound business methods, he can continue to get an ever increasing share of the total appliance sales available.

I would like to make one other over-all comment at this point. While 1955, with a continuation of some of the conditions I have mentioned, may be a pretty competitive year, the future in the appliance business is well worth fighting for. Five or 10 years from now, when new families will be formed at a record rate, as a

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The Appliance Industry in 1955

result of the tremendous birth rate of the early 1940's, and when all of the millions of appliances sold in the late 40's and early 50's reach replacement age, more manufacturing capacity, more distributing capacity and more retailing capacity than we have yet seen will be needed to handle the potential appliance volume. I don't know of an industry where the long-range outlook, based on fact, bespeaks a more favorable future than our appliance industry.

Now, I am sure you would like to have me spend a few moments on what you, as individual retailers, can do to successfully compete under today's conditions and get your share of the major appliance market in 1955.

As we started into 1954, our predictions were that more than 11,000,000 major electric appliances would be sold. Coupling this figure with the fact that at the beginning of the year there were 44,000,000 wired homes in the United States, it was obvious that on the average, one out of every four families in this country would buy a major electric appliance during the past year. With this information as a basis, we started right out the first of the year trying to get the retailers we were working with to see the opportunity they had if they would get busy and talk to people rather than to continue to wait for customers. In every way we knew how we tried to convince our retailers that the day had come when it was going to be necessary to talk to four people to find one customer. Based on past experience, we assured our retailing friends that they would develop many new customers, if they would get their sales organizations to understand this fact, and to take every opportunity possible to talk to people. Our results and the results of the retailers who worked with us are now a matter of record. This type of creative selling worked; and thousands of plus sales were made by retailers using it with us in 1954.

Many in this room participated in two, three or four of the various sales campaigns we brought you, built around these precepts. Since too few of you had or could get salesmen to go out and look for new prospects outside of your stores, we developed a series of campaigns designed to bring people—not customers, mind you, but people—to your stores. We then developed and placed in your hands materials to use within your stores, to help you in classifying the people and finding out which were potential customers.

This may all sound complicated and the hard way to do business. But believe me, gentlemen, it worked; and it produced business for retailers who worked with us from one end of the country to the other.

Let me give you just two or three quick examples of the kind of selling I am talking about. In the early part of the year, we started out with one of the oldest gimmicks for bringing people into the store that I know of. We called it the Lucky Key Campaign. You all know it is built around distributing keys, and getting people to come to your store and try them in locks, in hopes of winning a prize. Some retailers used this with little or no sales results, and it was easy to see why it did not work for them.

I was standing in a store one morning when a customer came in with a key in her hand. The owner of the store was busy rearranging some stock at the back, and without leaving, called to her: "Do you have a key to try?"

She said, "Yes."

The retailer said, "There's the lock right over there."

She tried the key. It didn't work. As she was leaving the store, he called again, "Didn't work?"

She said, "No."

He called back as the door door closed: "Sorry, better luck next time."

Let me compare this with the experiences of many retailers who produced a lot of added business from this simple activity. Most successful was the dealer or salesman who offered to help the customer try the key. When it didn't work in the lock for the main prize, he told her she still had an opportunity to win a consolation prize. He invited her to register, leaving her name and address and stating the appliance she was interested in owning, and then try a second lock. After registering, her key of course opened the second lock, and she received a minor merchandise prize for her trouble. The retailer by this time knew the lady's chief interest, and had established a favorable a t m o s p h e r e by being courteous and helpful. In case after case appliance sales were made in hours or days as a direct result of this activity.

Let me give you another example of creative selling in the store, and how it works. Later in the spring, we ran a national contest with a $25,000 home as first prize. We encouraged *people*, not customers, to go to our dealer's store for an entry blank. Once again, results were directly in relation to the way dealers handled people coming in for entry blanks. I am sorry to say that in some stores entry blanks were placed on a table at the front of the store. When a customer came in and asked for one, the salesman pointed "Right over there," and that was the end of that opportunity.

Let me again review for you how other salesmen or retailers turned these opportunities into sales. When the prospect came in she was asked first to register. The salesman at the same time asked her which appliance she would like to win, in case she didn't win the house. After getting her reply, the salesman then offered to be helpful by telling her all about the appliance she was interested in, so she could write a better entry. Thousands of sales were produced by this type of creative selling.

Here's an interesting example of what I mean. A dealer in a Midwestern city was pretty disgusted with selling conditions in his market, and in a conversation with one of our distributors, indicated that if things didn't get better pretty quick he was thinking of quitting the appliance business. The distributor asked him what he was doing to create business, and received the answer too often made to this question—literally nothing. So the distributor asked him to try it Kelvinator's way a few weeks before giving up. He proceeded to explain to the dealer the opportunities in the Homemaker's Holiday Contest, and offered detailed information on how to find customers by talking to people. The story from here on goes like this:

The dealer was alone in his store about nine o'clock on a Saturday night. A lady and her husband came in as a result of a card in his window, and asked for an entry blank. Since he was alone, had nothing else to do, and thought maybe here was an opportunity to find out for himself that this kind of selling didn't work, he decided to give the customers the full treatment. He explained the contest, found out which appliance the lady would like to win, offered his assistance in writing a better entry, and gave her a complete demonstration on her choice of appliance—which happened to be an upright freezer. Much to his surprise he found interest, he created a desire, and got action. Then he showed the refrigerator that matched the freezer in size and looks, and his prospect would up using her old refrigerator as the down payment on both the freezer and a brand new refrigerator.

This isn't the end of the story. At 11 o'clock that Saturday night, he called our distributor at his home, got him out of bed and said: "I just had to call you up and tell you that your fool plan worked. I just sold an 18-foot freezer and matching refrigerator at full list price, and it is the first full list sale I've made in months." Needless to say, this dealer, who may be in the room here today, went to work on creative selling for the rest of the season.

Later in the year, we provided retailers with a little insulated shopping bag that they could advertise as a $3.95 value and sell

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to be unsettled, because the money markets are very conscious of the credit limiting policies of the powers that be. The fact that the rise in the stock market is mainly responsible for the action which is being taken by the Federal Reserve Board, means that the trend of the equity market is being watched very closely by money market specialists. It is evident that as long as the stock market is in the boom stages, there will be action by the monetary authorities to decrease the availability of bank credit.

The middle- and longer-term governments are still on the defensive, because not only is the market for these issues very thin, but also there is a great deal of talk about a long-term Treasury bond being used for refunding purposes in the middle of March. Short-term issues have a good demand, because cautious money always seeks this kind of investment.

Treasury Market Sensitive

A very thin and sensitive Government market is trying to keep its head above water, even though a defensive attitude seems to be in the cards for the immediate future. The money markets are under the influence of the credit tightening operation of the powers that be, because the stock market seemingly has reached levels which are not considered to be favorable for the economy. It seems to be evident that Federal Reserve policy with reference to the trend of interest rates, will be one of modest firmness for the foreseeable future. Whether there will be further tightening of credit conditions will depend upon what takes place in the equity market.

Credit Restriction Policy

The monetary authorities are in a position to cut down the availability of bank credit, and this operation will have an effect upon the money market as a whole, and the Government bond market in particular. As the powers that be, bring about a reduction in excess reserves in order to give them better control over the money markets, very little, if any, attention will be given to the Government bond market by the monetary authorities. This seems to mean that a Government market, which has no depth at all, will have to depend upon dealers, traders and investors for whatever equilibrium there will be in it.

To be sure, there will be a demand for the shorter-term Treasury issues, because when there is uncertainty in the money markets, as there is now, funds seek the most liquid and the safest form of investment, namely the near-term Government obligations.

Intermediate And Long Bonds Under Pressure

The intermemiate and longer-term Treasury obligations will be on their own, because with a change in monetary policy already taking place, which indicates a tightening in interest rates, there is not going to be the same attractiveness in these issues. Accordingly, it seems as though the most distant Government maturities are going to be on the defensive as long as the monetary authorities are going to be concerned with the credit limiting operations.

With the longer Government market under the influence of the changed monetary policy, the question arises as to whether the Treasury will bring out a long-term bond for refunding purposes. There is considerable talk about a long-term bond being used to take care of the 2⅞s which have been called for payment on March. 15. If a long-term obligation should be floated to meet the impending maturity of the 2⅞s, there would be an extension of the due date. Also in the amount that non-bank investors would be buyers of a new long-term bond there would not be any creation of bank deposits.

Likewise, if the savings banks, insurance companies, and pension funds as well as other investors of this type should be purchasers of a new long-term Treasury bond, there would be competition with mortgage money which these institutions have been making available.

Commercial banks with the credit tightening policies in operation, would not be very much interested in a long-term Government bond. Also a long-term Treasury bond, at this time would have to have a high enough coupon rate to make it attractive to those that would be in a position to purchase them. This brings up the question as to whether the Treasury wants to go that high in coupon rate to make such an issue a real success.

Another Reversal on Monetary Policy

By JULES I. BOGEN

Professor of Finance, Graduate School of Business Administration New York University

Dr. Bogen forecasts a reversal of monetary policy from active ease to restraint, when and as unstable boom conditions make their appearance in some sectors. Says recent business upturn removes justification for a monetary policy of "active ease."

Another reversal of monetary policy, from active ease to restraint, is under way as unstable boom conditions make their appearance in some sectors of the economy. The policy of active ease was adopted by the Federal Reserve Authorities in mid-year of 1953 to combat the business recession which began at that time. Unfortunately, the authorities felt impelled to take some extreme easy money measures to make the new policy successful. A major reason for this was their ill-timed resort to a very aggressive tight money policy in the spring of 1953.

Dr. Jules I. Bogen

Evidence now accumulates that the easy money measures of 1953 and the first half of 1954 were only too effective, at least in certain directions. When the national economy is in reasonably good balance and the underlying structure of industry and finance are strong, low interest rates and ready availability of credit prove to be powerful stimulants indeed. This was so in 1927. It is proving to be so now.

Most striking is the impact of easy money upon building and mortgage borrowing. Outstanding real estate mortgage debt in the third quarter of 1954, the latest period for which statistics are available, registered an increase fully 40% greater than in the corresponding period of 1953. This is the more significant because the liberalized FHA mortgage insurance terms provided by the National Housing Act of 1954 went into effect only on Oct. 1, so that their impact is not yet reflected in mortgage statistics.

The business upturn of recent months removes the justification for a monetary policy of "active ease." In addition, the near runaway rise in mortgage borrowing and the spectacular rise in stock prices are boom phenomena that threaten the stability of the economy for the future.

There is a danger, however, that the Federal Reserve authorities, recognizing these dangerous consequences of the policy of "active ease," may now reverse gear and again overdo restraining measures. Credit policy can be too flexible, swinging from one extreme to another with disturbing consequences to business. In departing from the excessive rigidity imposed upon credit policy by the pegging of government security prices, the Federal Reserve authorities display a tendency to resort to excessively wide and abrupt swings in credit policy in the name of "flexibility."

NASD District 13 Elects Cook, Johnson

Harold H. Cook, of Spencer, Trask & Company, has been elected chairman of the District No. 13 Committee of the National Association of Securities Dealers, Inc., it is announced. Robert C. Johnson, of Kidder, Peabody & Company, was named Vice-Chairman of the committee which covers the States of New York and Connecticut and the greater portion of New Jersey.

Harold H. Cook Robert C. Johnson

Other members of the committee are: Ernest W. Borkland, Jr., of Tucker, Anthony & Co.; John S. French, A. C. Allyn & Co., Inc.; Philip H. Gerner, George D. B. Bonbright & Co., Rochester, N. Y.; Charles C. Glavin, The First Boston Corporation; Henry Holbrook Hyde, Putnam & Company, Hartford, Conn.; Edgar J. Loftus, W. C. Langley & Co.; Allen J. Nix, Riter & Company; John J. O'Kane, Jr., John J. O'Kane, Jr. and Co.; Ralph C. Sheets, Blyth & Co., Inc.; and W. Enos Wetzel, W. E. Wetzel & Co., Trenton, N. J.

Public Utility Securities

By OWEN ELY

Northern Indiana Public Service Co.

Northern Indiana Public Service supplies gas and electric service in 28 counties in the northern part of the state. Through the company or its predecessors gas service has been supplied for over 100 years and electric service for about 70 years. Approximately 56% of revenues are derived from electric service and 44% from gas service.

The electric system is a fully integrated network serving some 225,000 customers in 229 communities and rural territories, plus some wholesale business. Gas service is furnished in 62 communities from two gas systems. The service area of 12,000 miles runs from the Ohio line on the east to the Illinois line on the west, extending some 45 miles along the southern shore of Lake Michigan. Gas and electric service is furnished in Gary, Hammond and East Chicago; gas only in Fort Wayne and South Bend. Smaller cities and towns, rural communities and lake resorts are furnished one or both services.

Many large and diversified industrial plants are located in the Calumet region of northwestern Indiana, known as the "Workshop of America." They include manufacturers of steel, automobiles, automotive and airplane parts, electric motors, farm equipment, chemical, copper and rubber products, oil refineries, etc. While the area has the largest steel plant, the largest cement plant and one of the largest oil refineries in the world, it is not dominated by any one industry. About 9% of the company's revenues are derived from steel plants, 5% from other primary metal industries, and 3% from oil refineries.

Moderate-sized farms produce livestock, dairy products, grain and poultry under excellent climatic and soil condtions. General crop failures are unknown, since adverse conditions have never affected all crops in the same season. With so diversified a farm output and with so many different kinds of manufacturing, Indiana is in excellent position to take fullest advantage of the chemurgical research being carried on at Purdue and Indiana Universities.

The company's service area has a population estimated at 1.3 million, about 23% larger than in 1940. The city of Gary is growing even faster, with a 13% gain in the last four years. Future completion of the St. Lawrence Seaway is expected to begin a new era for cities in the Calumet region. Development of terminal facilities along the southern shore of Lake Michigan, plus the proposed widening and deepening of the Calumet Sag Canal, will permit barge traffic from the Mississippi to connect with ocean-going vessels. A new industrial city, Burns Harbor, is being set up in the northern part of the territory between Gary and Michigan City, and it is forecast that it may eventually become the largest inland seaport in the world. Work is also progressing on a $280 million toll road across northern Indiana, which will be the final link in a New York to Chicago expressway.

The company has enjoyed excellent gains in earnings considering the fact that the area is not usually regarded as rapid growth territory. Revenues have increased from $12 million to $68 million since 1934, and more than doubled in the postwar period. Net income has increased more than tenfold since 1934, and has nearly tripled since 1945.

The share earnings have increased in every year but one since 1944, when 91c was earned. $2.40 was reported in 1953 and about $2.45 is estimated for 1954. President Mitchell expects an increase in net income of about 5% in 1955 but whether this will benefit share earnings depends somewhat on the character of the financing decided upon this summer—whether the security offered will be a convertible preferred stock, regular preferred, or common stock.

Dividend policy appears to favor about an average 70% payout. This might warrant a modest increase from the present $1.60 rate, which represents about a 65% payout.

The company is continuing its expansion program, spending about $54 million in 1955-56. It still has a substantial growth potential in house-heating gas business—10,000 more customers can be taken in 1955, with more storage gas becoming available from the Herscher Dome, and there is a potential of 50-60,000 new customers when enough gas is available. The company is well situated with respect to off-season sales of natural gas, and can also use it economically as fuel in the electric plant.

The company's equity ratio has been increased from 17.6% in 1944 to about 32% at present; President Mitchell feels that 35-36% would be a reasonable goal.

Northern Indiana has for some time been the largest electric utility whose stock was unlisted. The management has now decided to list the stock on the Big Board, possibly in the near future. The stock has been selling recently around 32 to yield 5%. The price-earnings ratio is around 13 compared with a general average of over 15.

Josephthal & Co. to Admit Lurie & Lipsky

On Feb. 1 Sidney B. Lurie and Robert Lipsky will become partners in Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Lurie has been associated with Paine, Webber, Jackson & Curtis for many years in the statistical department specializing in general industrial securities.

Sidney B. Lurie

Van Alstyne, Noel To Admit J. A. Russell

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1st will admit James A. Russell to partnership in the firm. Mr. Russell is manager of the firm's retail sales department.

Connecticut Brevities

Connecticut continues to be one of the nation's leading commercial and industrial states. Recent studies of the U. S. Department of Commerce show that in 1954 the state had a net gain of 900 new businesses compared to a decline of 2000 for the New England States. Connecticut's population ranks 28th among the states, but its increase in the number of businesses in 1954 was 14th among the 48 states.

* * *

The Stanley Works has completed one of the greatest years of expansion in its 111 year history. During 1954 $3,000,000 was spent to modernize and increase the capacity of the cold-rolled strip steel mill at New Britain by about 40%. As part of its program, the Company sold its hot-rolled strip mill to the newly-formed Northeastern Steel Corporation. As a step towards further diversification Stanley purchased **The H. L. Judd Company,** the nation's oldest drapery hardwar manufacturer.

* * *

Hallin and Rothwell, Inc., presently located in Bolton, has purchased a steel and concrete plant in Somers that was formerly occupied by National Printing Company. The building will be remodelled for use in production of special machines, particularly in the packaging field.

* * *

William L. Gilbert Clock Corporation of Winsted is presently in the proces of adding new plant space to permit employment of about 300 more persons. The Company has recently commenced production of a 10-key electric adding machine for General Computing Machines Corporation of New York. The necessary funds were obtained by sale of 150,000 shares of common stock to the public at $2.00 a share. Production also includes spring wound and electric clocks as well as various electrical and other timing mechanisms.

* * *

The Bristol Brass Corporation has announced plans to move operations of its wholly owned subsidiary **Accurate Brass Company, Inc.** from its present Long Island location to Bristol. The present plant employs approximately 200 persons.

* * *

The Factory Insurance Association has announced plans for the construction of a new 80,000 square foot office building in Hartford. The building is scheduled for completion in 1955 at an estimated cost of about $2,000,000 and will be occupied by Factory Insurance under a long-term lease. The Company employs about 300 in its home office.

* * *

Directors of **Hartford Fire Insurance Company** have voted to recommend to stockholders at the annual meeting on Feb. 25 that the authorized capital be increased from $20,000,000 to $25,000,000. If this step is authorized by the stockholders, the Directors have announced their intention to declare a 25% stock dividend. It was also announced that the Directors hope to continue the present $3.00 dividend rate after the stock dividend. Recent stock dividends paid by the Company have been 33⅓% in November, 1949 and 25% in April, 1953.

* * *

A new company, **Northeastern Steel Corporation,** was recently formed to purchase at a cost of $4,000,000 from **The Stanley Works** its hot-rolled strip mill in Bridgeport. The new Company has sold $6,000,000 of 4½% First Mortgage Bonds and will raise an additional $9,200,000 through public sale of 92,000 units at $100 each, consisting of $50 of 6% registered Debentures, 10 shares of common stock and 3 eight-year wararnts to purchase common stock at 8⅓. The new Company will spend about $9,000,000 to expand and diversify the plant to permit production of about 215,000 tons of finished hot-rolled carbon and alloy steel bars, bar shapes and strip and cold-drawn bars for sale principally in the New England States and eastern New York and New Jersey Markets.

British Reaction to the Wall Street Setback

By PAUL EINZIG

Noting the sharp fall in American stock prices in the first week of the year, though unexpected, did not provoke a sympathetic slump on the London Stock Exchange, Dr. Einzig holds that, in the absence of a business depression in the U. S., a Wall Street reverse is not likely to produce pronounced consequences in Britain, though it may have a psychological effect. Says outlook for higher wages, higher prices and higher profits in Britain justify higher stock quotations.

LONDON, Eng.—The sharp fall experienced in Wall Street in the first week of the year came as a complete surprise to London. Even those with the best American contacts, and who have been following closely the trend, were not expecting anything of this kind. The shock, and the alarmist views expressed about it in the United States, has failed, however, to impress financial opinion in London. So far from having provoked a sympathetic slump on the London Stock Exchange, it did not even check its upward trend.

Dr. Paul Einzig

Admittedly, the eleventh-hour settlement of the railway dispute on Jan. 6 went a long way towards cancelling out the adverse impression caused by the Wall Street slump. But even during the critical day when the fate of the negotiations was in the balance, the unfavorable advices received from New York did not prevent an almost universal rise in London quotations.

Whatever may be the ultimate effect, London has certainly withstood the first shock remarkably well. Considering the vigor and extent of the setback in Wall Street, this has been contrary to the preachings of prophets of gloom, who keep on saying that a collapse of the Wall Street boom would inevitably and instantaneously provoke a reaction in London in the same sense.

In itself, the removal of the danger of a railway stoppage would not have offset the effects of the setback in Wall Street, were it not for the fact that London opinion refuses to take a pessmistic view about that setback itself. Comparisons with 1929 are dismissed here as sheer unwarranted defeatism. The view is strongly held that the reverse is attributable to technical causes and not to any inherent weakness of the basic position. It is felt that, had it not been for the increase of cash margin requirements from 50 to 60%, such setback might not have occurred at all, or at any rate it would have been moderate. There was nothing in the general economic situation in the United States that is considered here to justify a major reverse of Stock Exchange values.

It is felt here in many quarters that the step taken by the United States authorities in raising cash margins by 10% was unnecessarily drastic. Even though the persistent rise in Wall Street was admittedly going too far, it did not call for such intervention. A sudden shock such as this always carries the risk of producing a cumulative and self-aggravating effect. But it is not considered in London likely that the reaction would go sufficiently far to endanger American business recovery seriously.

In the absence of a new business recession in the United States, a Wall Street reverse is not likely to produce too pronounced consequences in Britain. The extent to which British interests are affected directly by the depreciation of dollar securities is relatively moderate. It is an insignificant fraction of its extent in 1929. What has been feared is not so much the material effect of a Wall Street slump as its psychological effect. The absence of an immediate reaction in London has now gone a long way towards allying such fears.

Nevertheless, the possibility of a continued downward movement in Wall Street is viewed with a certain amount of uneasiness, not so much on account of its effect on the London Stock Exchange as of its possible effect on American demand for imported goods. The purchasing power of the American public, whether it is derived from current earnings or capital gains, is considered to be a much more important factor in the balance of payments position than the official policy of the Washington Administration towards imports.

It is assumed, however, that the American monetary authorities will do their utmost to avoid causing a lasting setback in Wall Street. Indeed it is hoped that the experience of the January slump will serve as a warning against the application of unduly drastic anti-boom measures.

Disregarding the Wall Street factor, the chances of an American business expansion in 1955 are considered to be distinctly favorable. Should such hopes materialize the rises in equities which may appear at present to have been exaggerated would become justified by improved earning powers and prospects. There is of course the risk that the Wall Street setback, should it proceed too far, would react on earning powers and prospects. But the London view is that on balance this appears unlikely.

As for the London Stock Exchange, once the fears of a prolonged or exaggerated setback in Wall Street are allayed, the settlement of the railway dispute, on terms that foreshadow continued wages spiral inflation, is likely to produce a pronounced effect. The acceptance of the wages demands of 400,000 railwaymen is likely to encourage further wages demands. There is no longer any talk in industrial circles about the need for a trial of strength between labor and capital. While employers will stand firm against any efforts of workers to interfere with the management of their firms, in face of wages demands the line of least resistance is expected to be the rule and refusals at the risk of strikes will be the rare exceptions. This means that we are in for another period of higher wages, higher prices and higher profits justifying higher Stock Exchange quotations.

J. S. Barr & Co. to Acquire NYSE M'ship

ITHACA, N. Y.—J. S. Barr & Company, Inc., Savings Bank Building, on Feb. 1 will acquire membership in the New York Stock Exchange. Officers of the firm will be Joseph S. Barr, President; E. Van Dyke Cox, Jr., who will hold the Exchange membership, Vice-President; and Ernest S. Terrill, Secretary-Treasurer.

Bache & Co. Will Admit Burley and Meffert

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Chester C. Burley, Jr. and Robert F. Meffert, both Exchange members, to partnership. Mr. Burley and Mr. Meffert have been active as individual floor brokers.

On the same date, John E. Leslie, limited partner, will become a general partner.

J. C. Wheat & Co. To Be NYSE Members

RICHMOND, Va.—J. C. Wheat & Co., 920 East Main Street, on Jan. 27 will become members of the New York Stock Exchange. James C. Wheat, Jr. will hold the firm's Exchange membership.

Partners are James C. Wheat, Jr., William A. Stevens, L. Gordon Miller, Jr., Franklin C. Tiller, and John B. Glover III, general partners; James C. Wheat, Jonathan Bryan, George S. Bernard, Jr., and John G. Bernard, limited partners.

Alfred H. Caspary

Alfred H. Caspary, partner of A. H. Caspary & Co., passed away on Jan. 7th.

President's Budget Message

Estimates total expenditures for fiscal year 1956 at $62.4 billion, or $1.1 billion less than 1955 estimate, and places expected deficit at $2.4 billion, a decrease of almost 50% from that of previous year. Advises against further tax reductions and asks for increase in the National Debt limit.

President Dwight D. Eisenhower submitted to Congress on Jan. 17 his burget message covering the fiscal year 1956. As usual the message was accompanied by a detailed statement of the budget estimates, and a resumé of the aggregate items of actual and estimated receipts and expenditures.

The text of the President's Budget Message, constituting Part A, follows:

To the Congress of the United States:

I am transmitting to you today the Budget of the United States Government for the fiscal year 1956, which begins July 1, 1955.


Pres. Eisenhower

The first part of this budget message summarizes the budget totals and highlights our policies and plans for next year, particularly as related to the fiscal situation. The second part presents summary tables and also contains my budget recommendations for each major government activity.

The fiscal and budget story during this past year centers around the fact that we successfully made the adjustment from a wartime to a peacetime type of economy, a truly significant achievement. Aided by a proper fiscal policy, the inevitable dislocations of this adjustment, while difficult for some, have not been serious on the whole. Our present growing prosperity has solid foundations, free from the artificial stimulations of war or inflation. However, the peace in which we live is an insecure peace. We must be constantly on the alert. Along with the other free nations of the world we must continue to strengthen our defenses. At the same time to remain strong for what will apparently be a long period of uncertainly ahead, we must also progressively increase our prosperity and enhance our welfare.

The 1956 budget is based on this outlook. Total expenditures will be reduced. However, I am recommending somewhat increased expenditures in particular areas important to human well-being. Budget expenditures for the fiscal year 1956 are now estimated at $62.4 billion, $1.1 billion less than for the current year. All parts of the Administration will continue to work toward further reductins during the year by eliminating nonessentials and by doing necessary things more efficiently.

We must maintain expenditures at the high level needed to guard our national security. Our economy is strong and prosperous but we should not dissipate our economic strength through inflationary deficits. I have therefore recommended to the Congress extension for one year of present excise and corporate income tax rates which are scheduled for reduction on April 1, 1955, under present law. If this is done, and employment and production increase as currently anticipated, we can expect budget receipts to rise $1 billion over 1955, to a total of $60 billion in the fiscal year 1956.

On the basis of these estimates of expenditures and receipts, the deficit will be reduced from the presently estimated $4.5 billion in the fiscal year 1955 to an estimated $2.4 billion in 1956. Thus we continue to progress toward a balanced budget.

Budget Policies

Three broad considerations of national policy have guided me in framing the budget for the fiscal year 1956.

First, we must defend our priceless heritage of political liberty and personal freedom against attack from without and undermining from within. Our efforts to date have helped bring about encouraging results — cessation of fighting, new and stronger alliances, and some lessening of tensions. The growing strength of the United States and its friends is a key factor in the improved outlook for peace. We must continue to build this strength. We must at the same time preserve our liberty at home by fostering the traditional initiative of the American people. We will increase the scope of private activity by continuing to take government out of those things which the people can do better for themselves, and by undertaking on a partnership basis, wherever possible, those things for which government action is necessary. Thus, people will be able to keep more of their earnings to use as they wish.

Second, the government must do its part to advance human welfare and encourage economic growth with constructive actions, but only where our people cannot take the necessary actions for themselves. As far as possible, these steps should be taken in partnership with state and local government and private enterprise. We must do our part to provide the environment for our free enterprise system to keep employment high, to create new jobs, and to raise the standard of living. We must broaden the opportunity for individuals to contribute to the growth of our economy and enjoy the fruits of its productivity.

Third, we must maintain financial strength. Preserving the value of the dollar is a matter of vital concern to each of us. Surely no one would advocate a special tax on the widows and orphans, pensioners, and working people with fixed incomes. Yet inflation acts like a tax which hits these groups hardest. This Administration has made a stable dollar and economy in government operations positive policies from the top down. Expenditure reductions, together with a judicious tax program, effective monetary policy, and careful management of the public debt, will help to assure a stable cost-of-living — continuing our achievement of the past two years.

A liberal attitude toward the welfare of people and a conservative approach to the use of their money have shaped this budget. Our determination to keep working toward a balanced budget provides the discipline essential for wise and efficient management of the public business.

New Authority to Incur Obligations

My recommendation for appropriations and other new authority to incur obligations for the fiscal year 1956 is $1.3 billion more than the amount for the fiscal year 1955, primarily because of new requirements for our military services. However, it represents a reduction of $32.8 billion from 1952, $21.7 billion from 1953, and $4.2 billion from 1954.

Fiscal year:	New authority to incur obligations (in millions)
1952	$91.4
1953	80.3
1954: As estimated, Jan. 9, 1953	72.2
Actual	62.8
1955 estimated	57.3
1956 recommended	58.6

The new authority to incur obligations which I am recommending for our major national security programs is $2.4 billion greater than in the fiscal year 1955. I am proposing a reduction in the total new authority for all other government programs, although within this total, I am recommending selective increases.

Part of the reduction in 1955 of new authority for our major national security programs below the amount enacted for 1954 was possible because the military services improved their supply procedures, which resulted in larger use of existing stocks and reduction of the large backlog of unexpended balances. The accumulated unexpended balances of funds appropriated to all government agencies in prior years are now on their way down to more reasonable levels and the continued downtrend in total unexpended balances will be less rapid in the future than in the fiscal year 1955.

Recommended new authority for 1956 is less than both the anticipated revenues and the estimated expenditures for that year. By holding the level of new authority lower than anticipated revenues, we can continue making progress toward balancing the budget. Likewise as long as the amount of new authority is less than expenditures, we are continuing on the way toward lower levels of government spending.

Budget Expenditures

In the fiscal year 1956, net budget expenditures are estimated to be $11.9 billion below actual spending in the fiscal year 1953. The record shows that this Administration cut government spending in 1954 by $6.5 billion below 1953, and $10.1 billion below the level estimated for 1954 on Jan. 9, 1953. For 1955, an additional reduction of $4.3 billion is now estimated and still another reduction in spending of $1.1 billion is the present estimate for 1956. The fiscal year 1955 is only half completed and the beginning of 1956 is still 5½ months away. We shall continue working to improve efficiency and to reduce

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Despite Forward Movement, There Are Curbs on Business Recovery

By MERRYLE STANLEY RUKEYSER
Business Consultant and Lecturer,
Syndicated Economic Columinst,
Hearst Newspapers and International News Service

Prominent economic analyst holds, despite the fact that the year 1955 opens with an upward trend in business, with prospects of further improvement, there are signs of some instability which may put restraints on recovery from the 1953 level. Warns there is no free and easy inflationary boom in sight, and remarks "the blue ribbons of commerce will go to efficient producers and aggressve and effective merchandisers."

The turn of the year is cheered by the growing statistical evidence that the economic skies are clearing. Nineteen fifty-five opens with an upward trend in business, and with prospects for further improvement.


Merryle S. Rukeyser

Wall Street, which is the crossroads of world financial opinion, while perpetually controversial, deplores hedging and qualifications. The clamor is to reduce all economic analysis to simple headline terms of whether to "buy, sell, or hold."

But, if there were ever unanimity of opinion, the stock market would be utterly deadlocked. Financial transactions spring from a reasonable balance between willing sellers and willing buyers.

Thus, even if there is agreement on the coming trend in the physical volume of trade and the size of prospective profits, the financial public would divide as to whether or not the good economic news had been fully or partially anticipated or discounted in the rise of the last 14 months in stock prices. The entry of new and inexperienced buyers to the speculative whirlpool indicates the early phase of a transfer of holdings to less sophisticated owners.

The life blood of finance inheres in taking a position rather than sitting on the fence. Wall Street has no sympathy for the tendency of theorists to climb into an ivory tower and confess that the future is largely unknowable. A great American historian, the late Charles Austin Beard, used to say to his students at Columbia University: "Mine is not the field of prophecy."

But outside the academic arena such sidestepping of the risks of making present judgments of future possibilities is not feasible. The manufacturer must look into the crystal ball early, and come up with an answer as to what the mood of his customers will be many months hence. For today he must order the raw materials, and the component parts from others which go to make up the end-products. Today he must make advance budgets for outlays far into the future for advertising and merchandising. Today he must decide on style and color trends long before her Majesty, the Ultimate Consumer, expresses herself at the market place by turning thumbs up for the items which please her and thumbs down for all the rest.

Likewise, parents, in counselling their youngsters, must come to a present decision as to job opportunities four or five years hence in various professions and callings. Young couples, shortly after marriage, are called to make early choices as to their housing requirements during an extended future, when guess work must be substituted for precise knowledge as to their requirements for space. Likewise, young men, in choosing investments, annuities, and insurance policies are called upon to make current judgments which assume a projection, or forecast, decades into the future concerning the prospective buying power of the dollar, on the one hand, and the financial requirements of the individual and his future dependents, on the other.

Gentle reader, your ship will never come in unless you first send it out. And, in spite of all the pious talk by Lord Beveridge of "cradle to the grave security," contemporary living, with all of its opportunities and challenges, is far from a riskless adventure. Talk of a "guaranteed wage and a guaranteed future" is sucker bait intended to disalert the unwary to ways and means of feathering their nest rationally appraising the inevitable hazards of living in a fluctuating, free-choice economic society.

Behind the regeneration of public optimism following twelve months or thereabouts of the Eisenhower recession which started during the end of the summer of 1953 is a feeling that the postwar economic readjustment was milder in character and shorter in duration than anticipated. Wall Street and business forecasters are forever comparing reality with what had been expected. In addition, the decline in the cost of living during the readjustment period was infinitesimal, and this has alleviated the earlier fear of drastic postwar deflation, manifested by a crash in prices. The market place is motivated not only by reality and a correct appraisal of the future, but also by the pictures in men's minds of things to come. The assumption has been widely made that business would not revert to the prewar or 1939 price level, but that something akin to the current inflation, which has been arrested, would endure. Accordingly, the prolonged rise in stock prices reflects not only the belief that the postwar economic shakeup was extremely moderate, but there is also an attempt to revalue stocks in terms of the depreciated 1954 dollar, which is about a 60 cent dollar in terms of the 1929 dollar. In addition, cheerful financial sentiment rests on the belief that no near-term global war is in sight, but that the cold war will be sufficiently disturbing to provide chronic federal financial pump priming in the form of expenditures for military preparedness on an extremely high plateau.

In business, stimulus is coming from the leadership of the automobile industry, with its eye-appealing new models and from the continuing boom in construction. In addition, the inventory correction, which dampened volume in 1954, appears over. For months, inventories, or stocks of goods on hand, were eaten into and reduced by the fact that actual consumption of some items, including basic steel products, exceeded current production.

But, in spite of the forward movement, there are restraints on recovery. There should be no runaway tendency in commodity prices because it is well known that American industry's capacity to produce is unprecedently great. Barring shooting war, no shortages are in sight, or in the making. There is no war-bred pentup demand clamoring to be filled, and there has been no drastic liquidation or reduction of consumer or commercial credit. Long term factors of high productivity point to a gradual postwar tapering off of prices, and in such a setting the blue ribbons of commerce will go to efficient producers and the aggressive and effective merchandisers. For, in spite of prospects for bigger trade volume, the rewards will be selective and no free and easy inflationary boom is in sight to bring undeserved rewards to submarginal factors. The process of elimination of the less fit will continue through 1955. Selling will remain of prime importance, and selling, which is the art of inducing the customer to give an order, starts on the drawing board and in the research laboratory, and is continued in all public contact.

Argentine Office for H. Hentz & Co.

H. Hentz & Co., members of the New York Stock Exchange and many leading stock and commodity exchanges, announce the opening of a branch office at 355 Sarmiento, Buenos Aires, Argentina. This office is under the managership of Mr. Ralph Tausk, and will serve the expanding interest in American securities on the part of investors in Buenos Aires and Montevideo. The firm of H. Hentz & Co. has, for many years, been active abroad, mainly in Europe; and at the present time maintains major branch offices in Geneva, Switzerland and Amsterdam, Holland.

Rogers Co. Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Norman E. Hipskind has joined the staff of Rogers & Company, Kittredge Building.

With Hutchinson & Co.

(Special to The Financial Chronicle)

PUEBLO, Colo. — Charles K. Rush is with Hutchinson & Co., Inc., Thatcher Building, members of the Midwest Stock Exchange.

Attacking the Farm Price Squeeze

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Noting that farm prices have declined 24% since 1951, Secretary Benson discusses current programs designed to ease the cost-price squeeze. Among remedies proposed are: (1) storage loans, (2) set-asides, (3) trade development, (4) market expansion, (5) research and education, and (6) improved marketing and farmer cooperative activities. Warns against freezing agricultural production in uneconomic patterns.

For nearly four years now, farm prices have been declining. Since February of 1951, prices received by farmers have plunged 24%, while the prices they pay have fallen only 4%. These figures constitute an eloquent explanation of why farm pocketbooks are being pinched.


Ezra Taft Benson

The financial pangs which go with readjustment to a peacetime economy are not new to agriculture. We have suffered them following every war in our history. Just as farm commodity prices go up faster than the general price level under the stimulus of war and inflation, they also drop farther and faster than most nonfarm prices while the economy is readjusting to more nearly normal conditions. We are making the transition this time with fewer and less severe dislocations in agriculture and other segments of our economy than ever before.

The depression which was so freely predicted a year ago failed to materialize. From an economic point of view, 1954 proved to be the best peacetime year in history, although agriculture did not fully share in this prosperity. The changeover has hurt and is hurting most of our farm people. I would not minimize the seriousness of the situation.

Yet I believe all of the evidence indicates we have seen the worst. I am convinced that for agriculture the road ahead will be smoother than the one we have been traveling.

For several months now, most farm prices have been relatively stable. For the last two years, in fact, the parity ratio has averaged about 90, fluctuating narrowly between 94 and 86. It will be recalled that there was a 19 point plunge in the parity ratio during the two years preceding January, 1953 when the new Administration was installed.

We must not be content with mere stability of farm prices at current levels, however. But the price decline had to be halted before it could be reversed. The first half of that objective is being attained. The job at hand now is to get farm prices back into better balance with the general price level.

While we are doing this, we must never lose sight of the fact that price alone does not insure farm prosperity. It is price times volume that make gross income. The story does not end even there. It's what remains in a farmer's pocket after the bills are paid—his net income—that measures whether he has had a good year or a bad one. The theme you have chosen for this meeting shows that you clearly recognize the importance of these other factors besides price.

There are four obvious fronts on which we can attack this problem of shrinking farm profits. We are moving forward on all of them.

First, government price support programs help farmers market many of their products in a more orderly manner, minimizing the severity of seasonal gluts and surpluses. Non-recourse storage loans on a variety of crops provide guaranteed minimum prices to qualified farmers. Authority to set aside up to $2½ billion worth of surplus commodities has helped to take some of the pressure off free market prices of wheat and cotton.

Second, we are expanding our markets abroad through the billion dollar Agricultural Trade Development Act which permits the sale of surplus farm products for foreign currencies and provides additional outlets through donations for relief and famine aid. We are moving increased quantities of government-owned surpluses into channels of consumption at home through school lunch programs and gifts to needy persons, institutions and welfare agencies. In addition to stepped-up consumption of dairy products by the armed forces, we are expanding our school lunch milk program by $50 million a year.

These actions tend to reduce the supply and strengthen demand for farm products. Their cumulative effect upon agricultural prices should become even more apparent in the year ahead.

Research, Education and Improved Marketing

The third line of attack upon the farm cost-price squeeze is through research, education and improved marketing. Government outlays for these programs have been increased by approximately $20 million during the current fiscal year. The great gains of agriculture in the past have come about largely through this approach and so, I am confident, will those of the future.

Greater efficiency, broader use of the better feeds, seeds and breeds, the adoption of improved cultural practices and employment of sound marketing methods—all taken together—will do more to help farmers meet the cost-price squeeze than any program of government aid which could be devised by mortal man.

Fourth, farmers themselves, through their cooperative efforts, are attacking—and effectively attacking—this perplexing cost-price problem. I am certain that your discussions here will give further impetus to that drive. I mention this phase of the overall campaign last—not because I think it is least important but because I should like to discuss it more fully at this point.

During the lifetime of most of us gathered here, the American cooperative movement has progressed from a small, struggling upstart to a vast, thriving enterprise. Cooperatives formed by a handful of men two or three decades ago have mushroomed into flourishing organizations, serving many thousands of farmer members.

Cooperatives operate in many fields today, with varying success. I believe that a major reason for their growth and their greatest opportunity to be of further service to agriculture is found in two main areas: the marketing of farm commodities and the cooperative purchasing of the fertilizers, seeds, and other products which farmers require in their operations. In carrying out these principal functions, farmer cooperatives are hitting the cost-price squeeze from two directions. Cooperative marketing can bring better prices, while cooperative buying often reduces costs.

In an age which places so much emphasis upon size and the dramatic, our sense of values may sometimes become confused. When we buy a new automobile, it is likely to be horsepower, rather than safety features, which guides our choice. The home-run hitter, who strikes out oftener than he connects, wins the popular applause while the solid, team-player often goes almost unnoticed. The corporation executive who has guided his firm through a year of record-breaking profits makes the front pages while an important scientific advance may rate a line or two back near the classified ads.

It is understandable enough that we should measure the success of some of our farmer cooperatives by similar standards — by their financial statements, by their volume of business or even by their total membership. Yet all of us know that the real test is a very simple one: has this cooperative contributed to a better standard of living for its individual farmer members. Has it increased their income? Has it brought real benefits and services which would not have been theirs except for this cooperative?

If the answer to these questions is "yes," then we have a farmer cooperative in the true sense of the term.

All of us who are interested in the continuing success of the cooperative movement — members and officials alike — must never lose sight of the real objective. Farmer cooperatives must not adopt abuses once practiced by some commercial enterprises — the very abuses which, in many instances, originally led to the formation of these same cooperatives.

Recently I issued a memorandum relating to the responsibilities and activities of employees of the Department. One section is of particular interest to cooperatives. It provides that no employee of the Department of Agriculture shall approve contracts with any co-operative or other commercial organization which deducts, or checks off from payments owed to farmers, membership dues in any general or specialized farm organization, ex-

Continued on page 85

*An address by Secretary Benson, before 26th Annual Meeting of National Council of Farmer Cooperatives, Chicago, Ill., Jan. 7, 1955.

Continued from page 3

Problems and Prospects Of the French Economy

Those of you who knew France before the war and remember the veneration for age and experience, which used to be such an important part of the French political scene, can realize what a change this means. Today's young Frenchmen are no longer satisfield to live as their fathers and grandfathers lived before them. They want a better lot and they are willing for the first time in generations to change profoundly their individual ways of life to achieve their goals.

Optimistic on French Economy

My report on the French economy is optimistic and one of the basic reasons for that optimism stems from the forward surge of vitality on the part of the youth of France which I have just mentioned. One manifestation of that vigor is contained in the population figures. From 1900 to 1945 the population of France remained approximately static, it had even started on a slight decline during the late thirties. Now the situation is completely reversed. The census taken last year showed that since 1946—a period of eight years — the population of France had increased by almost 3 million people to a total of 43 million. With the sole exception of Finland the French today have the highest birth rate of any European country. By 1960 and thereafter, France will have considerably more young people entering the laboring force every year than either West Germany or England. We have heard often in recent years that the high rate of growth in our own population is an augury of prosperity for the future. That very same situation holds true today in France and should continually be kept in mind when thinking of France's future.

Before talking of the present-day French economy I would like to recall the extent to which her economic system was laid waste by World War II. It is not always realized abroad that the physical destruction in France resulting from five and one-half years of war, of which more than four were under enemy occupation, was much greater and more widespread than that in the First World War. Two million buildings, or about a fifth of all the buildings in France, were damaged more or less seriously. About a quarter of this total, or half a million buildings were completely destroyed. The demolition of some 12,000 bridges, the loss of two-thirds of the French railways' rolling stock and two-thirds of the French merchant fleet had brought civilian transportation and communication to a virtual standstill.

And there was another factor the importance of which has not been generally realized by us in America. During the Occupation, Hitler's Government utterly stripped France of modern machine tools. The number of machine tools removed from France and never recovered was five times greater than the number destroyed by military action and air bombardment. At the war's end the average age of those machine tools that were left in France was 25 years. It is not an exaggeration to say that the French industrial plant needed to be almost entirely re-equipped to face modern competition.

Comparable to this physical destruction was the irreplaceable loss of human lives. The French lost more than half a million dead and missing during World War II, a casualty rate which, when compared to total population, was about six times higher than that of the United States.

Today the passage of ten years provides us with a convenient opportunity for taking stock of what progress France has been able to make in the rehabilitation of her economy and in embarking on the further economic development essential to participation as a healthy and reliable member of the community of nations.

The American Aid Program

First let us take a look at our American aid program. From the standpoint of the American taxpayer, we all know that the United States has poured a very large amount of public funds into the support of the French economy. Because of the variety of forms of American aid over the past ten years it is difficult to give any exact figure for the total amount of aid without hedging it with explanations and technical qualifications. However, it is fair to say that between \$6 and \$7 billion in American resources have been contributed in grants and loans to the French economy, not counting the so-called "end-item" deliveries of armaments in connection with the NATO defense effort and with the Indo-China war. This is a stupendous figure, but on the other hand we must always remember that the French spent on the war in Indo-China a sum roughly equal to the total of this American aid. This war did much to slow French economic recovery, to say nothing of the terrible drain on French lives.

At the end of World War II, France was faced wtih demands for urgent action in many different fields. Normal governmental functions and the private productive apparatus had to be put back in operation and tremendous war damage had to be repaired. Meanwhile, there was a universal conviction that all Frenchmen should be able to look forward to a better and more secure life. In partial answer to this determination the social security system was greatly expanded and periodic general wage increases were decreed. Within two short years the Government undertook the nationalization of several key industries, taking over not only their current operating responsibilities, but also the financial burden of their capital reequipment and reconstruction. Another tremendous effort went into the development of the overseas territories of the French Union and during all this time there was the severe drain of the war in IndoChina. And, as the cold war became more intense, the French Government recognized the need for a heavy defense effort in Europe and responded by allocating to the build-up of her NATO forces a percentage of her national income second only in Western Europe to that of Britain.

This over-commitment of limited French physical and financial resources, this attempt simultaneously to increase living standards, to rebuild both prestige and destroyed homes, to restore the country's military position, to build up heavy industry for the future, this unwillingness to choose among the various objectives—all desirable in themselves —lay at the root of France's almost continuous postwar inflation.

Progress made in industrial rehabilitation was obscured during the first seven years after the war by the country's constant and seemingly hopeless struggle with inflation. But the progress was there, and our ten years' perspective makes it easier for us to evaluate its significance.

War's Crippling Damage to France Now Overcome

Within five years after the war's end, the most crippling physical damage had been overcome. Roads, railroads, bridges, harbor installations, merchant shipping, communications, power plants and mines had been brought back to at least their prewar capacities from starting points as much as 60% lower. By and large, the population's provision of essential goods had also been replenished and normal dietary standards had been restored.

By 1951 the French index of industrial production had risen almost 40% above the 1938 level and over 10% higher than the record year 1929. There was a setback in 1953, but this probably was to be interpreted as a sort of morning after hangover, the first sign that the inflationary binge was over. The advance of production was resumed in the fall of 1953 and continued throughout 1954. In 1954 the index was 53% above the 1938 level. This was about the same as the rate of increase in British industrial production over the same period.

The Government's first industrial reequipment program, usually called the Monnet Plan, concentrated between 1947 and 1952 on the development of the basic industries which were expected to contribute most to general economic expansion. These were coal, electricity, oil refining, steel, cement, agricultural machinery, transport, and fertilizer.

The coal mines produced 57 million tons in 1952, an all-time record. The average productivity of French underground workers has continued to improve and is now 50% higher than in 1929, and in Europe is now second only to that of the Saar miners.

Production of electric power has been rising steadily. It is now more than double the 1938 level. In the single year 1952, 17 new hydroelectric stations went into service, including the great Donzere-Mondragon multi-purpose project in the Rhone Valley which will supply 300,000 kilowatts.

The consumption of petroleum products has also doubled since 1933, and refinery production has been increased by about 250% in spite of the almost total destruction of these facilities during the war. France is now virtually self-sufficient, and recently there has been discovered near Bordeaux the richest known oil field in western Europe, which alone is expected eventually to supply one-fifth of France's require-

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Problems and Prospects Of the French Economy

ments of crude oil. Explorations are proceeding in several sections of France and its overseas territories, and it is probable that other good fields will be found in the relatively near future.

The French iron and steel industry has been greatly modernized with investments already made in excess of $1 billion. Production in 1954 was roughly 65% over that of 1938 and is still rising. It has increased fairly constantly except in 1953. One-third of it is currently being exported. Judging from the statistics, the French steel industry has greatly gained from the establishment of the common market under the Schuman Plan. Indeed, about 100,000 tons a month of French steel is now being sold to Germany. France has also better than doubled its production of aluminum since before the war; and now ranks fourth among the aluminum-producing countries of the world.

Conspicuous progress has also been shown by the French chemicals industry, by the engineering industry which has successfully bid for large projects abroad, by the armaments industry, by the rubber industry which is the third largest in the world, and by the shipbuilding industry which has risen out of the almost complete destruction of the war to compete strongly for foreign orders. In the process of rebuilding its railroads, France has electrified 2,500 miles of track, and French electric locomotives have made impressive records for both speed and durability. Some of our railroads could well look to the French for lessons in how to keep their trains running on time. French automobile production is setting new records this year, with production of about 50,000 vehicles per month as compared with only 20,000 in the best prewar years. I would suggest that anyone who has doubts about the adaptability of French industry to modern mass-production techniques might well take a look at the new Renault works at Flins or at one of the other modern automobile plants.

Inflationary Curve Now Leveled Out

During the past two years, as the inflationary curve has leveled out, and with the disappearance of postwar shortages and rationing controls, a new spirit of enterprise has developed. Conscious efforts are being made to create an internal mass market by promotional advertising and development of installment credit, layaway plans, and the like. Full-page newspaper advertisements, a totally new idea in France, have begun to appear during the past year. The development of consumer credit is also an almost entirely new phenomenon on the French scene. For the first time durable consumer goods are beginning to come within reach of the less privileged classes of the population, opening new sociological perspectives.

The industrial sector which has lagged most seriously during recent years has been construction of housing. Last year was the first time in at least 25 years that the basic replacement minimum of 175,000 dwellings per year was reached, and this still did not touch the accumulated backlog.

While war damage has been an obvious factor in the French housing shortage, well-intended but economically unsound rent ceilings bear most of the blame for the fact that the average age of the nation's dwellings has been increasing and their condition has been deteriorating ever since 1913. Meanwhile, the housing shortage has been further aggravated in the last few years by increases in marriages and births and by the movement of families from rural to industrial centers. The housing shortage has become perhaps the main hindrance to the mobility and, therefore, to the productivity of labor.

However, here again there are finally solid grounds for encouragement. A progressive and ambitious housing program was launched in 1953. Last month the Minister for Reconstruction stated that the target of 240,000 completed dwellings a year would be exceeded in 1955. He predicted a total of at least 260,000 and said that this rate would be maintained for a number of years thereafter. For comparison purposes 260,000 houses a year in France would be the equivalent of about a million a year in the United States.

France Has Surplus of Agricultural Products

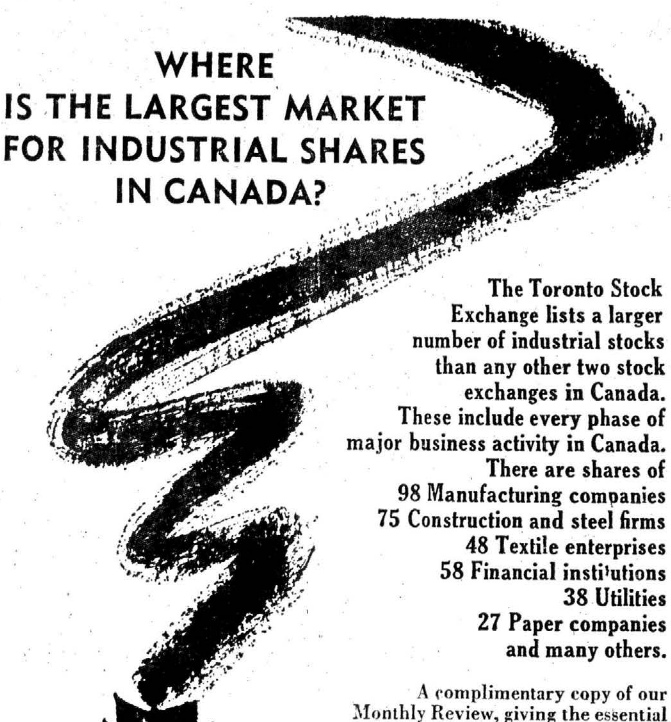
Those of you who last visited France during the years just after the end of the war may be surprised to learn that France is now having almost as much trouble with its agricultural surplus problems as it had then with its shortages of basic foodstuffs. As late as 1951 France imported 22 million bushels of wheat. Last year it exported twice that amount—44 million bushels—and this year it will export 55 million bushels. Instead of the deficits in meat and dairy products that existed a few years ago, these items are now also in surplus.

In the financial field, it seems pretty clear that the vicious round of inflation has been broken. Since March of 1952, when Prime Minister Pinay launched his all-out campaign to stop inflation, prices have remained stable. Since then, several increases in minimum wage rates totaling about 20% have occurred which have not been followed by increased prices as had always been the case before. This is already the longest period of price stability France has seen since the 1920's.

Accompanying the leveling off of prices, there have been encouraging signs that the Frenchman's confidence in the franc is reviving. Gold has long been the Frenchman's hedge against inflation, and for many years the rise in the gold price was an index of the fall in value of the franc. Therefore, it is now encouraging that gold prices have dropped steadily since early 1954. Although the French hoarders have not disgorged their gold holdings, they have at least stopped putting their new savings in the traditional mattress. This is one of the factors leading to renewed interest in the stock market and in other forms of investment. Naturally it is hard to change the defensive attitude of investors after so many years of chronic inflation. This is why what we would call the "blue chip" securities are in especially strong demand. But the fact remains that Frenchmen are beginning to save again and to invest their savings in productive enterprises. Businessmen are stimulating this revival by distributing more profits to their stockholders and by other methods. As a result of all this, French stock averages have risen 63% in the past year. You can see that Paris has been having its own bull market and quite a respectable one at that.

Controls Over New Securities Flotations Ended

To encourage expansion of the financial market as a source of funds for investment, the Government has relaxed controls on the flotation of new securities and is making a strong effort to make money available to enterprises at lower cost by reducing bank fees and commissions. Together with the reduction of the rediscount rate, this program has resulted in cutting the cost of medium- and long-term credit by something like 1.75% during the past year to a present rate of approximately



6%. This lowering of interest rates is a conscious part of the Government's program to encourage investment and expand production. All this has had a real effect and, according to the Bank of France, the level of private investment in new securities has risen 40% in the last 18 months.

Opportunities for American Capital in France

Speaking of the revival of private savings as the means of financing investment reminds me of the role that can be and is being played by the investment of private American capital in France. There have recently been called to my attention several instances in which important American firms have testified to their confidence in the economic future of France by establishing new joint enterprises there and by expanding existing ones. For example, I understand that Procter and Gamble is putting a substantial amount into the manufacture of detergents in Marseille, that Minnesota Mining is investing in an abrasive tool operation, that Johnson's Wax has opened a model new factory, and that General Motors is again expanding its Frigidaire plant. It seems to me that these reports—and there are numerous others—give tangible proof of progress toward re-establishment of a favorable "climate" for foreign investment in France. Meanwhile, I think some mention should also be made of some of the older American investments which have already borne fruit, in particular those of the oil companies like Jersey and Caltex. The important foreign exchange savings which will certainly result from the new oilfield I have already mentioned should provide a good object lesson in the mutual benefit of foreign private investment.

During the past year the French foreign trade deficit has rapidly diminished. In October, for the first time in four years, France actually had a small favorable balance of trade with foreign countries. In the European Payments Union France has benefited from the liberalization measures undertaken by her neighbors, and during the last months of 1954 has shown a moderate surplus. Although her liberalization of import trade still lags behind that of most other European countries, France has now removed quantitative import restrictions from 75% of her imports from Europe, as compared with only 18% a year ago. This still falls considerably short of the level of liberalization reached by, for example, Germany with 90%, Belgium with 88% and Italy with 99.7%. In the past two years French gold and foreign exchange reserves have risen by 40% and now exceed $1 billion. At the same time her external debt has been reduced. The Governor of the Bank of France expects the reserves to reach $1½ by this spring. Of course, these increases in foreign exchange reserves were made possible to a large extent by various American contributions to the French economy, but the important fact is that they are there. As long as there were meager reserves and the exchange situation was on a hand-to-mouth basis, there was no chance of a return of confidence in the franc, or of reducing import restrictions, or of taking the other steps on the road to ultimate convertibility.

Much remains to be done in the field of foreign trade before France will really be part of either a more integrated Europe or—what is still more desirable—a more integrated world economy. Despite the recent sharp increases in gold and dollar reserves, virtually nothing has been done to introduce competition through freer imports from the dollar area. Still, in view of the progress made in so many other fields in the last few years, we Americans can have every reason to hope that more progress will soon be made in this field too.

I am also encouraged by the evolution of a coherent economic program with substantial continuity of implementation. The ups and downs of French cabinets, the all-too-frequent interregnums between successive governments, and the rough-and-tumble of internal politics give an exaggerated impression of instability. Actually despite varying political coloration, there has been relatively little difference of opinion among the cabinets of the last few years in their diagnosis of the French economic situation and in the types of remedies prescribed.

This simply reflects the fact that, with gradual improvement in economic conditions, public opinion has been gravitating toward the moderate center of the political spectrum. Although differing in approach, the economic programs of the recent cabinets have to a considerable extent complemented each other. Each had a contribution to make. The Pinay Cabinet concentrated on ending the inflation and stabilizing the internal value of the currency, which was certainly the number one priority problem sat that time. The Laniel Cabinet gave business more incentive to embark on a dynamic expansion of production. The present Mendes-France Cabinet is taking bold steps of economic reform in a number of fields while still preserving the essential continuity of policy.

Conclusion

In conclusion, France is still faced today with many problems, particularly in the field of foreign trade, but, to a degree unprecedented since the days of Poincare during the 1920's, she now has both the resources and the will with which to cope with her problems. Seldom has the conjuncture of circumstances provided France with such an auspicious base from which to attack the long-range, persistent, structural weaknesses which have been repeatedly diagnosed and publicized by French economists.

The most promising courses of future action in the economic field, to consolidate the progress made in the last few years, are primarily in the direction of greater freedom of both external and internal trade. As for the former, some lessons might usefully be taken from those neighboring countries which have found that more liberal treatment of trade and payments—with respect to dollar as well as non-dollar areas—has helped rather than hurt their international financial positions. The fostering of internal competition presents an even greater challenge.

The major policies of the present French Government give us real hope for the future. They include:

First, reduction of Government intervention or subsidies in those fields where experience has shown such interference to be ineffective or self-defeating.

Second, the progressive elimination of those quantitative import restrictions still being applied against other Western European countries so as to increase competition and stimulate the modernization and reconversion of French industry.

Third, fostering the growth of healthy competition by attacking restrictive business practices in industry, agriculture, and distribution, and by taking action against those organized special interests which have for so long been a burden obstructing the development of their country.

Fourth, continuation of the tax reform program, not only to create a better relationship between taxpayers and the State, but also—of more immediate importance—to reduce the present impact of indirect taxes on prices and costs of production.

Fifth, and very important in France with its history of chronic inflation, consolidation of the present revival of confidence in the franc by keeping the budget under control and by avoiding deficit financing.

If France is successful in applying these policies, she may indeed be on the threshold of a new economic and industrial revolution that could bring astonishing progress in the next ten years.

Franklin, Meyer Firm To Admit B. Zoref

Franklin, Meyer & Barnett, 120 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Bernard Zoref to partnership. Mr. Zoref is office manager for the firm.

Wm. J. Mericka & Co. Celebrates 25 Years

CLEVELAND, Ohio — Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange, are celebrating their twenty-fifth anniversary this year.

Wm. J. Mericka Carl H. Doerge

Officers of the firm are William J. Mericka, President; Carl H. Doerge, William S. Gray and Richard J. Cook, Vice-Presidents; and Stephen E. Hlivak, Secretary and Treasurer. Mr. Doerge has been associated with Mr. Mericka since 1928, and Mr. Hlivak since 1931. Also with the company since its beginning are Alfreda Myer and Mrs. Betty Wrege.

Brandenburg to Admit

Robert B. Bregman will become a partner in Brandenburg & Co., 100 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1st.

Business and Finance Speaks After the Turn of the Year

Continued from first page

courts how puzzling antitrust dilemmas may best be resolved.

The Report will consider these dilemmas in all areas of antitrust operation. The portion treating Section II of the Sherman Act will undoubtedly analyze generally the relation of business size to monopoly power. For instance, is a business' absolute size relevant to a monopolization charge? Or, is the relevant factor the market power that comes with size in a given business? Finally, should the fact that an admitted dominant market power was achieved solely by virtue of a lawful patent grant, or by superior business methods, constitute a defense to an allegation of monopolization.

In like fashion, the distribution sector considers, for example, whether we should retain present Federal legislation immunizing from the Sherman Act "Fair Trade" contracts authorized by State law? How well has the Robinson-Patman Act achieved its intended goal? And, generally, how can the consumer best be assured the economies of streamlined distribution methods?

A third area that Report considers is the application of antitrust law to this country's foreign commerce. The leading question here is: Should the Sherman Act cover activities by American companies abroad? Should it apply only to those activities by American companies abroad that substantially affect our *foreign commerce*? Or, on the other hand, should Sherman Act application to conduct abroad require some showing of significant effect on our *domestic* trade? More broadly, how can application of antitrust abroad best be reconciled with the achievement of our national security and foreign trade objectives?

Finally, the Committee analyzes crucial problems relating to mergers, antitrust administration and enforcement, as well as exemptions from antitrust prohibitions.

In the administration and enforcement area, for example, there must be a determination of whether the Sherman Act's criminal sanctions should be retained. Should the penalties in this day of decreased dollar value be increased? Should the Antitrust Division issue advisory opinions, beyond its present merger clearance and "railroad release" programs, so that businessmen can tell in advance whether business conduct will run afoul of the antitrust laws? How can efficient cooperation between the Antitrust Division and the Federal Trade Commission be assured? And, finally, how can the trial of complex antitrust issues be speeded?

If the Committee provides answers to these questions alone, it seems clear that its Final Report should be of real interest to every American businessman, as well as the public generally.

HERBERT ABRAHAM

Chairman, The Ruberoid Co.

During 1954, the building industry confounded the forecasters who had predicted a slight decline in activity by achieving the highest level in history. The value of new construction rose to an estimated $37 billion and new housing starts totaled about 1,200,000 units. Since this surprising strength in building shows no sign of lessening, all forecasters are more encouraging today than they were a year ago and almost all agencies are agreed that total construction activity will rise another 7% during 1955.


Herbert Abraham

The reasons for optimism are well founded. As our population has continued to grow and as families have tended to become larger, it is apparent that there is a real need for more houses, schools, stores and buildings of every kind. Moreover, this need is likely to be reflected in effective demand as long as consumer incomes and employment levels remain high. Building has been and will continue to be further stimulated by the Federal Government's policy of encouraging mortgage lending at low interest rates.

But if the building materials industry as a whole can expect a good year, there is no reason to believe that individual companies will necessarily prosper. Our experience in 1954 indicates that almost all building products are now in ample supply and competition among rival manufacturers and the various types of products is keener than it has been in many years. In addition, consumers are becoming increasingly quality conscious, are shopping carefully before they buy.

To meet this situation, The Ruberoid Co. has intensified its selling efforts by adding to its sales force and increasing advertising and promotion activities. We have also diversified our products by entering the gypsum business and have introduced a number of new and improved products in both our asphalt and asbestos-cement lines.

I am convinced that the preparations we have made to work harder to sell more will assure us of a full measure of the prosperity which is said to be in store for all business for 1955.

MORE STATEMENTS IN SUBSEQUENT ISSUES

Quite a number of statements either were received too late for publication in today's issue, or for mechanical reasons, could not be accommodated herein. These will appear in subsequent issues of the "Chronicle."
—EDITOR.

ERNEST R. ACKER

President, Central Hudson Gas & Electric Corporation

The year 1955 promises to be one of challenge and opportunity for the nation's gas and electric utility industries with a continuation of the growth trend which has been apparent in recent years. The magnitude of the market served by these industries is indicated by the fact that the electric companies connected their 50 millionth customer in 1954, while the gas companies expect to be serving 29 million customers by the end of 1955.


Ernest R. Acker

Annual expenditures for new plant in the electric industry in 1954 amounted to $2,800,000,000 and according to its current construction schedule a similar amount will be expended this year. The gas industry and pipeline companies continued to construct new facilities to serve their customers' demands at a rate of $1 billion during 1954 and expect to add another $1 billion of assets in 1955. The application of nuclear energy to the generation of electric power took on greater significance in 1954 as Congress amended the Atomic Energy Act to permit more active participation by private industry in the peacetime atomic energy program. Construction of the nation's first full scale power plant utilizing atomic fuel was begun during the year in Shippingport, Pennsylvania, and we expect that 1955 will see accelerated progress in experimental and practical nuclear reactor research. Private industry study and research groups all over the nation are continuing activities that are expected ultimately to make nuclear power economically competitive with that generated by coal and other fossil fuels.

Light's Diamond Jubilee was celebrated in 1954, marking the 75th Anniversary of the invention of the first practical incandescent lamp by Thomas A. Edison. While the progress made by the electric industry during the past 75 years has been remarkable, the prospects for the future are even more so with an expected demand for electric power in 1965 double that of 1954. As the use of electricity increases in homes, farms, stores and factories the electric industry will provide the added facilities required to serve its customers. As only one example of the steps being taken to provide for this growth in usage some 13,000,000 kilowatts of generating capacity are scheduled to be added during 1955.

Househeating continued to be one of the gas industry's fastest growing markets in 1954 and is expected to continue in this position during the coming year, with forecasts indicating that more than a million new gas househeating customers will be added in each of the next three years. The outlook for adequate supplies of natural gas continues to be favorable as proved recoverable reserves increased during 1954 in spite of the highest annual usage of natural gas in history. The transmission pipelines were extended during the year, passing the 400,000-mile mark, and there is every indication that this network will continue to expand for many years in the future as the demand for gas increases.

In spite of the tremendous expansion programs of the gas and electric industries, the cost of utility service continued to decline in 1954. This result was due to increased usage by the customers and the favorable effect on costs brought about by improvements in the arts of producing and transmitting gas and electricity.

AVERY C. ADAMS

President, Pittsburgh Steel Company

Pittsburgh Steel Company will produce and ship more finished steel products during 1955 than for any other year in its history.

During the last three months of 1954, the company's production and shipments of finished steel reached record high tonnages, although still below the potential capacity of the company's new steel-making facilities. This upward trend in production is expected to continue well into the second quarter of 1955.


Avery C. Adams

In the past year, Pittsburgh Steel completed a four-year, $65-million expansion and improvement program that increased its capacity for making basic steel by 48% and its facilities for producing finished steel products by 82%.

Blast furnaces were modernized, open hearts enlarged, new soaking pits added, and a new blooming mill installed at the company's Monessen Works. New hot and cold rolled sheet mills were added at the Allenport Works.

Completion of our program has put us in a position to compete on even terms with other producers for our share of the steel business. In the past, we have had to sell one-third of our steel in semi-finished form. When the markets grew competitive, we couldn't sell semi-finished.

Today, we can make all of our basic steel into finished products—sheets and strip, seamless tubes, wire and wire products—that we have now demonstrated we can sell in competitive markets.

Progress of the company will develop along two lines: (1) Further improvement of present facilities. (2) Further diversification through end product integration.

We are definitely exploring and considering all possible avenues for further strengthening our company's position in the future.

J. M. ATKINS

President, R. S. Dickson & Company, Inc., Charlotte, N. C.

We enter 1955 with a sound basis for optimism, in my opinion. Perhaps some stocks have moved up too rapidly in the past few weeks and are more than due for a correction of reasonable proportions, but the foundation of the market as a whole does not appear unsound or over-capitalized. One factor not always recognized and important only in the last few years is the accelerated growth of our population. Previously viewed with concern, we now regard this growth as a strong additional stimulus to industrial prosperity. Our monetary system has been given more latitude in the last year or so to seek a level dictated by supply and demand; the absorption of consumer goods doesn't seem to be approaching any serious point of satiety; and business is generally in a healthier condition when its gains are made as a result of genuine competition such as prevails today. We look for equity as well as debt capital to be available at reasonable prices in fairly liberal amounts and expect business to be very good in the Southeastern States and generally good throughout the country. Purchases of sound participations in American industry still seem logical at this time.


J. Murray Atkins

V. J. ALEXANDER

Chairman of the Board, Union Planters National Bank, Memphis, Tenn.

Every new year there have been perennial outpourings of words to prognosticate the business future for the country. Business conditions at the beginning of 1954 were unsettled and the business recession then in force was threatening to become a major disaster. The depression failed to appear during the past year and for many businesses it was the best of any peacetime period. Industrial production began to rise in the summer and continued strong throughout the year-end. This increase in business was highlighted by the exceptional rise in automobile and steel production during the last quarter of 1954. This high rate of production has carried forward into 1955, and it will give the economy a bolster during this period.


V. J. Alexander

Another cornerstone of the current business boom has been new construction. New housing starts are estimated at the beginning of 1955 to be at a slightly better rate than the previous year, aided by reduction in down payments and extension of mortgage terms. Preliminary estimates for new plant and equipment during 1955 will reflect only a slight decrease from the previous year. The need for additional roads, streets, schools and other public improvements will necessitate a substantial amount of new construction for public uses during 1955.

There is another factor that we should not overlook in trying to estimate the future business prospects for our country. Our population continues to grow at an extremely high level. Current estimates place our population at more than 162,00,000, and births for the past year were close to the 4,000,000 level, a new all-time high. The tendency of people to live longer is due to better housing, ample food, research and progress in the medical field, and benefits of social security. These two factors should provide our economy with sustaining force for increased productive efforts and an expansion of facilities to meet the needs of a growing and aging population.

The Treasury Department was very successful in the extension of its short-term debt during the past year. It has cooperated in the debt management program with Federal Reserve policies to restrain inflation and then to avoid deflation. The Federal Reserve policy was recently changed from one of "active ease" and it will be sometime in 1955 before we know the role that it will play in credit policies for the coming year. The rapid rise in the stock market during the past 15 months has caused concern in some quarters and the Federal Reserve Board

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recently increased margin requirements from 50% to 60% in an attempt to curb speculation in the stock market.

All in all, the business outlook for 1955 looks very favorable at the moment. Industrial production should remain high at least during the first quarter, consumer incomes are rising, and savings are at an extremely high level. The recovery in Europe has been very noticeable during the past year, especially among the Western nations. As long as the nations of the world can remain at peace, maintain production, stable prices, reasonable savings, and trade, we can look forward to the future with confidence.

STANLEY C. ALLYN

President, The National Cash Register Co.

Looking forward to 1955, I believe that the opportunities for our industry will be greater than ever before. One reason for this appraisal is the general confidence which is apparent throughout the country. The continuing increase in population, high employment and high personal income cannot help but spell expanding markets for consumer goods. The huge investments made in research in recent years are also beginning to pay off in the form of new products and improved versions of older products which in themselves stimulate demand.


Stanley C. Allyn

These are conditions which will affect all types of business and should make for a high level of general activity. There are other factors, however, which specifically affect our industry and our particular business.

We are engaged in the manufacture of labor-saving devices, for use in the keeping of records. The cost of record keeping has advanced tremendously in recent years. Higher wages, overtime premiums, shorter work weeks have combined with a great increase in the amount of record keeping required in business today to produce this result.

The cost of clerical work has become one of the biggest items of expense in the cost of doing business today. In 1940 there were 4,637,000 clerical workers in the country. Today there are 8,156,000 an increase of 3,519,000 or 75%. The number of clerical workers has increased 33% more than the number of factory production workers during that 14-year period. In 1940 there were 10.8 clerks for every 100 employed, people, today there are 15.4 clerks per 100 employed.

At an average weekly wage of about $60 the clerical payroll of the country is $25 billion a year. To that amount must be added the cost of fringe benefits such as group insurance, hospitalization, vacations paid holidays and others. This could easily amount to $700 per year per employee.

In view of costs like these, it is obvious that demand should increase for any type of equipment capable of reducing them.

We believe that the opportunity exists for companies in our industry to advance at an even faster rate than the economy as a whole. This can be done, however, only where an adequate and aggressive engineering and product development program insures new products to open new markets and expand present ones.

In 1955 our company will embark on the most extensive capital improvement program in its history. Our electronic program both in research and manufacturing is being stepped up considerably. There will also be increased effort in other types of research. We are also increasing our advertising and continuing a program of intensive development in the sales field. Altogether, we feel there is every reason to expect 1955 to be the best year in the company's history.

One reason for this expectation is the record made in 1954. Both domestic and overseas orders for our normal products reached an all-time high. The year also saw the introduction of the most extensive line of new products in the company's history. We benefited in 1954 from the sales impact of these new products and expect them and additional new machines to be an important factor in 1955 results.

G. T. BAKER

President, National Airlines, Inc.

Outstanding accomplishment and progress throughout the past year has been the story in the airline industry during 1954. Though the year past will be difficult to surpass in overall achievement it looks like we are off the ground already and climbing steadily with new power.

I prefer to use National Airlines as an example, since I am most familiar with it.


G T. Baker

On Jan. 2, 1955 we shattered all previous records for one day's traffic over our routes, chalking up an advance of 62% more traffic handled than during the same day a year previously.

I believe this forecasts the brightest New Year for National since our beginning, as it probably does for the airline industry as a whole.

We are entering this new year ready and able to provide the public with the finest airline service ever offered. This results from our integration during 1954 of 21 new aircraft to our fleet, representing a capital outlay in excess of $15,000,000, including the world's fastest propeller-driven commercial air transport. These DC-7's have given us a big competitive edge along the Eastern coast of the United States, along with our DC-6B's, DC-6's, Convair-340's, and a Sikorsky S-55 helicopter, making our fleet the most modern in the industry.

A brief summation of '54, as it relates to our company, will perhaps reveal a better perspective from which to examine the airline outlook for the year ahead. National's passenger traffic hit record peaks during January, February and March last year. Beginning of the first helicopter passenger service ever offered by a domestic scheduled airline was recorded by us on February 1, when schedules were inaugurated between Miami and a dozen East Coast points.

Aggressive advertising and promotion of Florida as the ideal summer vacation resort helped boost traffic to new levels during June, July and August, formerly an annual period when we were forced to take losses. We introduced a Florida "winter season package" vacation this year and expect this will eventually level out historic early winter, mid-January and early spring traffic drops as effectively as our summertime packages have offset previous summer losses.

Our year approached the finish with a flourish when on Dec. 17 one of our DC-7's flew from Miami to New York in 2 hours and 29 minutes, reaching a top speed at one point of 585-miles-an-hour. This event, if any is needed, helped recall the almost unbelievable progress achieved in the last few years by the industry.

Industry progress and achievement during recent years was at last solidly recognized in 1954 when most airline securities advanced with renewed vitality to score outstanding gains. The only somber note throughout another year of increasing revenues was the constantly narrowing gap—in spite of the most intense efforts—between income and expense. This is perhaps the gravest problem confronting all carriers because future expenses of equipping our fleets with the next step—jets—four or five years hence, will be astronomically high.

The year now before us will undoubtedly see new passenger records established. Our revenue passenger miles performed since the fiscal year-end are already running 20-25% ahead of the previous comparable period. We, as are most other carriers, are planning greater expenditures and efforts to sell and exploit our services. Greater capital outlay is also planned for technological and mechanical improvements. In this respect we have begun the new year by installing the first production model radar weather detecting set to be used aboard aircraft of any domestic airline. The new device is currently undergoing tests on one of our DC-6's to determine the advantages of weather detection while "in flight." Our engineers and crews report that the installation is proving to be a great aid in attaining greater safety and comfort for our passengers.

We fully expect that in the near future we will utilize this equipment aboard all our aircraft, as will all other major carriers.

Looking ahead is of little significance unless one can also look back and thereby measure progress or the lack of it.

The entire industry has moved far in just a few short years; farther perhaps than any other industry when measuring progress in terms of time consumed.

In each recent year the industry has steadily developed and expanded in order to provide the public with the best in transportation. I believe that this progress will continue undiminished throughout 1955, and that we shall again record new business peaks as more people every where take advantage of one of the world's great bargains—airline transportation.

DONALD L. BARNES

President, American Investment Company of Illinois

The consumer finance industry will have a good year in 1955. Two factors in our economy form the basis for this prediction.

The American consumer is presently showing a return of the confidence in job security and future income which he last displayed in 1953. Second, there is increasing evidence that industrial activity in 1955 will equal the overall record set in 1953.


Donald L. Barnes

During 1954 most consumer finance companies and business generally went through a period of readjustment. The stimulant of the Korean War was past and the resultant overtime pay had been terminated. The economy was adjusting to the sound money policy advocated by the present Administration as opposed to the encouraged inflation which had previously been present in governmental policies. This readjustment was accompanied by a lack of confidence on the part of the consumer. The effect of this lack of confidence was apparent early in 1954 in the business of the consumer finance companies as well as retail stores. The consumer had adopted a waiting attitude with respect to his buying.

However, the last survey of consumer anticipated buying of durable goods, conducted by the University of Michigan for the Federal Reserve Board, indicated that consumer confidence had been restored. People were again interested in buying durable goods and, in many cases, financing these purchases through consumer credit.

The confidence which customers of consumer finance companies have in the security of their jobs and income has a very direct bearing on the amount of business done by those companies. Not only do most people borrow when this confidence is present, but customers are interested in borrowing larger amounts for such things as vacation trips, education and the purchases of new refrigerators, television sets, ranges, etc.

The real effect of the upswing in consumer confidence was not felt until the last quarter of 1954. It is believed that this upswing will be intensified by the continued high production of the automobile and steel industries and the expected construction boom which will result not only from private and industrial building but also from an anticipated increase in public expenditures for highways.

During the adjustment period of 1954 consumer finance companies were able to increase the amount of dollars outstanding by about 3%. It is anticipated that 1955 will see a continuation of this growth at a somewhat higher rate. Most companies in the field are expecting an increase in outstanding receivables of something ranging from 5 to 15%.

This increase, of course, will make itself felt in the earnings of the cash installment lending companies and, assuming a continuation of the present Federal tax rate, earnings for 1955 should be at least from 5 to 10% higher than in 1954.

Increased population and wider acceptance of consumer finance as a desirable and necessary part of our economy will likewise augment the favorable business trend for consumer finance companies in 1955. All things taken together should produce one of the best years in the industry's history during 1955.

JOHN E. BASSILL

President, American Enka Corporation

Producers of man-made fibers are giving their markets a vote of confidence. A manufacturing capacity survey, recently published in the "Textile Organon," indicates a further growth in fiber producing facilities of 5% in the coming year and a half. Major growth is concentrated in rayon staple fiber and in the non-cellulosic filament yarns and staple. With indicated plant capacity coming to more than 2¼ billion pounds, the man-made fiber industry will be well equipped to participate in textile industry progress.


John E. Bassill

While American Enka Corporation is primarily a rayon yarn producer, it has put nylon facilities into operation during the past year which permit exploration of potential markets. Our attention is directed primarily to these two fibers, although other man-made fibers should share in the improved textile outlook.

The textile industry generally has been enjoying improved volume with many mills sold three to six months ahead. Rayon staple fiber has been in strong demand during the past year with every indication of continued expansion.

Rayon filament yarns while subjected to both seasonal and cyclical market fluctuations during 1954 experienced an uptrend in the closing months, a tendency that should carry into 1955. Historic patterns of product mix are substantially changed for rayon textile yarns. Greater emphasis is being placed upon coarser yarn sizes while the finer yarns are in reduced demand.

High strength rayon yarns for industrial purposes are again in strong demand. High level operations for both the automobile and the tire industries in the first part of 1955, should result in increased use of tire cord. This type of rayon is also being adapted to other uses. Expanding markets are being developed in high and low pressure hose, conveyor belts, V-belts, industrial and decorative tapes and carpet backing yarns.

The American Rayon Institute was formed recently by the major rayon producers to bring to the consuming public a clearer understanding of the many desirable features of rayon. A program embracing advertising, consumer education and trade promotion has been launched and will be expanded in 1955 with the result that rayon should have an improved opportunity to share in the attention for the consumer's dollar.

Nylon has the largest volume of the non-cellulosic fibers. Major developments which will grow in importance in 1955 include nylon "stretch" yarns originally used in men's hosiery. These specially processed nylon yarns are finding application in a widening range of apparel uses. Nylon has a small but growing position in the tire cord market, and where its good features can be used to advantage, it should continue to grow. Blends of nylon staple with other fibers bring to the end product longer wear through greater strength and improved abrasive resistance.

In conclusion it appears that the man-made fiber producers have every reason to be moderately optimistic for 1955. For the longer run rayon, nylon and the other man-made fibers should continue to enjoy the growth that has been characteristic of this industry, especially as new qualities in fibers are developed. The possibilities of technical modification and of blending permit the tailoring of fiber combinations to the precise needs of individual markets, an important factor in gauging the outlook ahead.

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ALEXANDER M. BEEBEE

President, Rochester Gas and Electric Corporation

The beginning of 1955 finds Rochester Gas and Electric Corporation looking forward to another year of progress and growth.

Alexander M. Beebee

The metropolitan area of Rochester, which is the heart of the territory served by the company, is noted for the stability of its enterprise and the highly skilled character of its workers. As a matter of fact, data from the U. S. Bureau of the Census shows that Rochester has the highest percentage of skilled workers of any city in the nation. There is also a high degree of diversity of industry among its 800 manufacturing establishments. All classifications of manufacturing industries used by the Federal Census are represented here. The strength of the industries in the territory also is indicated by the fact that the level of employment is very high, ranking with the top 16 cities in the United States. In view of the character and prosperity of its customers, Rochester Gas and Electric Corporation anticipates a continuation in the growth of its revenue and expects to add substantially to its facilities to take care of the increased requirements of its customers.

The company is continuing its vigorous sales promotion programs and is cooperating actively with the Rochester Metropolitan Area Industrial Development Council which was formed in 1954 to bring new industries into this area.

The year 1955 will be the fourth in which the company has participated actively in research and development activities of the Detroit Edison Nuclear Power Project. This program, which is designed to make atomic power plants a practical economic reality, has been making good progress and will be pushed even more actively in the year ahead.

Rochester Gas and Electric Corporation, together with four other major power companies in New York State, will continue in 1955 to endeavor to obtain the required Congressional and other approvals in order to consummate the development by private enterprise of the full power potential of Niagara Falls.

I expect an active and productive year for our company.

S. CLARK BEISE

President, Bank of America, N.T. & S.A.

A statewide survey just completed in over 300 California communities by the bank's branch managers who interviewed businessmen, industrialists and farmers, indicate an almost unanimous belief that the economic level of 1955 will exceed that of 1954 in California. In general it is thought that the construction outlook is bright, particularly for the residential sector which makes up such a large part of the total construction outlays in California.

S. C. Beise

Moreover, farm income is expected to continue approximately at the same level as 1954. A slight decrease in cash income from crops may be offset by an increase in returns from livestock operations.

While some businessmen have expressed reservations regarding the last two quarters of the new year, overall the survey reflects the confidence and optimism of California businessmen.

HON. EZRA TAFT BENSON

Secretary of Agriculture

With a strong demand for American agricultural products in prospect both at home and abroad, 1955 should be a good year for the nation's farmers.

Ezra Taft Benson

There is no substitute for a strong, free market. The disposable income of consumers remains high and this insures continuing expenditures for food and the other products of our farms at record peacetime levels. Abroad we expect to sell as much as 10% more food and fiber than we did in 1954.

For farmers who make full use of the best farming methods — the better breeds, feeds and seeds—1955 should be a prosperous year.

Our economists see farm prices averaging near current levels through 1955, with little change either in operating costs or the parity ratio. As in 1954, when hogs and soybeans brought unusually high returns to farmers, some agricultural products are likely to reflect more favorable prices than others.

Serious drought conditions have cut deeply into agricultural income over wide areas of the nation during the last two years. This unpredictable factor could again upset many calculations.

The billion dollar Agricultural Trade Development Act will permit us to expand overseas sales beyond normal commercial transactions.

The build-up in surplus farm products has been arrested and in some cases reversed. Carryover supplies of corn, dairy products and vegetable oils will be smaller than in 1954.

It is unlikely that Congress will vote to return to a system of high, rigid farm price supports. The close 1954 elections did not change the complexion of Congress enough to reverse earlier approval of flexible supports.

We have forged ahead in many areas. Sound, realistic, forward-looking laws have been enacted. The downward slide of farm prices has, I think, definitely been stopped. The emphasis in agricultural programs is where it should be: on research and education, on individual freedom and responsibility, and on increasing efficiency both on the farms and in the processes of distribution. This significant progress is in truth the assurance of tomorrow.

Supplies of major crops and of livestock and livestock products will continue large. But consumption has been rising, too. Our people in 1954 consumed per capita 156 pounds of meat—more meat per person than in any year of record except 1907 and 1908. We consumed a record quantity of beef — 79 pounds per person — as well as record amounts of chickens and eggs. Milk consumption per capita is expected to rise. Besides larger per capita utilization, total consumption is naturally expected to increase as the nation's population grows.

Government can, and will, do for agriculture those things that need to be done and that cannot be done by individuals or by cooperating groups. But government must leave the individual his freedom in the largest measure consistent with the common good. In this lies the great strength of our republic. And the strength of the United States is important not only to us but to all the free world. For in the long peacetime era that we hope lies ahead, God willing, the strength and leadership of this nation will largely determine freedom's fate in this twentieth century.

DON R. BERLIN

President, Piasecki Helicopter Corporation

I am optimistic about the 1955 outlook for the helicopter portion of the aircraft industry.

Primary immediate demand is military, and all indications point to steadily increasing use of helicopters by many branches of the armed forces.

Don R. Berlin

New applications of a technical nature in the Navy, Army and Air Force are likely to result in new volume requirements. Development of the machine itself plays an important part in this process.

While it takes time to translate new concepts to actual production, the major companies in the business all have substantial order backlogs for current production which should assure a continued high level of output in 1955. There have been some recent contract cutbacks and schedule stretch-outs in the industry, to be sure, but in general these have resulted from specific local circumstances. They are not of general significance nor should they have any major effect on the industry's performance in the coming year.

1955 is not likely to see any great expansion in new orders for the commercial market but there will continue to be an expansion in many commercial applications of the helicopter where it has a clear-cut advantage over other vehicles. This expansion will be manifested in increased production when the larger helicopters now being developed and manufactured for the military are available for commercial markets. The potential civilian market demand appears to be huge.

Piasecki's facilities have again been increased during the last year so that they are now operating with approximately 856,000 gross square feet of area. The main plant is in Morton, Pennsylvania. Flight operations are conducted from facilities at the Philadelphia International Airport and a substantial amount of light manufacturing work is being carried out in the large plant at Ardmore, Pa., which was leased during 1954. These facilities now employ 3,500 people and the number is likely to grow larger during 1955 when the production rate increases as presently anticipated.

HAROLD R. BERLIN

Vice-President, Johns-Manville Corporation

Money spent for new construction and modernization in 1955 may reach an all-time record of $60 billion, surpassing 1954's record of $54 billion. It seems likely that erection of new structures will be close to the $40 billion mark in 1955 while the amount spent for modernization of existing buildings will approximate $20 billion.

Harold R. Berlin

Present forecasts indicate that this country also may set another new record by building as many as 1,250,000 new homes in 1955, especially since the National Housing Act of 1954 has liberalized FHA mortgage credit thus opening up the medium priced home market to families with relatively low incomes.

About 1,200,000 homes were started in 1954, a figure without precedent except in 1950. This, despite the fact that the number of young people reaching the home-buying ages of 22 to 24 was small due to the low birthrate in the Great Depression. The construction industry in 1954 turned out to be the outstanding prop in the present high level of national prosperity, outdistancing both agriculture and national defense. More than one-seventh of the money spent for goods and services in the United States in 1954 went into construction.

But in 1955, when the Gross National Product is likely to be at least $360 billion, the $60 billion of construction will bulk so huge that it will represent no less than one-sixth of the country's total output of goods and services.

It might be pointed out that the construction industry is not only the nation's largest, but it stimulates almost every other type of industry.

The 1954 grand total of $54 billion rolled up by the industry is composed of $37 billion for new construction and about $17 billion for "modernization," the term generally used to describe modernizing, remodeling, expanding, changing, repairing and maintaining the country's huge number of existing structures.

While statistics are much less accurate in the modernization field than for other phases of construction, a nationwide survey made in 1954 by the Census Bureau showed that this field was immensely bigger than had been known formerly. Approximately $8 billion, the survey indicated, was spent in 1954 on modernizing owner-occupied houses alone. At least $9 billion more was spent in modernizing tenant-occupied dwellings as well as all sorts of nonresidential structures.

Modernization expenditure accounted for about 32% of the total outlay for construction in 1954—the lion's share. However, the other three major segments of the industry were not far behind. Privately financed residential new construction amounted to about $12.9 billion, or 24% in 1954; privately financed non-residential new construction about $12.5 billion or 23%; and publicly financed new construction, about $11.6 billion or 21%.

In 1955 we may see such figures as the following achieved by the construction industry in its four major segments: modernization increasing to $20 billion; private residential new construction up to $15 billion; private nonresidential new construction remaining at around $12.5 billion; and public new construction growing to about $12.5 billion.

It would appear that a heavy rate of home building will continue for some years beyond 1955, if only for the fact that homes continue to be easier to buy through liberalization of FHA mortgage credit under the terms of the National Housing Act of 1954. Ultimately, because of this legislation, it may become almost as possible for a family to trade in an old house and use the down payment to buy a new dwelling as people today trade in old cars for new ones.

For the first time a previously occupied home can be bought, under FHA mortgage insurance, with low down payments and long repayment periods comparable to the favorable terms on which new homes can be bought. An instance of the influence of this factor is that a family, who formerly might have been deterred from moving to a new house in the suburbs because of difficulty in selling its present dwelling, can now sell it to another family which can buy it with a much lower down payment than heretofore and repay the mortgage over a longer period of time.

Many veterans are today buying homes with no down payments at all in a veritable Veterans Administration home building boom. Many lenders are now willing and eager to make VA loans on veterans' homes purchased on the basis of nothing down and 30 years to pay.

As for nonresidential construction, indications are that substantial gains in several important areas are almost certain in 1955.

School construction should approach $3 billion in order to accommodate the immense and almost endless flood of postwar babies pouring into public and private elementary schools, high schools and, soon, into colleges.

To meet increasing demands for electric power and municipal services, utility construction may rise to $5.5 billion in 1955. This sum would include about $1 billion for municipal sewer and water construction to meet growing needs.

Highway construction, too, is becoming one of the true giants of the industry and will likely reach at least $4.7 billion this year. From then on the curve will climb, ultimately, to figures that may appear fantastic today as the Administration's $50 billion ten-year highway program gathers momentum.

Moreover, new highway construction is very dynamic. It not only generates a great volume of construction for filling stations, garages and restaurants but brings into being great shopping centers, housing developments and factory growth.

With the development of the new "revenue bond" type of financing, highway construction will take on some of the importance of railroad construction in a much earlier day and act as a generator of many millions of dollars of secondary construction.

Industrial construction, including some Federal, may reach $2.5 billion in 1955. Commercial construction which includes office buildings, shopping centers, stores, warehouses and a variety of other structures may go to $3 billion.

Military construction has been declining since 1953 but because of very recent high level decisions it may exceed $1 billion in 1955.

In looking ahead through 1955 and into the immediate future, expect the construction industry to continue to play a vitally important role in the expansion of the country's economy. There is literally no end to the construction needs of this country as our population increases at a phenomenally rapid rate and as people migrate from one part of the country to another and

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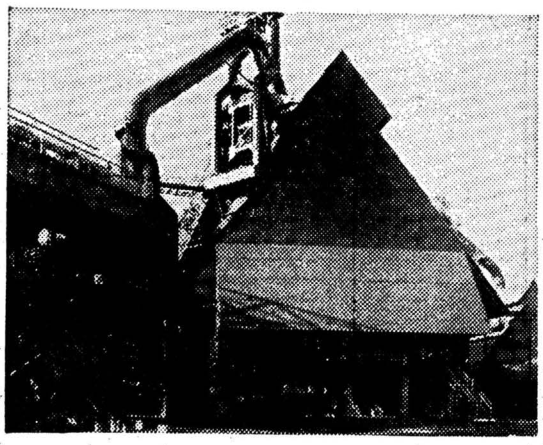
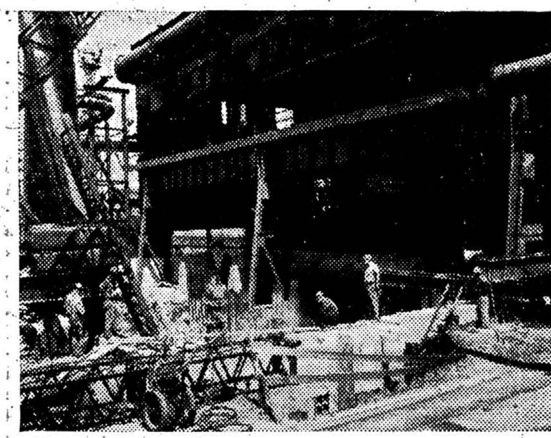
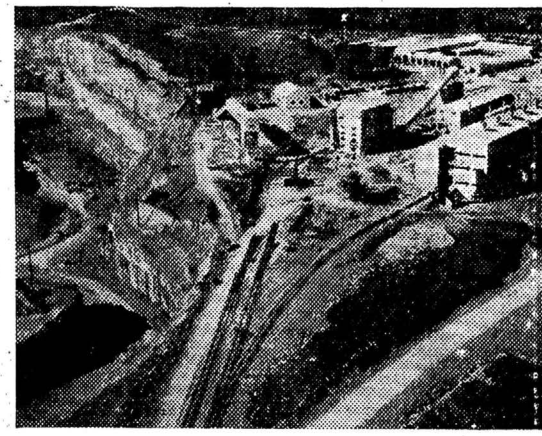
Some BETHLEHEM STEEL Highlights of 1954



WORLD CHAMPION—In the month of May, blast furnace "J" at Bethlehem Steel's Sparrows Point plant established a new world record by producing 61,424 tons of pig iron, amounting to a daily average of 1981 tons. This record beat by nearly 5000 tons the former production record, held by furnace "H" at Sparrows Point.

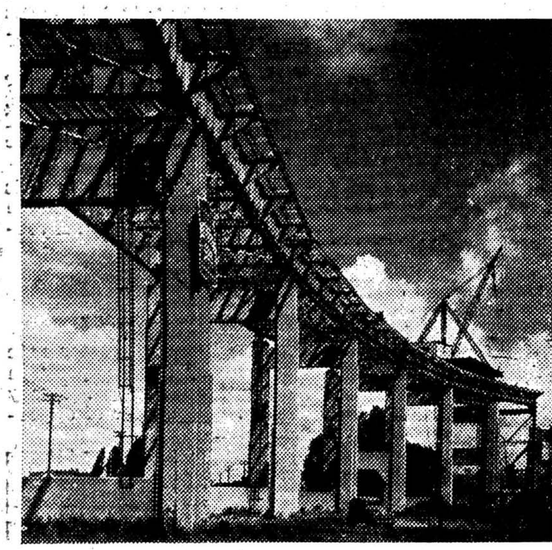


LARGER STRUCTURAL MILLS—The year saw continuing progress in the program to modernize and enlarge the structural mills of the Saucon division of the Bethlehem, Pa., plant, where wide-flange structural shapes were first rolled in this country, nearly fifty years ago. The improvements now under way will increase the capacity of the structural mills at Bethlehem by 50 percent, to 210,000 tons a month.



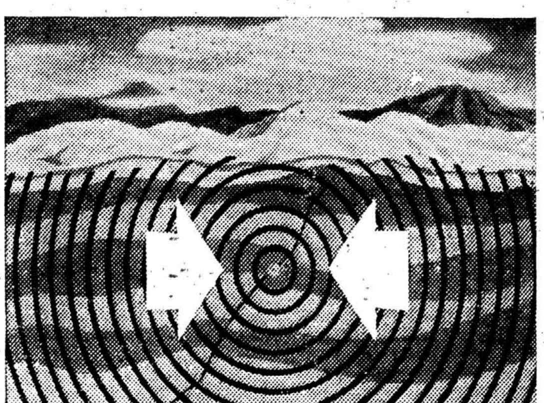
MORE ORE—At the year's end the above iron-ore project at Marmora, Ontario, Canada, was nearing production, with removal of the 100 ft capping of limestone nearly completed. At the Grace Mine, in Berks County, Pennsylvania, the sinking of shafts continued through the year, with the production of iron ore expected to start in late 1957.

TANKER QUEEN—Early in the year the tanker World Glory, largest commercial vessel built in this country next to the liner United States, was launched at the Quincy, Mass., yard. The World Glory can carry 16½ million gallons of oil—the equivalent of 20 trains of 100 tank cars each, or a caravan of tank trucks 30 miles long.

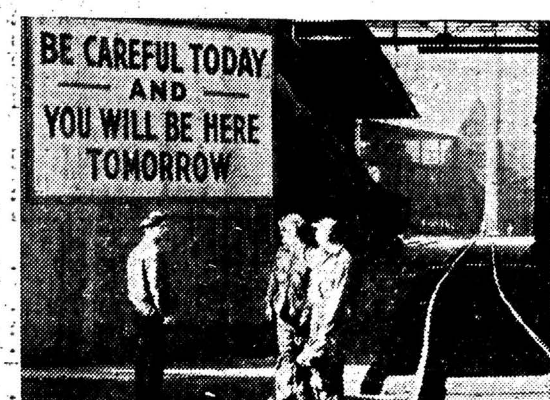


HIGH-LEVEL BRIDGE—As 1954 closed Bethlehem had erected a large portion of the steelwork for the High-Level bridge extending for more than a mile along the Lake Erie waterfront at Buffalo. Much of the 11,500 tons of steelwork was rolled at Bethlehem's Lackawanna plant and fabricated at our Buffalo works. The High-Level bridge will connect with the Niagara section of the New York Thruway.

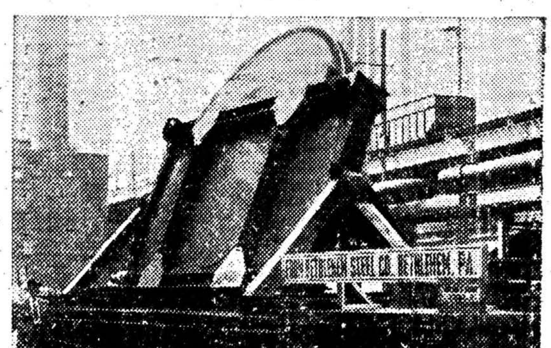
TALLEST MAN-MADE STRUCTURE—This steel needle is the new tower of Station KWTV at Oklahoma City, which measures 1572 ft from the ground to the tip of its soaring antenna. The tower is braced by 24 guy cables of Bethlehem strand, made at the Williamsport plant, totalling over 5 miles in length and more than 100 tons in weight.



"MEN, STEEL, AND EARTHQUAKES"—This new Bethlehem Pacific color movie explains how earthquakes originate and how construction of sound design, with the use of steel, has proved effective in resisting seismic forces. The film runs for 28 minutes, and is now available for showings before professional, educational and civic groups.



SAFETY IN STEELMAKING—Four Bethlehem plants—Bethlehem, Johnstown, Sparrows Point and Lackawanna—won first, second, third and fourth places among large steel plants in annual Metals Section Contest sponsored by National Safety Council. During the year the Johnstown plant ran from January 1 to May 5, more than four months, without a disabling injury to a single employee.



ROTOR DISCS FOR WIND TUNNEL—It took plenty of ingenuity to handle the tricky problems that were involved in forging these alloy steel rotor discs, 18 ft in diameter, 9 in. thick, and weighing 48 tons each. They are the largest-diameter forgings ever made by Bethlehem, noted for its production of forgings of unusual size.

BETHLEHEM STEEL

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from cities to suburbs. A high level of construction naturally follows as the country's growth and the advance of technology open up wider horizons that assure continued prosperity for the nation.

WILLIAM A. BERRIDGE

Economist, Metropolitan Life Insurance Company

Employment and industrial activity, behaving true to form, have responded together in timing during the current revival—as they had done during the modest recession between mid-1953 and mid-1954 approximately.

William A. Berridge

Not only in timing, but also in amplitude, they then behaved alike; for, on the 1947-49 base and net of seasonal, industrial employment subsided from 116 to 104, industrial output from 137 to 123 — each being down only 10% from its top month to bottom month.

Throughout 1954, both factory layoff rates and hiring rates have almost persistently registered economic improvement. Early in 1954 both had been at about 30% of workforce, on an equivalent yearly basis; but late in the year layoffs had subsided to around 20 and hirings expanded to 40. The power behind the lately developed uptrend, after months in mild "doldrums," is in itself reassuring —even though employment has thus far not succeeded in expanding, as activity has, about half way back to its mid-1953 top. I am one of those who had more hoped than expected that the subsidence would either run a little deeper than 10% or a little longer (or both) thus relaxing high production costs and further curtailing inventories. Such a situation might, in the long run, tend to pave the way for a more sound and firmly based recovery. But the consumer is king—the ultimate and the intermediate consumer. And I am prepared to concede that the first or acid test of whether we were really ready for recovery is what the market itself did.

True, the recovery was not wholly spontaneous, but partly the result of what entrepreneurs in the automobile and some other industries felt was the latent attitude of those who consume their products. If the former have read the situation partly wrong, and the products fail to move along adequately into orderly consumption and instead raise inventories again, the vigorous recovery might peter out, and a relapse might materialize. Even that need not be serious; and certainly it is gratifying that inventories at various stages in the distribution process have been reduced to as healthy a degree as they have.

What is the outlook, on net balance—considering all of the many economic fundamentals, and in addition the non-economic postulates which nowadays underlie everything? I am not as optimistic as those who aver that 1955 will exceed even the record year 1953. But I do happen to agree with the apparently more numerous ones who believe 1955 is at present likely to exceed 1954, in such measures as are listed below. The range between those years is, after all, fairly narrow:

	1953	1954
Gross National Product (all goods & services)	$365	$357 billion
Industrial Activity (factories & mines)	134	125% of 1947-9
Industrial Employment (factories & mines)	114	106% of 1947-9
General Employment (private non-farm)	113	109% of 1947-9
Wages & Salaries (total private)	146	144% of 1947-9

FRANK H. BISHOP

President, Allied Products Corporation

After considerable discussion with business leaders who are headquartered in the Detroit area, it is our reasoned estimate that business in 1955 in this highly industrialized territory will run about 10% above that for 1954. A year ago, in presenting our views on the outlook for business in 1954, we emphasized the profound influence exerted upon the American economy by the automotive industry and its suppliers. Great credit must be given to all of the automotive manufacturers for the advanced styling, mechanical improvements, additional riding comforts and added safety features incorporated in all of their "spanking" new models. It is our judgment that the 1954 automotive accomplishment was sufficient to lend firm support to holding the Gross National Product within a few percent of peak 1953. We feel that the improvement forecast for this area will make itself felt in similar fashion on the 1955 national economy.

Frank H. Bishop

At Allied Products Corporation our sales in 1954 were less than 4% under '53, which was the best year in the company's history. In '54 we estimated profits will be approximately 30% over '53, primarily due to the elimination of the Excess Profits Tax. This tax saving has given us courage and financial help, as it was designed to do, to further invest in the American economy. In the latter part of '54 we built a plant to enlarge our Richard Brothers and Hercules interchangeable punch and die service to over 4,000 metal-working customers located throughout the country. We are presently building a plant for an additional facility. The new building will be provided with the latest and most modern equipment. It will represent an expenditure of close to a million dollars. This plant will provide a vastly improved die and large sheet metal stamping service. Planned in its operation is the use of large sheet metal dies made of Allite (various types of zinc alloy) or plastic materials (including the new epoxy materials) separately or in combination with each other, or with the traditional hard die metals such as steel, cast iron, etc. This service is designed for the making of model changes more rapidly and at lower cost in any hard goods line.

On the political scene, while we realize our President has a House and Senate dominated by the opposition party, we feel this should not have much bearing on the improvement expected in '55 because of the President's proven ability to conciliate issues.

The one dark cloud on the economic horizon in '55 is the UAW's resolve to go all out for a guaranteed annual wage. This movement should be vigorously opposed by management. This may bring on strikes which will adversely affect the '55 results. Here, again, we see the union's double-barreled approach to obtaining identical benefits—one through political means and the other in over-the-table bargaining. Once before management was "shaken down" for a double dose of benefits, on the one hand through the political manipulation of the social security payments, part of which is paid by industry, and on the other hand through the securing by negotiation of private pension plans, paid in their entirety by industry. There is a growing conviction in the minds of the pension fund administrators that the $2 billion being contributed to these funds each year, plus the earnings of these funds wisely invested may supply retirement benefits for the "oldsters" that will look too generous to the "youngsters" in industry who are paying the bill.

In the drive for improvement in unemployment compensation and for GAW, we have a similar situation facing management—a request for a double premium to pay for a single risk. Taking a cue from what has happened in the pension situation, our advice to the union leaders is to travel only one road at a time. Our advice to management in reply to GAW requests is to say, "Let's wait until the smoke clears on the unemployment increase requests now being agitated."

Here in '55 we see an excellent opportunity for labor leadership to exercise judgment and statesmanship. Compensation reforms of the magnitude and depth of GAW require much time in thought and study before they can be adequately evaluated.

The opportunity of presenting our thinking in this way has been very helpful to us, and it makes us more aware of the factors affecting our economy—both favorable and unfavorable.

JAMES B. BLACK

President, Pacific Gas & Electric Company

I am confident that 1955 will witness a greater rate of growth in the territory served by our company in northern and central California than in 1954. Every present indication is that 1955 will be a year of opportunity for business throughout California.

James B. Black

Our own output figures for recent weeks, the continuing growth of population in this area, and the high current level of new residential construction, would all appear to bear out this forecast.

After showing only moderate gains in the first three quarters of 1954, our gas and electric sales showed a substantial upturn in the last quarter of the year. The outlook indicates that this rate of growth will continue at least well into 1955.

New customers connected to our lines showed a similar trend. The upsurge in customers connected in the last quarter of the year enabled us to close the year with a net gain of more than 100,000 customers in all branches of our operations, exclusive of customers added as the result of properties acquired during the year. It was the eighth consecutive year in which we have connected more than 100,000 new customers to our lines.

Major construction accomplishments of the year was the completion of our new Pittsburgh Steam Plant, of 600,000 kilowatts capacity. This is now the largest plant on our system, and is the largest steam plant west of the Mississippi River.

Completion of this plant brought to 2,528,000 kilowatts the electric generating capacity built by the company since the close of World War II. At the year-end, our installed generating capacity was just short of 4,000,000 kilowatts, with an additional 540,000 kilowatts of capacity under active construction.

A major looping operation on our natural gas transmission system was also completed, permitting an increase in deliveries of out-of-state natural gas into our system of from 550 to 700 million cubic feet of gas a day.

In 1955 we expect to spend approximately $120 million for further expansion and enlargement of our facilities. This will bring total expenditures for new construction to about $1½ billion in the decade since World War II. Our construction expenditures in 1955, however, will be less than in 1954 because of the company's steady and substantial progress in building up its gas and electric reserves over the past several years.

In short, we expect to have a good year in 1955, affording us new opportunities for service to the people of northern and central California.

ROBERT F. BLACK

President, The White Motor Company

The outlook for truck manufacturing and transportation is a lot more optimistic today than it was a year ago. The most encouraging sign is the continued improvement in freight business of the inter-city common carriers. This is making itself felt in a surge of new buying of equipment to replace worn out rolling stock.

Robert F. Black

The whole business picture has changed in the last two to three months. It gives every appearance of having real stability for the truck manufacturing industry following a year which saw the industry's production and sales fall approximately 10% behind the 1953 level. The recovery began last September.

In many instances, some of the equipment being replaced now by the common carriers might have been replaced months ago had it not been for the recession in their business, amounting, in some instances, to as much as 40%.

The improvement in their freight volume, the decentralization of industry and the growth in urban population, accompanied by huge shopping centers, atomic plant cities, etc., are the major reasons why we are anticipating an improvement in truck-making and truck-selling activities in 1955.

For the longer term, population increases, principally in urban areas where truck transportation is the only media of service, promise to provide active demand for our products. There are just so many hours in a day with additional miles to cover. The need for more trucks to cover this mileage is apparent every day.

Meanwhile, another encouraging sign stands out as the new year begins: Emotionalism has disappeared from the scene as all hands pitch in to develop a better national highway system. Action has replaced words. This was translated into an estimated $6,400,000,000 spent on highways in 1954 by all segments of government. It represents an increase of $650,000,000 over a year ago and $2,300,000,000 more than was spent in 1950.

This vast expenditure is just a beginning in President Eisenhower's proposal for a $50 billion highway program in the next ten years—the Government's contribution alone. To this must be added half again as much money from the treasuries of states and municipalities now committed to the improvement of roads.

Good roads make good business sense. Numerous examples could be cited of how this works in practice. There is still a premium on time—the beef cattle moving to markets losses less weight the faster it gets there; the citrus fruits journeying from the groves benefit from reduced spoilage; the heavy piece of replacement machinery can be made to produce goods in faster time with goods roads, and so on.

Actually, good roads have a definite effect on the consumer price of beef, oranges, lemons and the products that machines turn out, among other things.

Experiences of the completed turnpikes emphasize that the segment of industry which will pay the lion's share of the cost of maintaining new roads, once they are built, is the truck operator, if he is not priced out of the market by disproportionate taxes.

On the Pennsylvania Turnpike, for instance, passenger cars outnumber trucks six to one. Yet, commercial vehicles are paying nearly half of the gross revenues.

JOSEPH L. BLOCK

President, Inland Steel Company

The steel industry should have its third biggest production year in 1955. I believe that at least 100 million tons of steel ingots wil be produced, compared with some 88 million in 1954. That would represent 119% of the 1947-49 production average and 80% of the much enlarged capacity of the industry. It would be within 12 million tons of the all-time record set in 1953.

Joseph L. Block

It is important to the outlook for steel that it is now more consumer goods industry than capital goods because of the tremendous increase in its use for automobiles, and for appliances, metal containers, and other items used in the home.

One good indication of the potential steel market is the large number of new homes planned which will need refrigerators, stoves, washing machines and all the other equipment made of steel for the housewife.

Agriculture may also be a good market for steel equipment in 1955, and there will be a great deal of steel used in highways, bridges, public and commercial buildings, factories, and machinery.

If more steel is consumed in 1955 than in 1954, considerably more must be produced. That is because 1954's industrial production was sustained, in part, by steel used up out of inventories. More steel was consumed than produced. That can't occur again because there is no comparable reserve in inventories to be drawn upon, and, in fact, steel might have to be produced to replenish inventories.

Unless there is interruption from strikes or something

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else that cannot now be foreseen, the outlook is excellent that the present upward trend will continue throughout 1955.

JAMES G. BLAINE

President, The Marine Midland Trust Co. of New York

James G. Blaine

Indications point to a good business year in 1955 and there are signs that 1956 holds similar promise. Any such forecasts are predicated upon the continuance of the uneasy peace that exists in the world.

EDWARD O. BOSHELL

Chairman & President, Westinghouse Air Brake Co.

Westinghouse Air Brake Company, since its founding in 1869, a major supplier of railroad equipment, has diversified in the last three years by acquisition of established companies. Today, its customers include such basic industries as construction and road building, petroleum, mining and irrigation, to name only a few.

E. O. Boshell

Railroad equipment remains an important part of the company's business, and, along with other suppliers of such equipment, 1954 sales and earnings were adversely affected by the slump in railroad revenues. However, we agree with those who believe that 1955 will see improvement. In the last two months of 1954, orders received by our Air Brake Division increased, and that Division's backlog, while still low historically, is well above the low point reached in the summer.

We believe that most of the drop in sales represents a deferment of business. Freight cars are being retired at a rate well in excess of new car building, a condition which would change rapidly with any significant improvement in traffic. With higher operating revenues, the increasing interest in modernization of facilities and in reducing operating cost should stimulate sales of the automatic traffic control systems, the freight classification yards and other devices manufactured by the Union Switch & Signal Division.

We have supported our belief in the future of the railroads with extensive research and development programs in both the Air Brake and Union Switch & Signal Divisions, aimed at developing improved products for our customers. An interesting result of research carried on since 1948 in cooperation with Johns-Manville Corporation is the jointly-owned company, Railroad Friction Products Corporation, formed in December 1954 to promote the use by the railroads of a new composition brake shoe. In extensive operating tests, this brake shoe has given evidence that it will provide for passenger car service, smoother braking, lighter weight and require less frequent replacement than the conventional cast iron shoe.

The vast road building program presently contemplated for this country, together with road programs, air bases, dams and other public works in foreign countries, assures a strong market for construction and earthmoving equipment for the next several years. However, it is probable that the time required to initiate the road building program in this country will defer much of the effect upon equipment manufacturers until 1956 and 1957. The company's subsidiary LeTourneau-Westinghouse Company and its Le Roi Division will both benefit from these expanded programs.

On Jan. 1, 1955, LeTourneau-Westinghouse Company acquired the business and assets of J. D. Adams Manufacturing Company, a long established manufacturer of motor graders with an outstanding reputation for the quality of its products and its service to customers. We believe that this line of products, which are used both in the construction of new roads and in road maintenance, fits naturally into the business of LeTourneau-Westinghouse Company and will permit it to offer a broader line to its customers in this country and abroad.

The volume of business of Melpar, Inc., which has important research and development contracts for the Armed Services, increased again in 1954 and we expect the trend to continue.

While it is impossible to predict the timing or extent of the expected upturn in railroad equipment sales, we are confident that operating results for 1955 will show improvement, and that the long-range future is even brighter.

EMERSON S. BOWERS

Secretary & Treasurer, Atlantic, Gulf & Pacific Co.

The Korean situation, the expensive defense build-up and the effort for Federal economy at Washington has all but halted harbor and channel development during the past several years. Maintenance also has fallen far behind. Neither development nor maintenance is keeping pace with other national growth. We believe that this is harmful to the nation.

Emerson S. Bowers

What is Federal economy or other economy? It is efficient management, waste avoidance, spending that adds to assets and productiveness; it is spending today to meet the inevitable demands of tomorrow. No sound American industry defers plant expansion to meet a growing demand for its product and then calls such deferment economy. Does any transport organization defer buying equipment needed for increasing business? Does any public utility, with constant growth assured, delay adding capacity to meet that growth? Does a well-managed business of any kind defer maintenance essential for efficiency and uninterrupted operation and call it economy?

Misplaced economy is almost always extravagance leading to ultimate loss.

Owing to what we believe is misplaced economy, our industry, whose principal activity is constructing and maintaining the nation's harbors and channels, has been to a considerable extent idle since 1951. It appears now that the Administration realizes that curtailing certain expenses is harmful to the national welfare and not economy after all. A multibillion dollar highway program is in the making. Its primary purpose is, of course, to expand the nation's highway system to meet the tremendously growing needs for it. Other public works programs are under consideration. In addition to their primary function, another and most important purpose is to create employment and stimulate business which, in turn, will safeguard the general welfare and strengthen the national economy.

We repeat, harbor and channel development has not kept pace with other national growth; maintenance has fallen far behind. These facts are now recognized and it appears that something will be done about it beginning with the coming fiscal year. Consequently, our outlook seems better than for the past several years;

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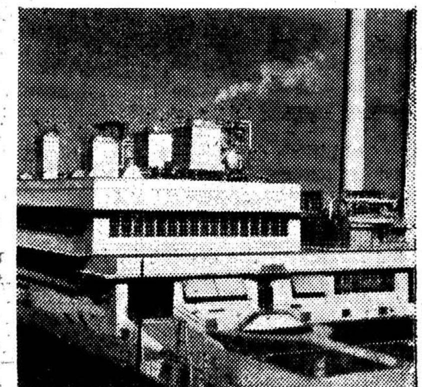
IN PUERTO RICO

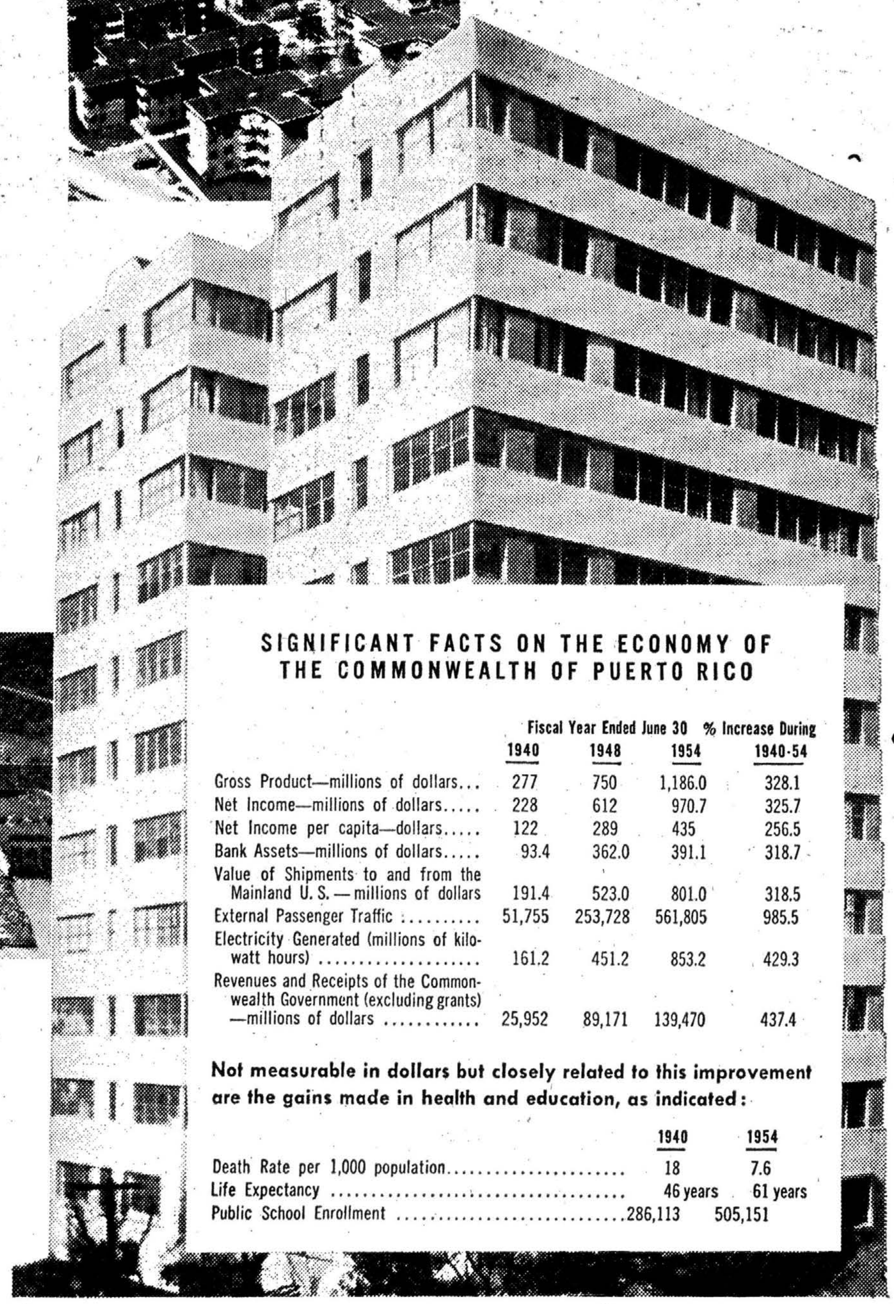
progress wears seven-league boots

Growth in Puerto Rico's living standards, according to the Chase National Bank of New York, "tops that recorded anywhere in the world—a 70% rise in the past decade."

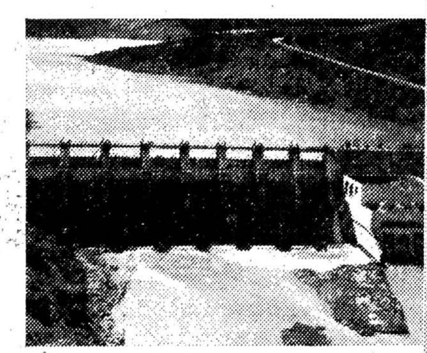
The great recent advances made by Puerto Rico in the health and wealth of its population, and in the diversification of its economic life are disclosed by the tables below.

Puerto Rico's progress is largely the result of coordinated effort between the economic and industrial agencies of the Commonwealth, the commercial banks of Puerto Rico and the mainland, and individual and institutional investors. In this effort, the Government Development Bank performs many tasks. Thus, it may make a loan for the initial construction costs of a new oil refinery, or for machinery for a new precision-equipment plant. It may arrange for the public sale of bonds to provide funds for expansion of a power plant or extension of a sewer system. Or it may undertake to interest investors in the United States in the sound housing loan opportunities available in the Commonwealth.





The Government Development Bank for Puerto Rico is pledged to continue its vigorous efforts in these directions. The notable improvements already made in the well-being of the Commonwealth and its people provide a stable foundation for the profitable employment of private capital and credit from the mainland of the United States.



SIGNIFICANT FACTS ON THE ECONOMY OF THE COMMONWEALTH OF PUERTO RICO

	Fiscal Year Ended June 30 1940	1948	1954	% Increase During 1940-54
Gross Product—millions of dollars	277	750	1,186.0	328.1
Net Income—millions of dollars	228	612	970.7	325.7
Net Income per capita—dollars	122	289	435	256.5
Bank Assets—millions of dollars	93.4	362.0	391.1	318.7
Value of Shipments to and from the Mainland U. S. — millions of dollars	191.4	523.0	801.0	318.5
External Passenger Traffic	51,755	253,728	561,805	985.5
Electricity Generated (millions of kilowatt hours)	161.2	451.2	853.2	429.3
Revenues and Receipts of the Commonwealth Government (excluding grants) —millions of dollars	25,952	89,171	139,470	437.4

Not measurable in dollars but closely related to this improvement are the gains made in health and education, as indicated:

	1940	1954
Death Rate per 1,000 population	18	7.6
Life Expectancy	46 years	61 years
Public School Enrollment	286,113	505,151

COMMONWEALTH OF PUERTO RICO

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

SAN JUAN, PUERTO RICO

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also better for those industries which supply us with the various commodities and materials which we use.

It is the hope of us all, I am certain, that we can re-employ those who have been made idle owing to curtailment of funds for the work that we do. Then, as in the past, we can make a material contribution toward national improvements which will mean so much to national interests.

MARK A. BROWN

President, Harris Trust & Savings Bank, Chicago, Ill.

The most important economic factor determining the prospects for banking in 1955, as well as in other years, is the outlook for interest rates and the demand for loans. These in turn depend on the prospects for overall business activity. Admittedly, we can see the future in only very dim outline, but a brief review of the recent past and the present provides some basis for estimating the future.

Mark A. Brown

Although 1954 was a good year for business in the aggregate, it was down moderately from the 1953 peaks. Total spending on current production of good and services was off about 2% and industrial production was down 7%. Unemployment rose from 1953 average of 2.4 million persons to about 3.2 million in 1954. The prime factors accounting for the decline in total spending from the peak in mid-1953 were: (1) reduced Federal spending of $14 billion, and (2) a $10 billion decline in the rate of inventory change. These depressing factors were partially offset by moderate increases in spending by consumers and state and local governments, spending on construction and on foreign account.

Due largely to the decline in inventories in 1954, the demand for bank loans was reduced below 1953 levels. It was not until the final quarter of last year that a substantial increase in the demand for loans occurred as the usual seasonal borrowers increased their bank indebtedness and the inventory liquidation subsided.

Several factors accounted for the reduction in yields on securities purchased by banks in 1954 as well as the moderate reduction in bank loan rates. They were: (1) a continued high level of savings; (2) moderate reductions in corporate demand for both long and short-term funds; (3) a reduction in demand for funds by the Federal Government; (4) lower consumer credit demand; (5) a Federal Reserve monetary policy of "active ease" designed primarily to buttress the decline in business activity and to promote an early recovery. Credit factors which operated counter to the interest rate trend included: (1) a substantial increase in State and local borrowing, and (2) an exceptionally strong demand for mortgage funds.

Bank earnings were good last year despite the decline in interest rates and loan volume. Factors accounting for this favorable showing include: (1) Some benefit to 1954 loan income from the higher interest rates on loans made in 1953. Declining interest rates contribute to depressed loan income but with some lag. (2) Higher bond prices resulted in capital gains from bond sales instead of losses as in 1953. (3) The active easy monetary policy plus reduced loan demand made possible a considerable increase in earning assets of banks in the form of investments. (4) The elimination of the Excess Profits Tax reduced the liability of some banks. (5) Bank management was exceptionally alert to changing business conditions and successfully adjusted policies to cope with the more competitive business environment.

Most observers expect 1955 to be a banner year for business. Total spending may be up by 3% to 4% and production should be back to about 1953 levels. Inventory liquidation and reduced Federal spending relative to taxes are not likely to depress economic activity as in 1954. Recent stabilization of producers' durable inventories plus increased sales and orders suggest moderate inventory accumulation in 1955. Construction spending is likely to be up this year, but the moderate downtrend in spending on plant and equipment may persist. Higher spending by state and local governments in 1955 should about offset the moderately reduced level of Federal spending. Higher consumer incomes and an improved job outlook should induce higher consumer spending with a somewhat lower rate of saving.

A better business level with moderate inventory build-up is expected to increase the demand for business loans. Although seasonal factors reduce business loans in the first half of the year, a rising business trend should keep the reductions to moderate proportions. If favorable business factors persist, a considerable expansion in business loans should occur before year-end. Interest rates are likely to be moderately higher this year. Factors pointing toward this conclusion are: (1) Despite the prospects for a further moderate decline in long-term corporate borrowing, total credit demand is likely to rise due to increased demand for funds for inventory financing, higher state, local and Federal Government borrowing, more real estate mortgage financing, and an expansion in consumer credit. (2) A near stable level of savings combined with a more neutral Federal Reserve policy due to improved business conditions. Recent developments indicate that current policy is less easy than was true throughout most of 1954.

Moderately higher interest rates and a larger volume of bank loans should react favorably on bank earnings this year. However, profits from security sales may be lower due to higher interest rates and reduced interest rates on loans made in 1954 will serve to restrain loan income in 1955. Earning assets in the form of investments may decline moderately because of the expected less expansive monetary policy plus the projected loan increase. On the whole, 1955 promises to be another year of great challenge and opportunity for those in the banking industry. As in all competitive industries which function in our system of free enterprise, those that are alert and adjust to changing customer demands will make the greatest contribution to our prosperity and thereby benefit from the opportunities available.

CURTIS F. BRYAN

President, Toklan Royalty Corporation

The oil industry can look forward to its year of greatest domestic demand in 1955. For what segments of the industry and to what extent this demand will be translated into increased earnings will depend upon considerations of national policy, domestic and foreign.

Curtis F. Bryan

The production of oil and gas is one of the several components which, with refining, marketing and transportation, comprise the highly integrated and competitive petroleum industry. Although there is a basic community of interest between them, it is quite possible and not uncommon for one or more of these segments to produce substantial earnings during a period when the earnings of others are below normal or nonexistent.

The extent to which the producer will benefit by 1955 increased domestic demand will be principally determined by the amount of foreign oil imported for domestic consumption. The rapid increase in these importations, comprising 13.5% of domestic consumption as this is written, has forced progressive reductions in the legally allowable rate of domestic production during the past year. In some instances these rates have been reduced to points which seriously affect revenues and which, there is reason to believe, it will not be possible to hold. However, any material excess of supply through increased productive rates can be expected to reflect itself in weaker markets.

The obvious remedy for the situation, limitation of imports, must needs be patterned to meet the Administration policy of sponsoring increased trade within the free world. However, unless industry statesmanship, which has thus far failed to manifest itself in voluntary limitation of imports, is asserted in the weeks ahead it seems probable that the President's cabinet-level fuel policy committee will be forced to recommend action to enforce that limitation and restore a measure of balance between supply and demand.

In the field of domestic policy, it is quite evident that 1955 will witness a renewed and more vigorous attempt by the Treasury Department to eliminate or reduce historic statutory allowances for the depletion of producing oil and gas properties. If either were done, net earnings would be quickly and substantially reduced by increased tax costs.

A third problem with which domestic producers are confronted lies in the approval given by the Supreme Court for assumption of control over the sale of gas by the Federal Power Commission, under the ruling laid down in the Phillips case. While the ruling affects the long-range value of gas revenues rather than earnings of the immediate future, it will prove a very substantial deterrent to development and poses the threat that, unless circumscribed by legislation, governmental control can and may logically extend to apply to oil as well as gas. It is to be hoped that our Congress will give serious consideration to the need for legislation which will afford assurance that the principle of free enterprise will continue to function.

Qualified by these considerations, 1955 may be expected to be a year of active development work with earnings comparable to or in excess of those of 1954. Capital expenditures will continue at a high level. The industry is a basic and essential part of the nation's economy and may be expected to share in the increased earnings which appear to be in prospect.

HARRY A. BULLIS

Chairman of the Board, General Mills, Inc.

A year ago our economic weather prophets were forecasting a mild recession for 1954. They were right. The recession came and it was mild. In terms of national product the decline was about $14 billion—less than 4% from the peak second quarter of 1953.

Harry A. Bullis

Undoubtedly the principal factor in the recession was the reduction of $12 billion in the annual rate of expenditures for national security which has taken place since the second quarter of 1953. As this reduction got under way, inventory build-up ceased and soon changed to liquidation. This inventory swing accounted for nearly $10 billion lower production. While these two downward movements amount to something like $22 billion, there were offsets in the form of higher consumer expenditures, new construction and larger expenditures by state and local governments.

The most serious aspect of the recession was that unemployment increased by about two and one-half million between October, 1953, and March, 1954. Since March, unemployment has been reduced by about one million. Although much political capital was made of the increased unemployment, it is difficult to see how the large drop in production for government could be compensated by increases in production for civilian usage without a dislocation of labor.

It is to the great credit of the American people that they took the adjustments in stride and refused to lose their confidence. Needless to say, the reduction in taxes helped greatly to bolster up purchasing power which was reduced by unemployment and by a shorter work week in many cases. The high rate of new construction is further evidence that both consumers and businessmen retained a high degree of faith in the future.

We are now in a new year and we have every reason to be optimistic. While Federal expenditures will probably decline a little more, it seems logical to believe that state and local governments will increase their spending for schools and highways. It is also reasonable to assume that consumers will continue to spend as freely as they have in the past and that such spending will increase as more people find employment. Employment will rise as inventory reduction comes to an end. Just to maintain inventories at present levels will require increased production at the rate of nearly $5 billion annually, because product has been coming out of stocks at about that rate.

Apparently new construction will continue at an exceedingly high level during the next few months and automobile production will be at a very high rate. There is some danger that the public may not be able to absorb new houses and new cars as fast as they are finished, and there may be a sag in those industries later in the year. There is also the danger that a break in the stock market might occur and cause uncertainty. The authorities have a weather-eye open for any excess speculation and they have raised margins; thus there has already been a selective change in the credit situation without actually firming interest rates.

The general pattern of consumer spending reflects the sensible way in which people reacted to the recession. They refused to go farther into debt. Total consumer credit, which increased over $7 billion between 1951 and 1953, went down one and three-quarter billion dollars during the first three months of 1954. Since then it has been rising slowly to about the level of last year. It is evident that many people postponed the purchase of durable goods, including automobiles, until they could obtain better prices or had the money in hand. But they did not reduce their standards of living. Their expenditures for non-durable goods and services increased steadily during the past year even at the expense of a reduction in the rate of saving. However, people are still saving at the rate of $18 billion per year, which of course includes repayment of debt, payments on mortgages, etc.

The fact that people tend to maintain their living standards in a mild recession is especially significant to food manufacturers. Before the war, about 23% of total disposable personal income was spent for food. Now 25% of greatly increased incomes goes to supply the table. This does not mean that more food per person is being consumed, but it does mean that people are eating better. In fact they are eating so well that it would be possible to turn to less expensive foods in many instances without endangering nutritive values. It is apparent, however, that it will take more than a mild recession to reverse the trend of better eating and better living.

The diet of the American people has undergone great changes during the past 50 years. At the turn of the century, we were consuming wheat flour at the rate of about 200 pounds per capita and most of our bread, cakes and pastries were baked in the home. Today we consume wheat flour at the rate of only 128 pounds per capita, and only one-quarter of our baked goods are made at home. Here we have an illustration of the significant trends which are still going on.

The downward trend in the consumption of wheat flour is the result of a desire for greater variety in the diet, together with the increasing level of personal income which has made it possible for people to satisfy that desire. The downward trend in home baking has come about because the American housewife wants more leisure and more time to spend in a widening horizon of outside interests, including gainful employment. This trend, too, has been made possible because of enlarged family incomes.

These changes were interrupted by the great depression of the 'thirties, but they were not stopped. The recent mild recession apparently did not slow them a all. As long as people desire hese things which increase their standard of living and are willing to work hard enough to get them, the trends will continue.

Great changes have also come about in the food industry. Perhaps the greatest of these is the promotion and growth of national brands. Such brands must have high standards of quality which are jealously guarded by the manufacturers and processors in order to gain and merit the continued confidence of the housewife.

Along with the growth of national brands has come the development of the supermarket, where brands can compete with each other and with other foods on equal terms. The self-service market lends itself admirably to pre-packaged foods and to competition with other foods through educating the housewife to quality, convenience and ease of preparation.

Another factor which is favorable to the food industry is the rapid growth of population in recent years. The children born during the past decade are eating more every year. At present there are about 40 million persons between the ages of 5 and 19. This is an increase of about 15% since 1950. By 1960, there will be about 46 million in those age brackets. As a result we see a continued increase in the consumption of ready-to-eat cereals, where per capita consumption also shows an upward trend.

In my opinion, the outlook for industry in general is good for the coming year and the prospects for the food business look very good. Competition will undoubtedly be even more keen than during 1954, but that is a part of our American system and is an element of basic strength. Competition is the stimulant which stirs our creative powers in the use of our resources. Scientific research is constantly bringing forth new discoveries, new products, new processes and new methods, but the test is in the market place.

I believe that both consumers and businessmen will continue to proceed intelligently and courageously during this period when the economy will slowly gain in civilian use what it lost through the curtailment of spending for national defense. I am optimistic for 1955.

HOWARD BUTCHER, III

President, International Utilities Corp.
Partner, Butcher & Sherrerd, Philadelphia, Pa.

Our company, International Utilities Corporation, controls natural gas, electric and propane companies mostly in Alberta but also Saskatchewan and Western British Columbia. In those prairie provinces growth of population, stimulated particularly by oil discoveries, has of late been rapid and promises to continue.


Howard Butcher, III

Just as the utilities this side of the border have experienced not only an increase in the number of customers but also in the quantity of service per customer, so will Alberta's demands for service increase numerically and quantitatively.

Alberta is almost as large as Texas, and may well be following in Texas' footsteps by superimposing mining, gas and oil production on a well established cattle and wheat growing economy. Varied industry followed oil and gas in Texas. The same is happening in the prairie provinces.

Alberta is proud of its tremendous opportunities; of its fast growing population which is so aware of its prosperous future; of its constructive government which fosters progress everywhere on a pay as you go basis; and of its infinitely varied resources throughout 255,000 square miles.

This is the land of opportunity, and International Utilities' subsidiaries are proud to be of service to such fine people and look forward to growing with them in 1955 as they have these many years.

THOMAS D. CABOT

President, Godfrey L. Cabot, Inc.

In my opinion, 1955 will not be an easy year in our field for there is substantial excess carbon black producing capacity in the world and several new plants are being completed. The trend toward higher quality carbon blacks in the tire industry will increase dollar sales even with equal tonnage, and modern plants designed for these qualities should have satisfactory earnings. We start this year with lower inventories than last and with current sales running about 10% ahead.


Thomas D. Cabot

We expect sales abroad to expand somewhat more than in the United States which will be of a special benefit to our foreign plants. In this country older plants using gas as a raw material have continued to operate beyond expectations because gas suppliers have been reluctant to subject themselves to the regulation required by a recent Supreme Court decision should the gas go into interstate commerce.

HON. HOMER E. CAPEHART

U. S. Senator from Indiana

If there is one philosophy encompassing the solemn duty of a member of the Congress of the United States, particularly in these times, it is a genuine recognition of the truth of the statement that "Trade Makes Jobs and Jobs Make Trade and the Combination of the Two Creates Unbeatable Domestic and International Strength and Security."


Homer E. Capehart

Examine that statement carefully. It is as true in our international relations as it is in the conduct of our domestic affairs.

Without jobs, our people at home can't find work. When that happens, whatever trade may exist at the time cannot last long because trade cannot exist without the purchasing power produced by jobs. Hamper trade and jobs disappear.

This theory is just as true in international trade. If the people who live in our friendly allied nations are without jobs, they cannot buy the goods we should be selling them to bolster our own economy. If, on the other hand, we make it difficult for foreign business to purchase and sell the goods we produce, or produce goods for sale with American credit capital, these people can't have jobs either.

So, it seems to me that the primary objective of this and every Congress should be to do those things which will produce, in its proper sphere, government encouragement for an ever more stable domestic and international economy that will assure continuing jobs and trade and trade and jobs.

If you tax individuals or business unnecessarily, you kill the incentive which produces both jobs and trade. If you impose restrictive regulations, you do the same thing. If you beat the brains out of either management or labor, you do the same thing. Neither can assume its proper place in a sound economy without the other and neither can do its best job without a government which recognizes its responsibilities to each.

In the international field, aside from its tangible effects upon our own economy, trade is without a doubt the most effective antidote for war. If we lose the cold war, it will be because we lost out on internaitonal trade.

If we do lose it, it will be because we failed to recognize the absolute necessity for applying to our foreign trade the same principle of long term credit which has been the basis of our own domestic economy. Without it, for example, we couldn't have sold many automobiles, refrigerators, washing machines, and the hundreds of other items which have produced trade and jobs and jobs and trade.

We must do the same thing internationally—give our foreign nations long term credits on which they can produce and create jobs and trade and trade and jobs.

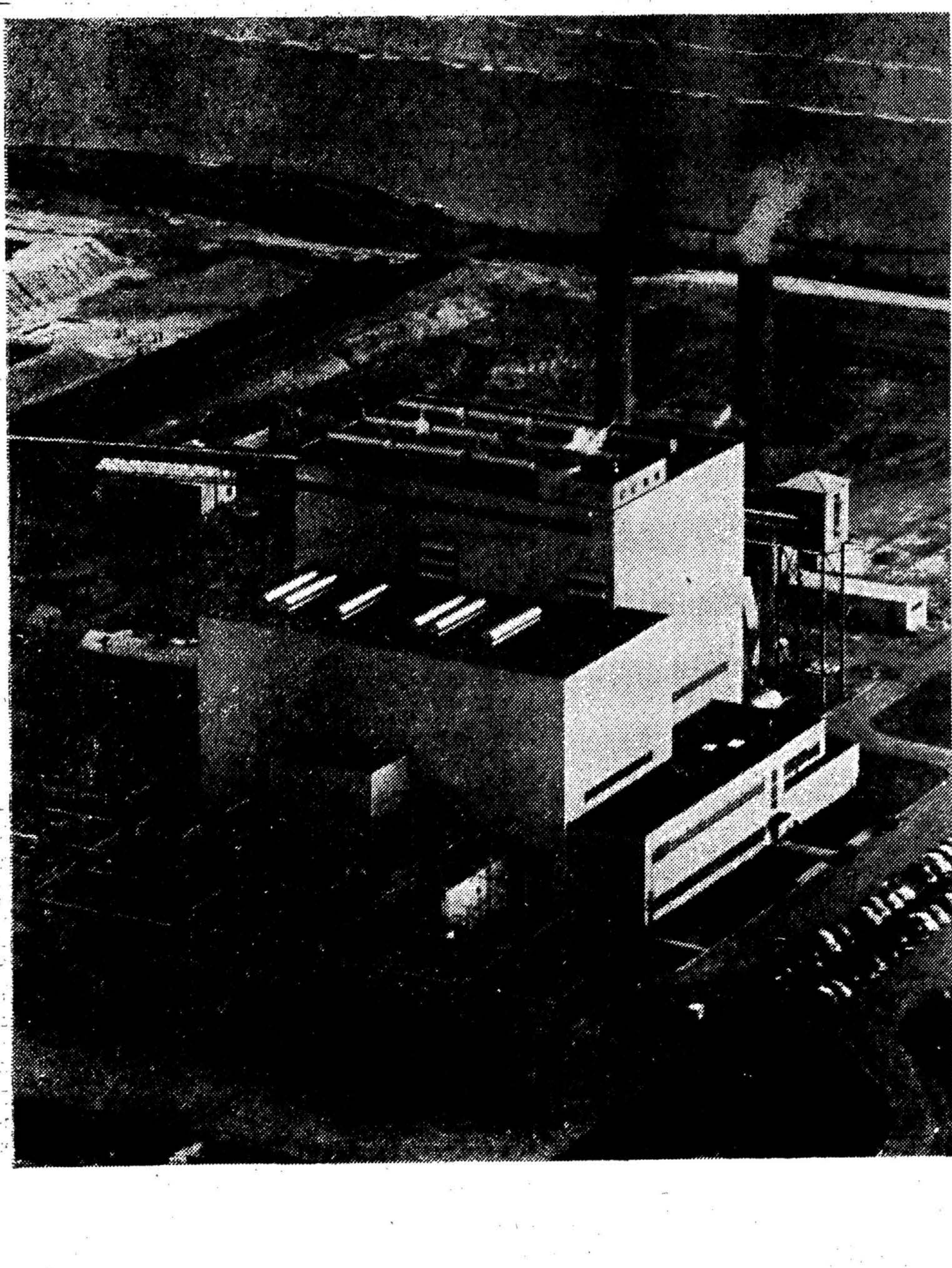
If we fail to do that—if we insist on a strictly cash basis international trade—we're going to lose the trade aspect of the cold war and we cannot afford to lose it.

When we do these things at home and abroad we make it possible for every man and every woman to fulfill the natural desire to accumulate something—to own private property.

When you have made it possible for every person to own something, you have defeated Communism because Communism, simply stated, is just an attack upon the ownership of private property.

To work for the attainment of this goal—"Trade Makes Jobs and Jobs Make Trade and the Combination of the Two Creates Unbeatable Domestic and International Strength and Security"—should then, be the primary aim every member of the Congress of the United States.

Continued on page 46


PORTSMOUTH STATION at Portsmouth, Virginia

Continued from page 45

J. H. CARMICHAEL

President, Capital Airlines

The year of 1955, for the air transportation industry, will mark the beginning of a new age of flight. In the spring, Capital Airlines will introduce to the American traveling public the Vickers Viscount, the first turbo-prop airplane to be flown in domestic transportation. Every indication points to the conclusion that Capital's turbo-prop Viscount airplane will have a most significant effect on the air transportation industry.

James H. Carmichael

For several years it has been recognized that the conventional piston engine was reaching its maximum stage of development. Leaders of the industry have viewed the approaching jet age as the next phase of air transport development, with general agreement that the turbo-prop powered airplane would represent the means through which air transportation would enter into the jet age of flight.

Capital's purchase of 60 four-engine Viscounts, powered by Rolls Royce turbo-prop engines, makes this prediction a reality. In introducing the speed and comfort of vibrationless flight to the American public, a new standard of air travel will be established. Other carriers have already announced their interest in the turbo-prop, so that in 1955 the first step into the jet age of air transportation will have been made, and a new era of vibrationless flight at greater speed will be opened.

The outlook for the coming year by Capital is so completely dominated by this new development that it is impossible to view the future except in relation to it. The concensus of opinion of all experts is one of a sound and flourishing national economy in 1955 — it should follow that with business generally at a high level, air transportation as an industry will enjoy its share of that activity. This factor, coupled with the continuing growth of our expanding industry, should point to further gains in gross revenues. However, as in any regulated industry with a fixed price for its product, consideration must be given to the escalating cost level, as it continues to reflect ever higher wages.

The economic atmosphere indicated for 1955 appears well suited for the introduction of the new age of air transportation. A healthy, highly competitive transport industry provides a good backdrop for Capital presentation to the American traveling public of a new standard of speed, safety and comfort with its Viscount airplanes.

JAMES H. CARMINE

President, Philco Corporation

With proper emphasis on creative selling and merchandising, business promises to be good all during 1955. American industry expects to turn out more new products than ever before in a race to capture the consumer's dollar. Special attention will be placed on new designs and styling to create demand. This trend will be evident in the field of consumer durables including automobiles and appliances.

James H. Carmine

Conservative observers estimate that consumer expenditures for goods and services in 1955 will reach a new peak and exceed 1954 by $9,000,000,000. The biggest increase, they estimate, will be for durable goods.

While there may be divided views as to whether the buying public will want this or that product, there can be no argument that they will have the money to spend to satisfy their desires if they can be persuaded to do so. The American people have cash and other liquid assets totaling $210 billion. That is why distribution, including salesmanship and merchandising, are of such great importance for the coming year.

Research Proceeding Apace

This country is spending $600,000,000 on guided missiles in the current fiscal years, and the expenditures may exceed $1,000,000,000 next year. Our lives and the very security of the ntion may depend on having the right kinds of guided missiles available in quantity at the right time and place. This critical need is the greatest challenge our scientists have ever faced.

Much of what Philco is doing in this field must, of course, remain undisclosed for the present—it is top secret information.

Only a few weeks ago we were allowed to say publicly for the first time that we have been awarded a contract by the Navy covering the guided missile known as the "Sidewinder"—one of the newest air-to-air missiles. The Navy announced that Philco has been engaged for several years in developing and prototyping various kinds types of guided missiles. Our tremendous research and engineering laboratories are among the few in the country that combine electronic and mechanical skills, both of which are required in missile work.

In civilian fields also, the electronic industry continues to be one of the fastest-growing in the world. In spite of a slow start last year, production of television receivers exceeded 7,000,000. The industry also manufactured and sold more than 10,000,000 home and auto radios. The field of communications is being advanced daily by new developments from our industrial research laboratories. Such devices as new and better transistors are now going into quantity production with the prospect that they will revolutionize not only present methods of manufacturing and communications, but also our daily lives in numerous ways.

Outlook Good for Appliances

The major appliance industry suffered to some extent during 1954 from over production. Nevertheless, it was a good year and one which saw almost six out of every ten families purchase either a major household appliance or a television receiver. The air conditioning industry experienced a substantial growth during the year although the volume of sales was somewhat lower than expected here in the East, because of unseasonably cool weather. Sales of home freezers increased to a point where freezers are becoming an accepted appliance in most American homes. Sales of refrigerators and electric ranges were good for the year as a whole, due in part, to a very high level of new home construction—a trend that will continue in 1955.

O. W. CASPERSEN

President, Beneficial Loan Corporation

Nineteen fifty-four passed into economic history as the second best year in the history of the United States. More people were employed and the Gross National Product was higher than in any other year except 1953. Prices were stable and personal taxes were cut, so real income went up. Furthermore, consumers actually spent more dollars in 1954 than in 1953. Yet for most of the year there was both talk and feeling of some readjustment or recession. This was due to pockets of unemployment that were concentrated in a few production centers where fewer consumer goods, such as automobiles and electrical appliances, were coming off assembly lines. Consumers spent freely but not in the customary way. They spent more than usual on services, recreation, vacations, housing, and soft goods, and they spent less than usual on consumer durables.

O. W. Caspersen

Cash lenders, like the 860 loan offices of Beneficial Loan Corporation, finance emergencies and opportunities in family life that occur with some degree of actuarial regularity that is independent of the state of business. Experience last year confirms this well known fact.

Despite the fact that the year 1954, as a whole, ended up as a mild recession from the peak reached in the middle of 1953 and despite the pockets of localized unemployment, small loan companies followed their customary pattern. Aside from a seasonal dip in the first quarter, outstanding receivables of personal instalment loans increased. Particularly, there was the usual seasonal increase in the last quarter, and the final figures were several hundred million dollars above the outstanding small loan receivables at the end of 1953. Beneficial obtained its share of the increase.

1955 begins with every prospect that consumers will continue their dynamic reach for higher standards of consumption through buying goods and services, many of them on convenient time-payment plans.

Psychology of workers and businessmen should be better because the direction of change of practically all economic indicators will be up.

In 1955 consumer demand for durables will assert itself more vigorously than in 1953 and will require more use of credit.

Once again Beneficial will increase the number of subsidiary loan offices and the investment in them.

HON. EMANUEL CELLER

U. S. Congressman from New York

While I make no claim to the possession of a crystal ball, I do believe I can make limited predictions on legislative activity in the 84th Congress. At any rate, I am willing to assume that risk.

The President' recommendation for a three-year extension of reciprocal trade agreements will pass this time. It will not be necessary for him, with a Democratic Congress, to surrender as he did in the 83rd Congress with his acceptance of a one-year extension.

Emanuel Celler

It is a note of tremendous significance that the President, as seems to be apparent now, placed his emphasis not upon a balance budget as he did previously, but upon a balanced economy. In learning to put the welfare of the nation ahead of a balanced budget, the President will face less resistance from the majority in Congress. The housing program, for example, will be dealt with more realistically in keeping with the needs of the country; the needs of education will not be summarily dismissed; and an increase in the minimum wage will doubtless be part of the lebislative agenda. While I foresee no further cut in corporate taxes, I believe the issue will be joined on the matter of incomes received from dividends and also on the question of increasing the amount of personal exemptions. Much, of course, will depend upon the state of health of the economy. Should the pockets of unemployment now appearing as soft spots in various areas of the country persist, it will be necessary to increase the purchasing power of the people through just such an increased personal exemption. The Census Bureau reports 62.1 million employed as of September 1954. That figure is less than in the two preceding Septembers. This is an indication that our economy is not expanding sufficiently to make room for the many thousands who enter the labor market each year at a much faster rate than those leaving.

The health of our economy cannot be judged by unemployment figures by themselves. We must take into account not only how many are unemployed, but the employment figure itself, to enable us to judge both the growth and the elasticity of our economic sufficiency.

I am doubtful that this Congress will vote in favor of admitting Hawaii to the Union without the same consideration given to Alaska. The political fact of life is that the admission of Hawaii will spell out, in all likelihood, the addition of two Republican Senators. This is too obvious a maneuver for the Congress to accept.

Congress wil concern itself with the principles of public vs. private power, the issue dramatized by the Dixon-Yates contract, and the alarming increase in the rate of business mergers. The Administration's security program will undoubtedly receive keenest scrutiny.

It is, of course, safest to say that the legislative activity will be of especial interest in view of the fact that there is a Democratic Congress and a Republican President. It is admitted at this time that Mr. Eisenhower's program moves closer to the thinking of the Democratic party, most particularly in the area of foreign affairs and trade.

PAUL F. CLARK

President, John Hancock Mutual Life Insurance Co.

Competition has always characterized the life insurance business, just as it has always been present in other industries. In the past year, however, competition has become more apparent to prospects and policyholders. The interest of the average buyer of life insurance is what it can do for him has expanded. This has come about not only because of competition, but also because of the concern of all responsible life insurance officers to provide better service at lower cost.

Paul F. Clark

This stimulation of interest has resulted for the John Hancock, as for other companies, in increasing business in 1954—and the upcurve, I confidently believe, will continue through 1955.

With better knowledge of the function of life insurance through better education and through the impact of advertising, the industry cannot fail to extend its services to the American public. Despite the competition of other goods and services and of the many channels for the investment of disposable income, I believe life insurance may well receive a larger share of the consumer dollar in 1955 than has been the case in recent years. Life insurance purchases can and will keep pace with the economy—and I see nothing in the horizon to impede this forward march.

J. LUTHER CLEVELAND

Chairman of the Board, Guaranty Trust Co. of New York

The new year has opened with business activity again on the uptrend after one of the mildest, though one of the best-advertised, recessions on record. The constructive manner in which government and business have met the problems of readjustment carries the most favorable implications with respect to the outlook.

J. Luther Cleveland

Government has wisely resisted demands that it rush in with large-scale deficit spending to fill the gap created by declining defense expenditures and inventory liquidation. Instead, it has endeavored to encourage private business to take up the slack. Business has responded by refusing to "panic," by proceeding with orderly revision of its inventory position, by continuing to invest large sums in new and improved productive facilities, and by retailoring its output to the changing needs of the market.

The result is that a wholesome economic readjustment has been accomplished with a minimum of difficulty, and that business is less dependent upon political props than it has been for many years. The transition from a military economy toward a normal peacetime economy is beneficial from every point of view. It means that a larger share of the national product is being devoted to the people's individual needs and desires, and less to the uses of war. It means that the base of demand has been broadened, diversified and stabilized. It means that the inflationary threat which always accompanies heavy governmental spending has been diminished. And it means that the trend toward expanding bureaucratic control over the lives of the people has been reversed.

The early prospects seem to point toward gradual and solid recovery, rather than toward an immediate return to boom conditions. Consumer demand is well sustained, although there is no longer a large backlog of deferred buying. Construction seems likely to rise to new peaks, but business investment in plant and equipment continues to decline gradually. Inventory liquidation has

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Colleges, Schools And Taxes

By ROGER W. BABSON

Stating the college problem is serious, Mr. Babson holds teachers' salaries and their efficiency, both now comparatively low, must be increased. Foresees continued large increases in college enrollment, and forecasts our democratic society, with full employment can progress only as we provide adequate schooling for our youth, under moderate tax rates.

Do you hope you will be able to send your children to college sometime between now and 1964? If you expect them to get a sound education, and you to get your money's worth, much must be done. Both teachers' salaries and their efficiency (which is now comparatively low) must be increased.

Roger W. Babson

Fifty years ago, only about 4% of the youth of college age were able to go to college. Two great events on our national scene boosted enrollments sharply—the depression and the G.I. Bill. Pre-war, about 15% of our youth of college age attended such schools. Between 1945-49 a little better than 25% were enrolled. Then, the number shrank during 1950-52. Chiefly responsible for this drop was the fewer number of births in the 1930-35 depression.

But, 1952 saw a 1.5% increase in college enrollments over 1951; and 1953 rose 4.8% over 1952, so that again about 25% of our youth of eligible age were in college. 1954 fall enrollments probably registered a 6%-8% increase.

Can College Forecasts Be Trusted?

If you project to 1970 the number of children already born, you will have a 16% increase in the youth of college age by 1960, a 46% increase by 1965, and a 70% increase by 1970. And if an increasing percentage of our youth of college age go on to college, enrollments could double by 1970.

The above is based on the assumption that we shall continue to make more educational opportunities available for our youth, as we always have. Educators claim that by 1970 a good third of our young people of college age may enroll. This would more than double student bodies, and perhaps require double the number of teachers and much more classroom space. Personally, I believe this is like forecasting 500 for the Industrial Stock Average. I question such figures.

The teacher shortage will not be limited to colleges. Our elementary and secondary schools may need about 140,000 new teachers each year for the foreseeable future. Yet, it is estimated by the experts that only about half the number of teachers needed for the public schools alone will be graduated from college.

But, someone will have to teach your little Johnny and Susie. If adequately trained teachers are not available, persons with substandard qualifications will have to be pressed into service. Now, why is there a teacher shortage? The answer, in part, is that teachers are underpaid.

Salaries Compared

Public-school classroom teachers' salaries averaged about $3,600 for 1953-54. This is less than many business and engineering college graduates got as a starting salary on their first jobs a year or so ago. And 1953-54 was a good year for the teachers too, for it represented an average salary rise of 4.8% over the previous year.

Still, 14.1% of the 1,028,899 teachers received less than $2,500, and only 14% received $4,500 or more. College teachers' salaries go very little higher. The median income of physcians, on the other hand was about $11,200; lawyers, $7,750; dentists, $7,100; but with much higher top figures attainable. How can we hope to hold good men in top educational jobs which pay $5,000-$8,500 when their counterparts in industry offer ceilings unlimited?

Taxes Should Not Be Raised

If we want capable teachers, we shall have to pay wages competitive enough to encourage them to make the tremendous outlay of time and expense needed for their education. To hold our able teachers, we shall have to up salaries. This means higher taxes.

I forecast that our democratic society, with full employment, can prosper only as we provide adequate schooling for our youth, with a moderate tax rate. This means that our educational leaders must provide far more efficient methods of learning by doubling the use of present facilities. What industry could survive in this competitive era with its factories being used only six hours per day?

Continental Secs. Co.

ROANOKE, Va. — Continental Securities Company is conducting a securities business from offices at 609 South Jefferson Street. William P. Hilts is a principal of the firm.

With Ungerleider Co.

Ungerleider & Co., 52 Broadway, New York City, members of the New York Stock Exchange, announce that Arthur Jerome Schwartz, formerly associated with Bache & Co. is now associated with the firm.

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almost if not entirely ceased, but no rush to replenish has developed. The decline in Federal spending has been partly offset by increasing pressure on State and local governments to provide new roads, schools and other public services. In short, the recovery, like the preceding decline, seems to be proceeding with moderation and balance.

The experience of the last two years encourages the hope that both government and business have grasped the importance of avoiding excesses, either on the upward or downward side. If this vital lesson has been thoroughly learned, there is good reason to view the economic future with optimism.

HARRY COHN

President, Columbia Pictures Corporation

Hollywood—and by Hollywood I, of course, use only the identifying phrase for the motion picture industry—is these days a place of excitement, enthusiasm, and high promise.

Harry Cohn

There is good reason for this. For our industry has just completed one of its most profitable years. Expectations are great, not only for top-flight entertainment calculated to keep audiences more interested than ever before, but also expectations of growth, development and profits for those of us who make and distribute movies.

It has required a measure of imagination, tenacity and determination to overcome the economic threats which have disturbed our industry in years past. Ours is a flexible industry. We do not hesitate to scrap successful formulas of the past when they no longer serve the needs and demands of today.

Today we are concentrating on quality pictures. Columbia has produced, in the last two years, such successes as "From Here to Eternity"; "The Caine Mutiny"; "On the Waterfront"; and "The Long Gray Line." The other studios have been keeping pace, making pictures with daring, courage and the very best talent available. That this is the formula movie-goers the world over want is indicated in the healthy state of our company and our industry today. We have found that there is no ceiling for quality pictures, the kind of pictures the cash customers have clearly indicated they will support.

With the application of this new thinking, with new and popular technological advances, with talent and administrative personnel working harmoniously, with our nation's economy and prosperity continually advancing, the motion picture industry can well look ahead to a whole new era of progress and earning power.

L. L. COLBERT

President, Chrysler Corporation

In the closing months of 1954, the automobile industry's new model introductions created a surge of activity and confidence throughout the American economy.

Public response to the new automotive products has put many plants on an overtime basis in an effort to supply the demand. The effects of this increased activity have been felt in the industries and businesses in all parts of the country that supply automobile manufacturers with materials, parts and services.

L. L. Colbert

Industry-wide production of passenger cars for 1954 is expected to total at least 5.5 million, and production of trucks and buses over a million. Present indications are that passenger-car production in 1955 will be even higher than in 1954, with production of trucks and buses at least equal to the 1954 output. This would mean a 1955 production exceeding the 6.5 million motor vehicles produced in 1954 and would make 1955 one of the industry's biggest years.

A main reason for expecting 1955 to be a bigger year for the automobile industry than 1954 is the stimulus of new models on the buying public. Following are a few more reasons for believing that 1955 will be an exceptionally good year for the industry.

(1) Recent market surveys have shown that more than 60% of those who buy new cars tend to replace them every two, three or four years. In 1950, 1951, and 1952 over 13 million consumers bought new cars — and in 1955 a large percentage of these people should be in the market for new cars.

(2) Conditions are favorable for an active market for good used cars — which in turn should lead to increased new car sales. One indication of the great need for used cars is the continued use today of between 8 and 9 million cars over 13 years old—cars which were built before World War II. Most of these would have been scrapped if a supply of good used cars had been available. The older cars, early postwar as well as prewar are being scrapped in ever-increasing numbers, and this will result in an increased demand for cars five years old or younger.

(3) Of every 100 families that own cars, 88 have only one car. And 14 million American families — as many families as this country had in 1895 — have no car at all. Surprisingly enough, many of the families not owning cars are in above-average income brackets with earnings over $5,000 a year.

(4) People are confident, and in the mood to buy. The recent survey of consumer attitudes by the University of Michigan's Survey Research Center showed a definite increase in consumer optimism and confidence and a greatly improved attitude toward spending for consumer durables. The survey states that "The outlook for sales of automobiles and large household goods for the next six or nine months, dependent of course both on consumer resources and consumer sentiment, is better than at the end of 1953."

(5) Nearly three-fourths of America's families now have liquid savings in the form of bank accounts and government bonds. This is a higher proportion than in 1953, and very nearly as high as the highest proportion on record — at the end of World War II. Moreover, those families with savings have an even higher average amount of savings than the amount held by families with savings at the end of the war. The average now is $770, or $20 higher than it was then.

Before Chrysler Corporation's 1955 models were introduced to the public, I said that our immediate aim was to sell 20% of the passenger car market, and that when we hit that target we would raise our sights still higher. On the basis of the initial response of the public to our new models I now think we will raise our sights sooner than I anticipated.

By Dec. 13, less than a month after public introduction of our new models, we had received 448,000 dealer orders for the 1955 cars. Plymouth orders totaled 248,000; Dodge, 100,000; DeSoto, 40,000, and Chrysler and Imperial, 60,000. During the second week in December dealer orders for all our cars combined were averaging over 9,500 a day.

In an attempt to fill these orders, all of our divisions are working on an over-time basis. By mid-December, total Chrysler Corporation employment had reached 160,000, nearly 45,000 higher than the average of the first 11 months of the year. During the week ending Dec. 11, 33,200 passenger cars were produced by all Chrysler Corporation divisions. Plymouth Division alone anticipated an output of 79,000 cars in the month of December, and on the basis of current demand expects to turn out 725,000 of the 1955 model.

In a model changeover period when the industry as a whole made a greater number of changes than in any previous year, Chrysler Corporation led all other companies in the number and diversity of its innovations. Sweeping changes in all five of its passenger-car lines were featured by: (1) completely re-styled bodies with a new type "wrap-around" swept-back windshield; (2) three new V-8 engines; (3) new real springs and new front-wheel suspension; (4) a wider range of body colors and interior fabrics; (5) a gear selector lever on the instrument panel, and (6) a variety of new mechanical and structural features — including a suspended and enlarged brake pedal, improvements in body bracing and welding, rear deck lids counterbalanced by spring-tension torsion bars, and many others.

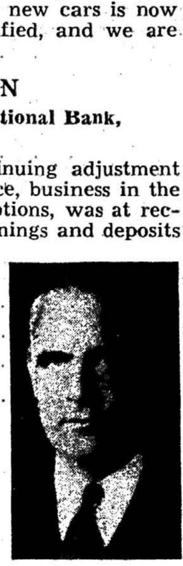
The new "forward look" styling of Chrysler Corporation cars is the product of more than three years of study and experimentation. All of our 1955 models are lower and longer. They present the appearance of road-hugging power and at the same time give the effect of lightness and airiness in the upper portion. Some of the cars have been lowered by as much as 2.6 inches; the sides have been sloped inward from the belt line to the roof; and the glass area of the windshield on all models has been greatly increased.

We are very happy about the enthusiastic response to our 1955 models in all parts of the country. The confidence we have had all along in our new cars is now shown to have been completely justified, and we are looking forward to an excellent year.

JOHN S. COLEMAN

President, Birmingham Trust National Bank, Birmingham, Ala.

Although 1954 was a year of continuing adjustment from wartime economy to one of peace, business in the Birmingham district, with some exceptions, was at record levels on the year-end. Bank earnings and deposits reached new highs. Retail merchants experienced their best volume of business.



John S. Coleman

During the past year textiles suffered a severe contraction as also did lumber products. With improvements in the inventory situation and the increase in orders the outlook for these businesses in 1955 is much more favorable.

Severe drought of long duration adversely affected the farmers in many sections of the state. With relief wisely administered to those most in need, plus the cooperation of many interested parties, the worst conditions were alleviated and no permanent setback appears likely.

According to reports from the Tennessee Coal and Iron Division of United States Steel Corporation, their books reflect a definite rise in demand for steel, with manufacturers and fabricators again in the market. Significant improvement in the production and sale of steel in 1955 is expected if present trends continue.

It is reported by Alabama Power Company that in 1954 it invested $34,000,000 for additions and improvements and that $106,000,000 is scheduled in the next three years for similar expenditures. Plans are in process between this company and the Federal Government for the building of five dams and power plants along the Coosa River within the next decade. Also pending is an application for a permit to build a large dam on the Warrior River.

Much progress has been made in the plans of the Corps of Engineers, United States Army, for the development of the Warrior-Tombigbee Waterways which extend from Mobile to above Birminghamport. This will not only afford greatly improved navigation facilities but will also add substantially to the water supply for industrial, irrigation and recreational purposes.

Industrial development is continuing in all sections of Alabama. It is reported that in the last 15 years the number of industrial establishments increased from 2,052 to 5,300 and that the volume of manufactured products has increased 417% in that period.

JOHN S. COLEMAN

President, Burroughs Corporation

There seems to be general agreement that the economic recovery which began last Fall will continue. All important indicators have been moving upwards.

John S. Coleman

It seems certain that business activity will be at a high level in 1955.

To my mind the most important factor in maintaining business activity at a high level will be effects of the release of new products. The tremendous sums applied to research in the last 10 years are beginning to pay off, and the new products coming onto the market will be a continuing stimulus to business activity.

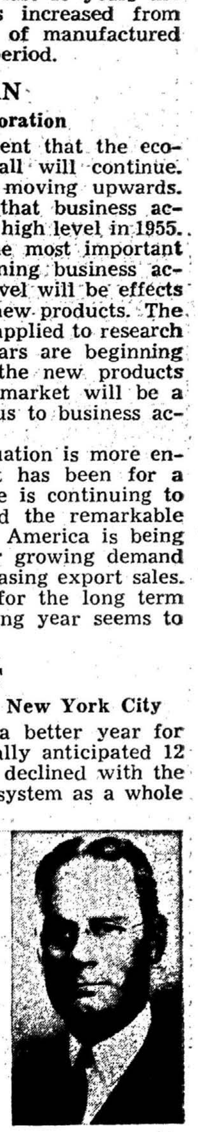
Abroad, the situation is more encouraging than it has been for a long time. Europe is continuing to gain strength, and the remarkable progress in Latin America is being maintained. Their growing demand for American products promises increasing export sales.

I would not pretend to prophesy for the long term future, but the outlook for the coming year seems to me very encouraging.

S. SLOAN COLT

President, Bankers Trust Company, New York City

Nineteen fifty-four proved to be a better year for commercial banking than was generally anticipated 12 months ago. Bank loans to business declined with the sag in economic activity, but for the system as a whole the decline was more than offset by the rapid rise in real estate loans, and by increases in loans on securities and other loans. Bank lending rates tended downward, but the decreases were generally moderate. Easier credit policies, which included lower reserve requirements, enabled the banks to add substantially to their Government security holdings. Net operating earnings generally were above 1953 and many banks raised their dividend rates. Also, with the better tone in the market for Government obligations, commercial banks registered profits on sales of securities, in contrast to the losses realized in 1953, so that additions to capital funds in 1954 were significantly greater than in the preceding year.



S. Sloan Colt

For 1955, the banking outlook continues favorable. The prospect of some improvement in business activity suggests larger demands for bank loans in the aggregate than in the past year. The liquidation of business inventories seems to have run its course, and this should eliminate one of the important factors that reduced the volume of business loans in 1954. The strength in the building field should provide continuing opportunities for construction and real estate mortgage lending, while consumer credit, which showed little net change in 1954 is expected to increase in 1955. Economic pressures toward lower bank lending rates have subsided and the rate outlook appears more favorable to lenders in the months ahead.

Commercial bank holdings of Government securities, on the other hand, are not likely to increase as much as in 1954. With the loan outlook more favorable, the banks may be expected to stress the need for greater liquidity in order to meet customers' borrowing requirements. Furthermore, as long as business conditions continue to improve, the Federal Reserve is less likely again to reduce reserve requirements or to make reserves as readily available to the banking system as in 1954. Rates earned on investments, especially on short-term securities, may average somewhat above last year.

Flexible credit policy in the past two years has helped restrain a business boom and has effectively cushioned the decline. Experience thus demonstrates the contribution which such a credit policy can make toward keeping economic fluctuations within a narrow range. Given the support of the business and financial community, the Congress and the general public, credit policy will undoubtedly continue its contribution toward stable economic growth.

Continued on page 50

N. Y. Security Dealers Elect New Officers

At the annual meeting of the New York Security Dealers Association held on Tuesday, Jan. 11, 1955 Eugene G. Statter of Hoit,

Eugene G. Statter Elbridge H. Smith

Hanns E. Kuehner Samuel Weinberg

Herbert Singer

Rose & Company was elected President for the year 1955.

Other officers elected were Vice-President: Elbridge H. Smith of Stryker & Brown; Hanns E. Kuehner of Joyce, Kuehner & Co.; Treasurer, Samuel Weinberg of S. Weinberg & Co.; Secretary, Herbert Singer of Singer, Bean & Mackie, Inc.

Maurice Hart of New York Hanseatic Corporation and Herbert Singer of Singer, Bean & Mackie, Inc., were added to the Board of Governors.

The following three members were elected to act as Trustees for the Gratuity Fund to serve for a period of two years: John J. O'Kane, Jr., of John J. O'Kane, Jr., & Co.; Fred J. Rabe of F. J. Rabe & Co., and Stanley L. Roggenburg of Roggenburg & Co.

The following four members were elected to act as the Nominating Committee for the year 1955: George A. Searight; Leslie B. d'Avigdor of d'Avigdor Co.; Irving L. Feltman of Mitchell & Company and James V. Lang of J. B. Lang & Co.

The Board of Governors of the Association now consists of: Harry R. Amott of Amott, Baker & Co., Inc.; Philip L. Carret of Granbery, Marache & Co.; Frank Dunne of Dunne & Co.; Maurice Hart of New York Hanseatic Corporation; Herbert D. Knox of H. D. Knox & Co., Inc.; Hanns E. Kuehner of Joyce, Kuehner & Co.; David Morris of David Morris & Co.; Herbert Singer of Singer, Bean & Mackie, Inc.; Elbridge H. Smith of Stryker & Brown; Eugene G. Statter of Hoit, Rose & Company; Oliver J. Troster of Troster, Singer & Co.; and Samuel Weinberg of S. Weinberg & Co.

Two With John G. Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — John B. Frevel and Harlan L. Lidke are now associated with John G. Kinnard & Co., 133 South Seventh Street.

With State & Bond Mtge.

(Special to The Financial Chronicle)

NEW ULM, Minn. — Fred E. Hollingsworth, Richard T. McDougal and Melvin D. Weathers are now with the State Bond and Mortgage Company, 28 Montgomery Street.

Craig-Hallum Adds

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Jeanette A. Hardin has been added to the staff of Craig-Hallum, Inc., Rand Tower. Miss Hardin was formerly with Harris, Upham & Co. and C. S. Ashmun Co.

Joins Reid, Higbie Co.

(Special to The Financial Chronicle)

DETROIT, Mich. — Donald A. Burleson has become affiliated with Reid, Higbie & Co., Ford Building, members of the Detroit Stock Exchange.

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SIDNEY B. CONGDON

President, National City Bank of Cleveland, Ohio

The current outlook for business is quite different than it was a year ago. Last year at this time the trend of the economy was downward and there was a great deal of apprehension. Now business indicators are on the upgrade and there is a widespread expectation that 1955 will be a year of good business. If these expectations for business are realized, it will mean a good year for banking. Banking is the handmaiden of business and banks ordinarily prosper in proportion to the prosperity of the customers they serve.

Sidney B. Congdon

The close relationship between business and banking is clearly demonstrated by developments during 1954. It was a year of business adjustment, with durable goods industries experiencing a reduction in output of about 10% while nondurables were off about 2%. The sharp setback for durables meant that the business adjustment was felt particularly by the Cleveland-Pittsburgh-Detroit region of the nation, simply because that area specializes in the output of durable goods. And as one might expect, regional banking data on loans and deposits reflected the degree to which the respective areas of the nation were affected by the business adjustment.

For example, in the Fourth Federal Reserve District, which includes Ohio, Western Pennsylvania, the West Virginia Panhandle and the eastern part of Kentucky, loans to commerce and industry ended the year at a level 15% below the 1953 year-end figure. In contrast, the year-to-year decline for leading cities in the nation as a whole was only 4%. In the Fourth District, demand deposits of individuals and business during 1954 just about matched the average level of 1953, while the comparable national figure showed an average year-to-year increase of 2%.

Those of us who are engaged in business or banking in durable goods regions of the nation are encouraged by what history tells us about the cyclical behavior of the durable goods industries. Just as they decline more in a business recession than does the economy as a whole, so do they rise more in a business recovery than does the national economy. It follows that if 1955 is to show an improved level of business activity, then overall gains in the Cleveland-Pittsburgh-Detroit area may well exceed the national average.

As for banking in the national picture, one can say that the banking system is prepared to do its part in achieving a sustained upward trend in the overall level of business activity. For example, sound borrowers will find ample loanable funds available in 1955, be they business borrowers, or municipalities, or buyers of a new home or purchasers of consumer durable goods. It also appears that the various types of financial institutions, together with individuals, will have ample savings on hand to meet the long-term financing requirements of businesses and governments. In short, the financial climate appears to be an encouraging element in the total economic picture.

HON. FREDERIC R. COUDERT, Jr.

U. S. Congressman from New York

Control of the Federal Budget, in my judgment, continues to be of great importance to maintenance of a truly sound economy. I have reintroduced proposed legislation and a Constitutional amendment designed to establish a procedure by which Federal expenditures could be limited to revenues and thus put an end to deficit-financing and incurrence of debt except in time of war or other grave national emergency. One of these proposals was favorably reported by the House Committee on Government Operations during the last Congress, but no final action was taken.

F. R. Coudert, Jr.

The fact that there is now no place in Congressional procedures where the authorization of expenditures is related to income from taxes or incurrence of debt makes it necessary to provide a means whereby Congress can, if it wishes, direct a balanced budget. Inflation is such an easy road for government to follow that we must be on guard always against it and a means of reaching a balanced budget would be one effective weapon against it. The people who get hurt most by inflation in many instances are the ones government is trying to protect. It jeopardizes all those who live on pensions, savings and insurance.

The present national debt of $279 billion suggests that every American owes $1,729 as his share and the average American now pays $42.18 in taxes just for the annual interest charge alone. In fact, the annual interest charge on the Federal debt is now the largest item in the Federal Budget except for national defense.

The principle underlying my proposal is observed almost universally by the States and should be adopted by the Federal Government. Only by resolute action along this line can there be assurance of further tax reductions essential to a prosperous economy.

H. R.-2 of the 83rd Congress (H. R.-30 in the new Democratic Congress), as reported by the House Committee on Government Operations, provided that expenditures of the government during each fiscal year should not exceed the revenues for such year except "(1) in time of war declared by the Congress; or (2) during a period of grave national emergency declared by the Congress by a concurrent resolution." It was provided that the budget submitted annually by the President should be prepared, on the basis of the best estimates then available, in such a manner as to achieve the stated goal. The bill provided further that "notwithstanding by obligational authority granted or appropriations made, except such with respect to the legislative and judicial branches of the government, the President shall from time to time during each fiscal year take such action as may be necessary (by placing funds in reserve, by apportionment of funds, or otherwise) to ensure compliance with the first Section of this Act."

The proposed Constitutional amendment is identical in form and, of course, would be more effective than any statutory limitation.

The House Committee in reporting H. R-2 said:

"The purpose of H. R.-2 is to establish a legislative policy of balanced budgets, to overcome contentions that our exorbitant taxation cannot be reduced until the budget is balanced, an to re-establish the Constitutional control of Congress over the expenditures of public monies. The enactment of this leglisation will be the effective expression of a Congressional policy that will make tax reduction feasible."

"The rate of Federal taxation has reached the point of confiscation. But still the government spends more money than it takes in."

The present Administration has achieved remarkable success in reducing Federal spending over the past two years. It has come within sight of balancing the budget. Yet there appears to be springing up an unjustifiedly defeatist attitude about the possibilities of obtaining a balance. I am convinced that decisive progress can be made in this direction in the years immediately ahead if there is a will on all sides to achieve results. It is difficult to understand how anyone could fail to support a procedure by which a balanced budget could be reached even though there may be difference of opinion as to when it should be reached.

CLEO F. CRAIG

President, American Telephone and Telegraph Company

We are looking forward to good, substantial, healthy progress. We have an ever-improving service. We shall continue to invest in the future. That is what all our experience and study tell us is right and necessary to meet the tremendous growth that is surely ahead for this country of ours.

Cleo F. Craig

Our expenditures for new construction during the nine postwar years have averaged about $1.2 billion a year. Last year they were close to $1.4 billion. Perhaps they will be a little more in 1955.

Assuming no major change in the international situation, the Bell System this year expects—

(1) To add more than 2,000,000 telephones. Last year we added about 1,900,000. (2) The volume of long distance calls to increase some 5 to 10% from present record levels.

Our merchandising efforts are proving very effective. We think 1955 will be a busy year.

RALPH S. DAMON

President, Trans World Airlines,

The scheduled airlines of the United States have good reason to look optimistically toward the new year for continued growth in business volume, improved gross earnings, and further expansion of markets and services over the rapid advancement of the last few years.

Ralph S. Damon

Major traffic-growth potentialities to be cultivated directly within our industry are concentrated in low-priced tourist air travel, tour-group travel, thrift-season discounts, pay-later plans, improved dependability and reliability of service and expansion of aircraft fleets.

Indirectly, other growth-producing factors for the airlines, according to recent national economic surveys, include the growing population shift westward, in the United States, the general trend toward decentralization in industry and the steadily rising standard of living. The chief problem in the airline industry—one common to other businesses today—is one of rising costs which narrow the profit margin. While wages and material costs remain high, and while new equipment costs and depreciation charges are generally climbing, the price of our product to the traveling public has actually gone down.

In order to overcome this problem by penetrating the great travel market potential, the airline industry will be a strongly competitive one in 1955, in equipment, routes, services and sales.

We in Trans World Airlines are looking forward with great excitement to 1955, when we will celebrate 30 years of air service to the public.

Throughout the year events and achievements in TWA's development, symbolizing past, present and potential future growth of all commercial air transport in the United States, will be highlighted.

Thirty years ago, TWA's first "cornerstone corporation" Western Air Express, was incorporated. Six original biplanes and a route from Los Angeles to Salt Lake City have grown over the years into a global airline with a fleet of 150 aircraft, and 33,000 miles of routes over four continents.

Early in the year this fleet will be augmented by the first of 20 new turbo-compound Super-G Constellations now on order. Upon completion of this delivery, TWA will have a sky-fleet of more than 100 Lockheed Constellations, the largest commercial fleet of these fast, dependable aircraft in the world.

Highlighting TWA's planning for its fourth decade of service and growth, will be a new $18,000,000 overhaul base to be built in Kansas City. Ceremonies to mark the laying of the cornerstone for the new base, to be equipped with the newest airplane and engine maintenance facilities, will take place in the spring of 1955.

We in TWA look to the immediate future with great anticipation and to the long-range future with optimism for new growth and progress.

HARRY W. DAVIES

Chairman, Marine Midland Trust Company of Central New York, Syracuse, N. Y.

Nineteen hundred and fifty-five is off to a good start. Actually, however, at this writing it is far too early to know accurately which of the varied forecasts and predictions for the year will hold true.

H. W. Davies

Conditions in the Central New York area served by our bank apparently are very bright. The New York State Thruway and the St. Lawrence Seaway will have a complimentary effect. Local bank deposits have reached an all-time high. The financial picture of many local companies is improved measurably as against a year ago. Local loans and discounts are reaching a new high, indicating increased confidence on the part of the borrowers and lenders in the business activity of the future months. The local credit trend may safely be considered a good indication of consumer confidence in the maintenance of their employment and a measure of their willingness to pledge future income to meet present needs.

Needless to say, Syracuse and the Central New York area will prosper as the nation prospers. It is my expectation that 1955 will include a continued gradual rise in over-all business activity. The two major deflationary factors of 1954—lower defense expenditures and inventory liquidations—will no longer be important depressive influence. I would not say that business is discarding any conservative inventory policies it may hold, but rather that, because we can write the "epitaph" of the "finished goods" inventory reduction cycle, the levels of production may be boosted above those prevailing through much of 1954.

Rising business activity will generate new credit demands. The apparent increase in the volume of new orders and the replacement of inventories to keep step with a business revival will further necessitate increased borrowing.

Nationally and locally the anticipated outlay for home building is favorable, provided the general economic activity remains stable. Easier terms on Government insured mortgages, the continued trend toward home ownership among newly married couples and the housing replacement needs of the many who have purchased since the war and now need larger homes to meet the needs of their growing families make anticipated business conditions look good from the construction activity standpoint. I expect a record demand for mortgage money in private residential and local public fields. The expected building activity is naturally based on the premise that there will be sufficient mortgage money.

Our Government has a tremendous sway over our complete economy. Based on past performance I am completely confident that our leaders will exercise this power prudently, accurately and swiftly if needs be, to maintain our high standard of living, production and profit. If this is done, 1955 will be recorded in history, as the kind of year I am confident it will be.

DEANE C. DAVIS

President, National Life Insurance Company, Montpelier, Vermont

As the new year gets underway, the American economy exhibits impressive strength, and appears to be shaking off the slower tempo which prevailed during 1954. Every estimate of the outlook must be predicated upon the assumption that war will or will not break out. Excluding the possibility of war, there are at least five sources of substantial strength in the business outlook. In the first place, it is apparent that, even without war, heavy expenditures for defense must necessarily be continued. Secondly, housing starts may well approach a record in 1955, and other construction promises to occur at a high rate. Thirdly, surveys of capital expenditures for 1955 indicate that they will take place at a rate closely approximating that of 1954. Fourthly, inventory liquidation appears to have terminated, and the rebuilding of inventories is in process. In the fifth place, every indication points to a

Deane C. Davis

Continued on page 52

Phila. Secs. Assn. Elects New Officers

PHILADELPHIA, Pa.—Robert E. Daffron, Jr., of Harrison & Co. was elected President of the Philadelphia Securities Association at the annual meeting and election of the Association held at the Warwick Hotel. Mr. Daffron succeeds James T. Gies of Smith, Barney & Co.

Robt. E. Daffron, Jr.

Other officers elected for the ensuing year were: Francis M. Brooke, Jr., of Brooke & Co., Vice-President; Lewis P. Jacoby, Jr., of Thayer, Baker & Co., Treasurer; and Spencer D. Wright, III, of Wright, Wood & Co., Secretary.

The following were elected to the Board of Governors to serve for three years: Franklin L. Ford, Jr., of E. W. Clark & Co.; Orrin V. Boop of Schmidt, Poole, Roberts & Parke and Ellwood Williams of the Pennsylvania Company for Banking & Trusts. Albert A. R. Wenzel of Hornblower & Weeks was elected to the Board of Governors to serve for one year.

Robert Chaut Joins Kidder, Peabody Co.

Kidder, Peabody & Co., 17 Wall Street, New York City, members of leading securities exchanges, announced that Robert Chaut has become associated with their research department as a specialist in bank and insurance stocks.

Mr. Chaut was formerly with Blair & Co., Incorporated.

R. M. Smythe Co. Celebrates 75 Years

R. M. Smythe & Co. Inc., 79 Wall Street, New York, are entering their 75th year in January 1955. They are one of the oldest firms specializing in inactive and obsolete securities and they have an affiliate in Jersey City.

Townsend, Graff Group Sells Hycon Pfd. Stock

Townsend, Graff & Co. and associates on Jan. 19 announced that the offering of 120,000 shares of Hycon, Mfg. Co. 5½% cumulative convertible non-participating preferred stock at par ($10 per share) has been all sold.

Net proceeds from the sale of the preferred shares will be available for general corporate purposes as determined from time to time by the company's board of directors. It is the intention of the company to use the proceeds as follows: about $400,000 to fulfill the company's obligations under its agreement with Varian Associates; approximately $200,000 in engineering, research and development of new electronic test equipment and in the improvement of certain electronic test equipment now being produced by the company; and approximately $75,000 for certain capital improvements. The balance of approximately $377,000 will be added to working capital.

Hycon Mfg. Co., with its principal executive offices and plants in Pasadena, Calif., is engaged principally in the design, development, manufacture and sale of special and general purpose electronic test equipment, aerial cameras and photogrammetric instruments, ordnance products and in furnishing aerial survey and photogrammetric engineering services to public agencies and industrial clients.

With Homer Collins

(Special to THE FINANCIAL CHRONICLE)

DULUTH, Minn. — Lloyd F. Swartley has become associated with Homer Collins & Co., Torrey Building.

Merrill Lynch Adds

DETROIT, Mich.—Dorr W. Grover has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Congress & Shelby Sts.

W. T. Leonard Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Wayland T. Leonard is engaging in a securities business from offices at 215 West Sixth Street.

With Haseltine, Gilbert

MINNEAPOLIS, Minn.—Julian P. Hurtubise has been added to the staff of Haseltine, Gilbert & Wilson, 108 South Ninth Street.

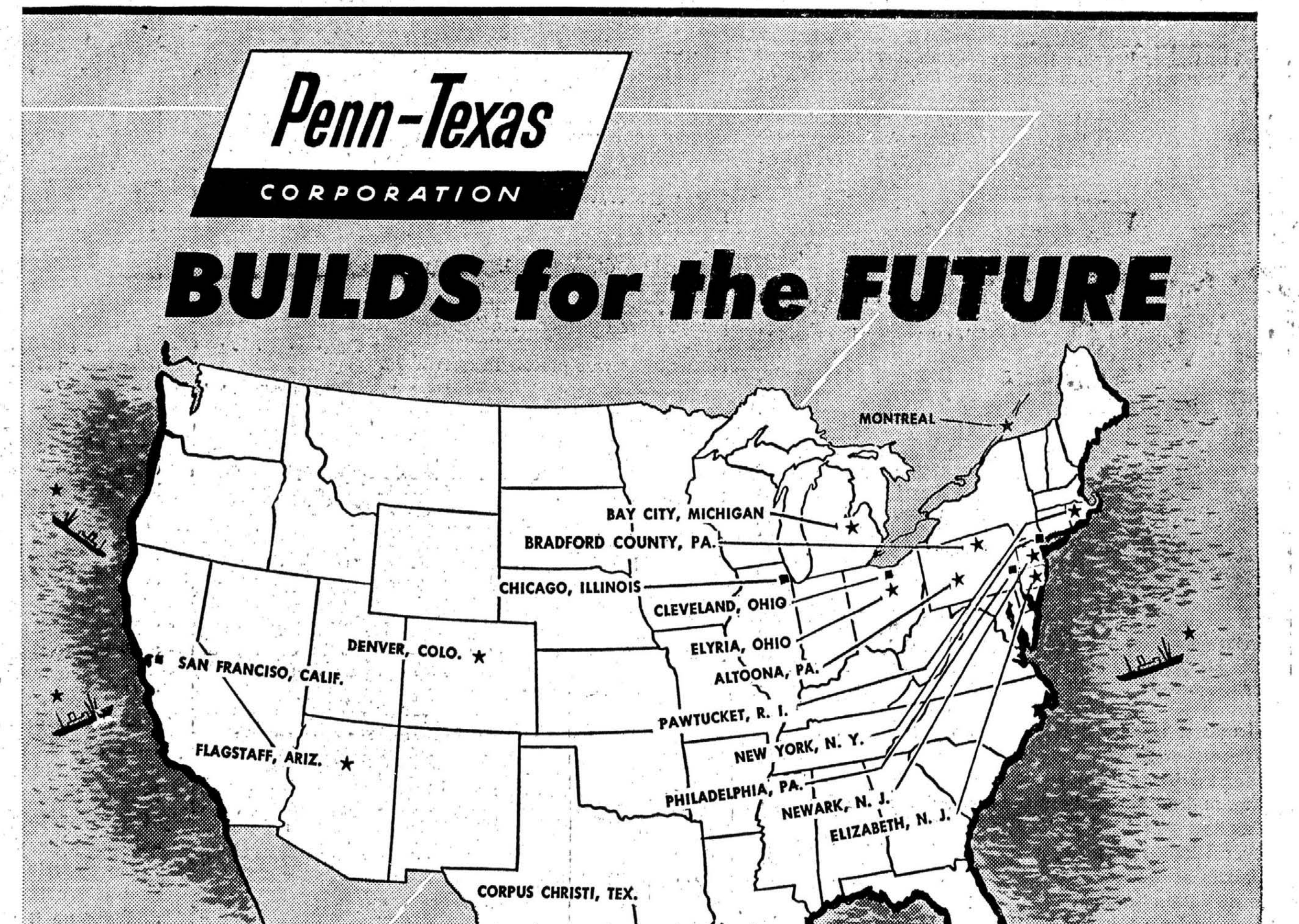
Minneapolis Assoc. Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Gustav Appeldown and Jacob Walz are now with Minneapolis Associates, Inc., Rand Tower.

E. E. Harte Opens

FRESNO, Calif. — Edward E. Harte has opened offices at 1215 M Street to conduct a securities business.



Continued from page 50

continuation of liberal credit policies on the part of fiscal authorities.

The combination of these factors should produce a high rate of business activity for the foreseeable future. From the longer range point of view, while we may have occasional setbacks, the bright promise of scientific developments which will result in a higher standard of living for the American people, defies the imagination.

Irrespective of general business conditions, I believe that the outlook for skilled life insurance salesmen could not be better. It has been my observation that capable life insurance men always sell business — not because of the business conditions which prevail at a particular time, but rather because they satisfy an imperative need which insurance buyers must care for, irrespective of business conditions.

It is my belief that if life insurance agents devote their time and effort to improving their skills and their capacities to serve their clients, and carefully select their prospects, the future can be nothing but rosy.

WILLIAM DENNY

Executive Vice-President & General Manager, Merritt-Chapman & Scott Corporation

Construction in 1955 should exceed that in 1954, both in volume and dollar value.

Merritt-Chapman & Scott, which currently is engaged in many widely diversified construction projects all over the United States, in Canada, and overseas in Australia, New Zealand, Greece, India, Cuba and Labrador, is looking forward to 1955 with a great deal of optimism.


William Denny

We feel that 1955 will be one of our best years, barring unforeseen developments on the international scene and assuming a continuance of current economic trends.

My feeling of confidence reflects that of the industry generally and is based on an analysis by company specialists of construction trends and of estimates provided by trade associations in the construction field.

The Associated General Contractors of America, Inc., in its annual construction review and outlook, for instance, reports that construction volume records were shattered in the continental United States for the ninth successive year in 1954 and adds that "prospects are favorable for continuing increase in 1955."

Several long-range factors are considered by industry specialists as favoring a continued increasing volumue of construction for a number of years.

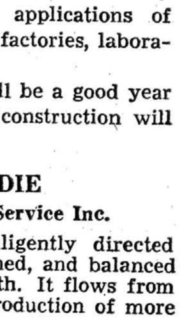
These include the demand for construction of schools, highways, and other community and transportation facilities to catch up with present needs; the steadily increasing population which will accentuate the demand for more services, housing, schools and other facilities, and the rapid developments in new fields of industry —plastics, chemical, electronics and applications of atomic energy—that will require more factories, laboratories and other physical facilities.

All in all, 1955 looks now as if it will be a good year for construction and a good year for construction will mean a good year for us.

GEORGE S. DINWIDDIE

President, New Orleans Public Service Inc.

An aroused interest and an intelligently directed effort are producing increased, sustained, and balanced purchasing power throughout the South. It flows from an increasing and stable volume of production of more diversified goods and services for other domestic areas and for other countries. Traditionally accustomed to regional interdependence, the South has been quick to respond to the new demands of world-wide wartime and postwar markets. In consequence, during the past decade its rates of growth of population, income, trade, industry, traffic, and output of raw materials have generally exceeded the averages for the United States as a whole.


George S. Dinwiddie

The New Orleans area reflects this pattern of improvement. Its expanding population, employment and personal income are supported by the balanced activities of surrounding extractive and manufacturing industries, and of trade with scattered markets resting on widely diversified sources of purchasing power. Louisiana's crops, such as cotton, sugar and rice, and its seafoods move to many different consumers. So do its petroleum products, petro-chemicals, and other manufactures. The traffic served by the Port of New Orleans originates from and is destined for the peoples between the Appalachians and the Rockies, and in all the nations of the world. The economic horizons of New Orleans are not restricted by specialized production, but are unlimited in their potential.

With this encouraging economic outlook, New Orleans Public Service Inc., the utility company which serves the city with electricity, gas and transit, looks forward to a continuation of the expansion program which it has carried on throughout the postwar years. Here are some recent significant examples.

A major expansion of electric capability was brought to conclusion during 1954 when a fourth generating unit was placed in operation at Public Service's second steam-electric generating station. The installation and operation of the new unit brought this modern, semi-outdoor type station to completion and raised the company's total system capability to nearly two and one-half times what it was at the end of World War II.

While this project was being completed, work on a third generating station was begun to supply the future electrical needs of the community. The first unit at this station scheduled for operation in 1957 will have a capability of 102,900 kw. During 1954, Public Service acquired additional property adjacent to its Market Street generating station for future expansion of that facility.

More than $1,300,000 was spent on Public Service's gas system during 1954. Most of that amount went for extensions and replacements to the gas distribution system, to serve more than 3,500 new customers and to provide for the increasing requirements of existing customers. In November, 1953 a fourth point of entry for natural gas was placed in operation.

Sixty new 51-passenger, diesel buses were placed in operation in 1954. The new vehicles, which replace a corresponding number of older vehicles being retired from service, are of a new efficient and comfortable type which has recently come into use in urban operations in the United States.

EDGAR H. DIXON

President, Middle South Utilities, Inc.

Present expectations are that 1955 will be another year of growth for the Middle South — the states of Arkansas, Louisiana and Mississippi. During the past year a number of new industrial plants commenced operation, and these are gradually building up to full employment and full usage of electric power. Included are several large chemical plants and manufacturing operations of other kinds. Moreover, some of the manufacturing plants, the pulp and paper producers, and the oil refineries in this region are undergoing important expansion and are taking increasing amounts of power.


Edgar H. Dixon

The Middle South System companies — Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company and New Orleans Public Service Inc.— are continuing to receive inquiries from businesses that are considering establishing facilities in the three-state area. Many of these inquiries are prompted by the active area development programs which the System companies sponsor. A number of them represent prospects seeking to locate plants in the smaller communities of the Middle South. An ample supply of productive labor, many natural resources, abundant fresh water, efficient transportation and expanding markets can be found in this region.

Along with this industrial growth of the area, sales of electric power to residential, rural and commercial customers have been increasing steadily. New customers in these classifications are being added at a rate of about 4% annually. Also, use of electricity per residential and rural customer is gainging rapidly, and in 1954 showed an increase of approximately 14% over 1953. These general trends are expected to continue through 1955.

In 1954 the System companies completed 325,000 kilowatts of new generating capacity, bringing the owned generating capacity of the Middle South System to 2,028,000 kilowatts at the year-end. This total capacity compared with the Middle South System peak load of 1,709,000 kilowatts in August, 1954. Another new high in System peak load is expected during the coming year. The installation of a 135,000-kilowatt generating unit is scheduled for completion in mid-1955.

The Middle South System companies spent $64 million for new construction in 1954. This figure, of course, reflected the large amount of new generation completed or under construction. Construction of new generating facilities will be at a reduced level in 1955 but construction of transmission and distribution facilities, for bringing power from the generating plants to the customer, is expected to continue at approximately the 1954 levels. Total capital outlays are expected to approximate $48 million in 1955.

LELAND I. DOAN

President, The Dow Chemical Company

In his Jan. 1 appearance on television, comedian George Gobel said this was not really a new year at all—it was just "the same old year with a new number."

His gag, economically speaking, appeals to me as being unusually apt. 1955 looks to me very much like a continuation of 1954, or at least of its later months. The readjustment seems to have run its course, and I see business in the coming months as being good but not at all spectacular.


Leland I. Doan

Government spending, which has been decreasing for the past two years, has approximately leveled off. I would like very much to see it decrease further so that taxes could ultimately be trimmed down, but there is no denying that the trend of government spending has great power to stimulate or depress business and business psychology.

Business inventories, which have likewise been undergoing curtailment, also appear to be stabilized.

There is a great backlog of need for schools, hospitals, highways and other types of public construction which, in my opinion, should compensate for a possibly lower level of industrial construction.

I am, finally, a firm believer in the importance of psychological factors, and I feel that there is much greater optimism on the part of business and the public than there was a year ago.

All these things, in my book, add up to a generally good outlook. There should be a modest increase in total spending and a modest increase in the purchasing power of the people.

Last year we ventured the opinion that we had arrived at a sort of "new normal," and I would certainly not be inclined to retract that opinion in the light of current conditions. For roughly 15 years American business has been alternately under the influence of artificial stimulants and sedatives. I think we are now "sobered up" and I devoutly hope we are going to have a chance to see what we can do without such influences.

Which brings me to a final conclusion: Other things being equal, our increasing population should of itself result in a gradual improvement of business over the long pull. If we are not content with that—and I definitely do not think we should be—then we are going to have to accentuate that improvement by the creation of new markets. That means the creation of new products, new ideas, new concepts.

The opportunity is there, but no one is going to shove us through the door. We must stand on our own feet and pursue it aggressively.

ERROL W. DOEBLER

President, Long Island Lighting Company

It is quite apparent to me that the new year will be another one of growth and progress here on Long Island.

Industry continues on the move to the Nassau-Suffolk area and it looks as though the migration will gain even greater momentum in the months ahead. The reason for the vast influx into Nassau and Suffolk counties is the acceptance on the part of local peoples and communities of the type of light industry which conforms with the beauty and attractiveness of the area.


Errol W. Doebler

The area which the Long Island Lighting Company serves in Nassau, Suffolk and the Rockaway Beach area of Queens County covers an expanse of 1,230 square miles. The population of this territory has increased from 201,168 in 1910, to 1,400,000 in 1954. This represents a 44-year increase of 596%. It must also be pointed out that the census showed that Nassau County had the largest percentage increase in the United States between 1940 and 1950 among the 59 counties with a population in excess of 300,000.

What has the Long Island Lighting Company been doing and what are its plans? In the last nine years construction expenditures amounted to more than $245 million. Since Jan. 1, 1946 new electric customers have averaged about 28,000 per year and gas customers about 11,000. In keeping pace with the rapid growth of Long Island the third 100,000 kw. turbo-generator within the past two years was placed in operation on Nov. 1 at the Glenwood Power Station. This addition has raised the electric capability to 701,500 kw. or an increase of 130.4% over the past five years.

Work on the new $100 million Edward F. Barrett Power Station at Island Park on the South Shore has progressed according to plans and the first 170,000 kw. unit will be ready in 1956. In addition to this, our forecasters have set their sights on the demands for electric

Continued on page 54

Theodore Tsolainos Forms Own NYSE Firm

The formation of Theodore Tsolainos & Co., 14 Wall Street, New York City, as members of the New York Stock Exchange, was announced by Theodore P. Tsolainos, the principal.

T. P. Tsolainos

He has been associated with New York Stock Exchange firms for the past 28 years, having started as a registered representative in 1926 with Livingston & Company. In January 1941 he was made a general partner with Parrish & Company. Mr. Tsolainos joined Delafield & Delafield in January, 1944 as a general partner, where he remained until the purchase of his own Stock Exchange seat and formation of the new firm.

S. F. Stock Exchange Holds Elections

SAN FRANCISCO, Calif. — The San Francisco Stock Exchange at its annual meeting elected William H. Agnew, of Shuman, Agnew & Co., Chairman of the Board of Governors. Elected as members of the Board for a two-year term were: Warren H. Berl, of Edwin D. Berl & Sons, and George W. Davis, of Davis, Skaggs & Co. Carry-over members of the Board are: Scott H. Stewart, Jr., of Stone & Youngberg, R. E. Van der Naillen, of Henry F. Swift & Co., and Ronald E. Kaehler, President of the Exchange. The elevation of Agnew to the Chairmanship created a vacancy on the Board, to be filled at the first meeting of the new Board.

Marco F. Hellman, the outgoing Chairman, reviewed the accomplishments of the past year and stated that the outstanding event for the Exchange in 1954 was the creation of 16 additional memberships as a result of a 25% seat dividend on Dec. 30.

The results of the Nominating Committee for the ensuing year were as follows: R. William Bias, Jr., of Shuman, Agnew & Co., Chairman; Ernest E. Blum, of Brush, Slocumb & Co., Mark C. Elworthy, of Mark C. Elworthy & Co., Howard J. Greene, of Sutro & Co., Marco F. Hellman, of J. Barth & Co., and Richard Lawson, of Lawson, Levy & Williams.

Immediately following the annual meeting, the new Governing Board held its first meeting and elected Berwyn E. Stewart, of J. Barth & Co., for a one-year term to fill the vacancy created by Mr. Agnew taking over the Chairmanship.

The new Board elected George W. Davis its Vice-Chairman.

Lipman Opens Office

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Thos. A. Lipman is conducting a securities business from offices at 227 South Robertson Boulevard.

J. W. Reinhart Forms Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — John W. Reinhart is engaging in a securities business from offices in the Traction Building, under the firm name of John W. Reinhart & Co.

Joins Reynolds Staff

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Richard S. Graham has become associated with the firm.

Detroit Stock Exch. Elects New Officers

DETROIT, Mich.—The Detroit Stock Exchange announces the election of the following officers for 1955:

President — Lawrence H. Dilworth, R. C. O'Donnell & Company.

Vice - President — Warren A. Wood, Baker, Simonds & Company.

Treasurer — Charles E. Exley, Chas. A. Parcells & Company.

Announcement was also made of the reappointment of Fred J. Oppat as Secretary and Examiner.

Governors elected to the Board for a three-year term are:

Charles E. Exley, Chas. A. Parcells & Company.

George A. McDowell, Straus, Blosser & McDowell.

Henry VanderVoort, Nauman, McFawn & Company.

Other Governors making up the Board are Edward T. Bennett, Jr., of Manley, Bennett & Company; Warren T. Olson of Wm. C. Roney & Company; Roy W. Neil of Reid, Higbie & Company, whose terms expire in 1956; and Raymond W. Miottel of Paine, Webber, Jackson & Curtis, whose term expires in 1957.

Edward C. P. Davis and William A. Walker of Dickinson, Wright, Davis, McKean and Cudlip will continue as Counsel and Edwin Bower of White, Bower & Prevo will continue as Auditor.

Elected to the Nominating Committee for 1955 are: Clarence A. Horn, First of Michigan Corporation; William Moore, McDonald, Moore & Company; Andrew C. Reid, Reid, Higbie & Company; Frank E. Voorheis, Goodbody & Company; Wynn F. Wakeman, Baker, Simonds & Company.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Alfred L. M. Marks is now with First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

George Herrel

George Herrel, a member of the American Stock Exchange for the past 35 years, and a former charter member and president of the Exchange members' Five and Twenty Club, died suddenly at the age of 68.

With Samuel & Engler

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Richard L. Walker has become connected with The Samuel & Engler Company, 16 East Broad Street.

Joins Win Hancock

(Special to THE FINANCIAL CHRONICLE)

SHELBY, Ohio—Scott J. Hancock has joined the staff of Win S. Hancock, 53 West Main Street.

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and gas service in the years to come and our engineers are planning accordingly.

Recently, the Long Island Lighting Company looked back through the years in observing the 75th anniversary of Thomas A. Edison's discovery of the incandescent lamp. Each one of us are mindful of our responsibility to pioneer and adopt the most modern and economic methods of power generation and have taken a step toward the study and possible uses for nuclear energy for production facilities. One of our very capable engineers has been assigned as a guest engineer and is studying the development of nuclear steam power reactors at the Brookhaven National Laboratory.

Construction of the $2.6 million Administration Building at our Central Operating Headquarters at Hicksville got underway during the year and we expect that it will be ready for occupancy this fall. It is a further step in our overall design to expedite service to our customers by means of centralization.

All of this indicates that our managerial team has its thumb on the pulse of progress and growth in order to provide gas and electric service to thousands of new residents who move to this area each year and also to the alert and active industrialists who have found Long Island to be the ideal location for their plants.

ALLEN B. DU MONT

President, Allen B. Du Mont Laboratories, Inc.

The year of 1954 has seen a continuation of expansion in most phases of the television and electronics industry—and at a rate which few industry leaders anticipated a year ago. Television broadcasting in the second year since the lifting of the "freeze" on new station construction saw an increase of approximately 75 new stations on the air, bringing the total operating stations in the United States to around 425 at the year's end. An unfortunate occurrence was the large number of UHF television stations that ceased operations or decided not to attempt to go on the air during the year—a direct result of the FCC allocation plan which intermixed VHF and UHF stations in the same market areas.

Dr. Allen B. Du Mont

In television receivers, the industry has had one of its highest production years, with over 7,000,000 receivers produced. The sale of black-and-white receivers during the fall selling season was exceptionally strong and undoubtedly reflected the public's belief that color television at a reasonable price was still some few years away.

In 1954 we had the first appreciable production of color receivers, around 20,000 sets, and the industry developed new color picture tube types and sizes. It is possible that some degree of standardization in color picture tube size will be reached in 1955, and that manufacturing cost reduction can produce large-screen color sets at a somewhat reduced price.

Du Mont's Television Receiver Division participated strongly in the better industry sales picture during 1954. Strengthened distribution in a number of major markets expanded our sales potentials, and the introduction of our high-quality "Wide Horizon" line of receivers was received favorably by distributors, dealers, and the public. We intend to keep ahead in product development in 1955 and expect our percentage of industry sales to be increased further. We are finishing the year in an excellent position inventorywise.

Our Cathode-ray Tube Division during 1954 saw unit sales increase, but profits were smaller due to extremely competitive conditions in the television picture tube industry. We made extensive plant improvements and additions during the year in order to reduce manufacturing costs and to provide facilities for the maufacture of color television picture tubes.

From a technical standpoint our Tube Division in 1954 introduced last April the first large-size color tube of the shadow-mask type—the Du Mont 19-inch Chromasync tube. The division followed that up with development of a 21-inch rectangular color tube last September. We expect to have some volume production of rectangular color tubes later in 1955.

Our Research Division is continuing its system investigations of the problems of color television. Based upon its years of previous work on color systems, production divisions have been enabled to produce and sell color system equipment throughout the industry.

Our Communication Products Division was formed in 1954 to include the expanded production of television transmitting and studio equipment, formerly manufactured by the Television Transmitter Division, and to produce mobile radio equipment, a new field of manufacture and sale that we entered early in 1954.

During the year this newly named division introduced and marketed a color version of the widely accepted Du Mont Multi-Scanner for presentation on the air by television stations of color films, slides, and opaque material. A complete line of equipment for conversion of television stations to color broadcasting was also designed and sold.

A new design of Du Mont's miniature Tel-Eye industrial television camera gives every promise of solving many of the problems inherent in other miniature TV cameras, and we anticipate a large sales volume of industrial closed-circuit equipment in the years ahead.

In mobile radio the Mobile Communications Department, starting from scratch, has in less than one year designed and made available for sale a complete line of Du Mont equipment for use by police departments, public utilities, fire departments, the petroleum industry, trucking companies, and other purchasers of mobile equipment. I expect Du Mont to be a leading factor in this multi-million dollar business within a few years.

Our Instrument Division has been particularly active in the engineering of completely new concepts in electronic instrument design in 1954. Twelve new cathode-ray and electronic instruments or devices were designed to meet the needs for higher quality instrument products of extreme versatility and adaptability in this age of increasing automation and electronic control. An even greater number of new products is planned for introduction in 1955, with diversification of markets a major objective. Du Mont is expanding the usefulness and applications of electronic instrumentation and control in many new fields as a result of its new technical developments. The division continued in 1954 as the leading manufacturer of Cathode-ray oscillographs, and at the close of the year increased its production capacity to begin initial production against large government contracts for electronic equipment.

Du Mont's Tube Research Laboratory maintained its dominant position as a leading supplier of complex and specialized cathode-ray tubes for industrial and military purposes. This company operation is more than a research laboratory, for it is a manufacturer of specialized cathode-ray tubes and the country's leader in the development and production of multiplier phototubes.

Shipments against government and other orders of Du Mont electronic equipment related to defense was increased somewhat over defense shipments last year, although our backlog at the year's end is somewhat below a year ago. Du Mont also increased its activity in the export markets and looks forward to increased market potentials for television apparatus as television slowly expands into a world-wide medium.

As for 1955, most analysts foresee a year of good consumer demand and heavy business activity. Certainly every branch of the electronics industry will participate if such analyses are correct. I expect that Du Mont's manufacturing operations may exceed any previous year's activity.

As far as the television receiver market is concerned, it still looks to me like primarily a black-and-white year. I don't believe that color receiver production will go much over 50,000 units in 1955. The development of the right color tubes; the refinement in receiver circuits; the necessary reduction in manufacturing costs; the large scale presentation of color programs in all markets—all of these things are taking time. Eventually, yes, television will be both a color and a black-and-white medium. However, in 1955 it looks about 99% black-and-white.

DONALD W. DOUGLAS

President, Douglas Aircraft Company

In common with virtually all segments of business in this country, the airframe manufacturing industry enjoyed one of its most successful years during 1954.

Perhaps the most significant and, to members of the industry, the most gratifying aspect of the year just concluded was that our operations achieved a stability seldom realized.

Donald W. Douglas

The output of airframe weight reported at year's end by the Aircraft Industries Association was some 150 million pounds—approximately the same as that of 1953.

When final figures are compiled, it is estimated that the total sales volume of the 12 largest airframe companies for 1954 will be in the neighborhood of $5,200,000,000 to $5,300,000,000. This compares with 1953 sales of $5,100,000,000 and is the largest dollar volume of sales reported by these companies since World War II. This condition of relative stability during the past two years has contributed substantially to the economy and efficiency of the manufacturing effort and to the creation of a sound production base.

Between 85 and 90% of the industry's effort was devoted to the production of military aircraft. Despite the preponderance of military production, deliveries of civil aircraft continued at a substantial rate during 1954. Sales of American-made commercial transports continued to lead the world, with a total delivery of 195 aircraft having a capacity of 36 passengers or more.

In view of current backlogs of orders and growing emphasis on the role of aviation and missiles in this nation's defense program, the outlook for 1955 appears favorable.

A downward trend in the monthly unit production of military aircraft began in 1954, and, according to estimates of the A.I.A., is expected to continue through 1955 and into 1956. That is when current programming indicates the military mobilization program will have reached a maintenance level.

However, employment, sales and pounds of airframe produced are not expected to decline to the same degree as unit production of airplanes. The reason is that currently-produced aircraft are larger and heavier, an increasing amount of the aircraft industry's sales are in the field of guided missiles, and the relatively high rate of research and development will require a maintenance of high employment levels.

In January of 1955, the industry employed a total of 830,000 people, making aircraft America's largest manufacturing employer.

Although production of civil transports is not expected to equal the high level attained in 1953 and 1954, U. S. manufacturers today have unfilled orders for upwards of 175 large commercial planes. These orders and continuing interest in newer and more efficient transport types now entering or soon to enter production indicate that this nation's leadership in civil aid transport will not be seriously challenged during 1955.

Barring unforeseen and unpredictable world events, the aircraft manufacturing industry can look forward with confidence to another 12 months of highly satisfactory operations.

ROBERT G. DUNLOP

President, Sun Oil Company

Continued improvement in the quality of petroleum products and a further increase in domestic demand are two important developments expected by the oil industry in 1955.

Competition in 1954 stimulated many advancements in product quality, particularly in motor gasolines. There is every prospect that competition will be even more intense in 1955, and one expected result will be the continuing effort to market the best possible petroleum products.

Robert G. Dunlop

Domestic demand for petroleum in 1954 failed to increase the 4% over 1953 as generally predicted a year ago. The increase was less than 2% in 1954 over 1953. However, this set an all-time record for United States consumption of petroleum products. It is probable that domestic demand in 1955 will continue to grow, possibly by about 3% over 1954.

On the whole, the oil industry appears to be in healthier shape at present than it was a year ago. There is a better balance between inventory and demand now than at that time, and the general decline in oil earnings from production and refining showed signs of leveling off during the latter months of 1954.

For most domestic oil companies, profits for 1954 will be somewhat below those of 1953. Despite this, however, the oil industry demonstrated its unflagging confidence in the future by investing an estimated $4.6 billion in capital improvements and in new plants and equipment.

Drilling activity, upon which the country's future oil supply depends, was carried to a new all-time high of 53,000 wells in 1954. No slackening of this drilling effort is indicated for 1955.

As in all years, the oil industry had its problems in 1954. Two problems which carry over into the future concern oil imports and natural gas.

Oil imports have been averaging more than a million barrels a day for the past two years. This has an effect upon domestic crude oil production, which in 1954 was slightly less than in 1953. However, the current improvement in the oil inventory situation and a recent decision to increase production allowables in Texas may again put domestic production on the upgrade.

The natural gas problem is of a different nature. As the result of a recent decision of the United States Supreme Court, gas producers whose gas traverses state lines are deemed public utilities under the jurisdiction of the Federal Power Commission. This poses a serious threat to future gas supplies, for it is extremely doubtful if, under Federal regulation, producers will find adequate incentives to continue the hazardous business of exploring for new gas reserves on a scale necessary to meet future consumer demands.

CYRUS S. EATON

Chairman of the Board, Chesapeake & Ohio Railway Co.

Business has its second wind, and the American economy is again hitting its stride.

As the New Year begins, the basic industries with which I am closely associated—railroading, coal, iron ore and steel, are experiencing a heartening resurgence. All present signs point to a busy and prosperous 1955.

Cyrus S. Eaton

For a healthy and expanding economy over the long-term, however, the American people must insist on fundamental and far-reaching reforms in Federal Government. There can be no permanent progress and prosperity under a system that taxes its citizens to the point of confiscation in order to support a bureaucracy that smothers the initiative of those same citizens under mounting layers of red tape and regulation.

America grew to its giant industrial stature because it was the land of unlimited economic opportunity for everyone. The man who was willing to work strenuously, and to risk such small capital as he might be able to assemble, could literally rise from rags to riches.

Today there is relatively little incentive for the spirit of venture. Security, supervised by the state, is the most likely lot of the common man. To those who have set aside some substantial store of worldly goods, the temptation is ever stronger to convert their wealth into tax-exempt municipal bonds, and to abandon the energetic

Mr. Eaton is also Chairman of the Board of Steep Rock Iron Mines, Limited, and West Kentucky Coal Company; President and Chairman of Portsmouth Steel Corporation, and a Director of The Cleveland-Cliffs Iron Company and The Sherwin-Williams Company. Just recently, he purchased the Follansbee Steel Corporation, Follansbee, West Virginia.

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Townsend Named V. P. Of First Boston Corp.

Election of Edward Townsend as a Vice-President is announced by The First Boston Corporation, 100 Broadway, New York City.

Edward Townsend

Mr. Townsend, who had been an Assistant Vice - President since 1949, is associated with the firm's Underwriting Department. He joined First Boston in 1946 after serving four years as a major in the Ordnance Department of the Army. A graduate of Yale University, Mr. Townsend had previously been associated with Central Hanover Bank and Trust Company, now The Hanover Bank.

Joins Fulton, Reid

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James R. Bell, Jr., is now connected with Fulton, Reid & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Albert Gauthier Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert D. Gauthier is engaging in a securities business from offices at 335 Burnside Avenue. He was formerly with Dempsey-Tegeler & Co.

D. E. Klepinger Formed

KANSAS CITY, Mo.—Dale E. Klepinger & Associates has been formed with offices in the Waldheim Building to engage in a securities business.

Joins Barret Fitch Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Daniel A. Piedimonte is with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

Rejoins Gallagher-Roach

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Jack D. Griffith has rejoined Gallagher-Roach & Company, 1683 West Lane Avenue. He has recently been with Glore, Forgan & Co.

W. E. Hutton & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Elizabeth C. Peckinpagh has been added to the staff of W. E. Hutton & Co., 50 East Broad Street.

With Remmele-Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, Ohio—Robert H. Brown has joined the staff of Remmele-Johannes & Co., 118 East Broadway.

Re & Re Partner

Re & Re, 111 Broadway, New York City, members of the American Stock Exchange, have admitted Robert J. Sagarese to partnership.

M. Bravman Co. Opens

Martin Bravman has formed Martin Bravman & Company with offices at 165 Broadway, New York City, to engage in a securities business.

L. C. Cates Opens

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Lowell C. Cates is engaging in a securities business from offices at 1016 State Street.

Strange Arguments

"The actual level of economic activity is at present about $15 to $20 billion below the level of reasonably full employment. Total production a year from now would have to be about $25 to $30 billion above the present rate in order to approximate the level of reasonably full employment.

* * *

"Production will rise only if producers have reason to expect that they will find a market for their product.

"Thus the need for purchasing power to rise simultaneously with productive capacity is one of the crucial problems of economic growth. Barring a marked step-up in national defense programs, the consumer demand must rise substantially to sustain a high employment level of production."—The National Planning Association.

It is astounding how frequently these strange arguments appear!

Must we bestir ourselves to consume more in order that we may have the privilege of working harder and producing more?

And we have always supposed that production itself created the purchasing power wherewith to buy the output!

Continued from page 54

empire of industry and risk-taking for the cult of carefree laziness in warmer climes.

The best minds in labor and agriculture, as well as business, need to be brought to bear on the vital problem of governmental reform to restore true free enterprise in the finest American tradition. The vigorous American people, with their characteristic optimism and courage, are entitled to a fresh chance to carry their nation to lofty new heights in keeping with its vast natural and human resources.

GEORGE S. ECCLES

President, First Security Corporation and President, First Security Bank of Utah, Salt Lake City, Utah

The high level of business activity which characterized the last few weeks of 1954 s ould continue throughout the first half of 1955. This is a complete reversal from the pattern one year ago. The business recovery is especially noticeable in the Intermountain Region where mineral production is so significant — with copper, steel, coal, phosphates and other minerals so much a part of the economy. Even in uranium, the shift has been from stock speculation to major development and production.

George S. Eccles

There are, however, a number of weaknesses in our economic pattern in 1955, and these will counteract, to some extent, the general buoyancy in other fields.

Some of these limiting factors are:

(1) Slightly lower agricultural prices. The low price, especially in dairy and poultry products is a deterring factor offsetting better demand for potatoes, beef, and lamb.

(2) Some little tightening of mortgage money—readjustment of portfolios. Purchase of more consumer goods will mean smaller savings.

(3) Possible stock market adjustments. There has been some concern over the recent rapid upswing, but it appears that the slight tightening of margin requirements by the Federal Reserve, may act as a sufficient break to hold speculation on the upside in check.

(4) Questions of the automobile spurt developing into a boom. Car sales have been excellent since the new models appeared. Whether or not sales can keep up with production has not been tested. This might cause undue pressure for extension of financing terms.

(5) Employment will not increase proportionally with production. Productivity per worker, both in agriculture and industry, is increasing somewhat faster than is total production. Unemployment, though lower, will be relatively large.

On the other hand, the major favorable factors for continuing the recovery are:

(1) High construction carryover from 1954 into 1955 with high demand for funds and building materials. Commercial building and continued demand for schools, hospitals and road construction, should be maintained in large volume. Residential construction is continuing on a very large scale due to the very liberal financing terms that are being offered. There is some danger that these terms are too liberal and may develop into unsound mortgage credit. There is also the possibility that with residential construction running substantially ahead of family formation, a surplus of homes may develop.

(2) High consumer demand for durable goods. This can mean a slight decrease in the trend in savings and an increase in borrowing.

(3) Greater volume of retail trade and increased competition with discount houses. Christmas sales were excellent; white sales were very good.

(4) Increased demand for commercial credit. This is expected from increased trade, needs for working capital in production and trade establishments.

(5) Some increase in inventories. Low points were reached on inventories in November-December. Some normal buildup is expected.

(6) Additional industrial expansion, especially into new products, in chemical and electronics fields. This will require additional capital.

(7) High demand for steel, copper, building materials, other minerals. This should influence favorably general business activity in major mining areas.

(8) Federal financing needs should be easily met. Refunding needs are less than in past two years. Management of the debt should be easier than in 1953 and 1954. This should mean supply of reserve funds can be more easily directed by the Federal Reserve System. Reduction in taxes will result in a larger cash Government deficit for the present fiscal year. Financing of this, largely through the banks, will have a bullish effect.

Nineteen fifty-five should be an excellent year. Readjustments—recession of 1953-54 were taken in stride. Recovery in 1955 should also be taken in stride.

PERRY T. EGBERT

President, American Locomotive Company

American Locomotive Company commenced 1955 with the largest backlog of orders it has had on its books within the past six months.

In the face of a definite decline in locomotive orders and with the termination of the M47 tank production contract, Alco has within the past 12 months had to meet a violent shift of product emphasis. This has been accomplished by the introduction of 18 new products all directed to growth markets. Thus, we believe that the company has put behind it for all time its classification as a specialty concern, and has become an industrial manufacturer serving an increasing number of industries.

P. T. Egbert

Probably the most outstanding indication of Alco's new future was the award which we received from the AEC to build the first atomic energy package power plant. This will not only be the Army's first atomic reactor, but the first reactor designed and constructed so that its components can be transported by air to remote bases. With our six-year background in production of atomic energy equipment and our newly established atomic energy products department, Alco is certain to take an increasingly active role in the peaceful development of atomic energy during the present year.

In other fields, the many products which we introduced in 1954 and our customer reaction to these items indicate a busy year for us on many fronts. One of the most important of these products is a diesel-electric drilling rig power package power plant first introduced at the annual meeting of the American Petroleum Institute at Chicago in November. Another important Alco development, which is especially appealing to the chemical and process industries, is a chemical nickel plating process, called ALCOPLATE, which will provide corrosion and contamination resistance equal to that of either pure or wrought nickel.

We have also brought out five new products for the power industry including a portable diesel-electric power package for emergency and standby service; a new diesel engine for municipal power and pipeline pumping applications; new design feedwater heaters and evaporators; and a new heat exchanger high pressure closure.

As for so-called defense production, we will continue to maintain our position as an important producer of ordnance items for the government. The company is currently building "Honest John" guided missile components and such intricate products as 155 mm. recoil mechanisms for the Army, and we expect to concentrate even more heavily in this type of production during the year.

In the general metal fabrication field, we expect that our experience in supplying similar heavy components and the proximity of our Schenectady plant will result in substantial orders from the St. Lawrence Seaway Project. The tunnel shield for the Port of New York Authority and lock gates for the New York State Barge Canal are but two of the items in this line which we turned out in 1954.

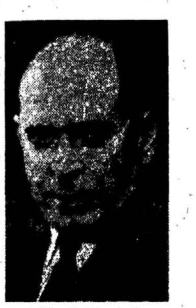
We are not neglecting the railroad field in our push for new growth markets. Last year we introduced the DL-600 diesel locomotive which is so designed that two units will power as heavy a train as three usual freight or passenger locomotives, and have also built two new, large warehouses at Chicago and St. Louis to service the company's expanding replacement parts business. Locomotive orders have increased over the past few months and we expect a good volume in replacement parts and in locomotive rebuild operations.

In summing up our activities for 1955, I would say that we expect sales of our growth products will increase markedly over those for 1954. Some of this expansion may come from acquisitions which are now under study. We will also introduce more new products, some for new customer industries. Altogether, we expect that 1955 will see Alco, probably with a new corporate name, moving ahead with an increased product line for more customer markets.

ALFRED EPSTEIN

President, Pfeiffer Brewing Company

The trend in the brewing industry toward fewer but larger breweries, if anything, was accelerated in 1954 and there is every indication that 1955 will witness a further contraction in the number of firms in the field.



Alfred Epstein

For example, the Pfeiffer Brewing Company has just purchased the Jacob Schmidt Brewing Company of St. Paul and other similar acquisitions were in the news almost weekly. Prior to our purchase of the big St. Paul plant, we received almost daily inquiries from medium and small sized breweries across the country asking if we were interested in some sort of deal.

There are definite economic reasons why the smaller breweries are finding it increasingly difficult to survive.

One such reason is the steady advance in labor costs. Today the brewery worker is one of the highest paid in the country. Raw materials have also shown an almost steady uptrend, also adding to the problem.

But perhaps the most important single factor is the importance of advertising and the skyrocketing costs because of the advent of television. Beer, like other products sold to the general public, lives on direct demand of the consumer. It has been proven that one of the most effective stimulants to this demand is television but the cost of both shows and television time is virtually out of reach of the small brewery.

The facts show that such costs must be spread over heavy volume and usually, where live shows as in sports, etc., are involved, distribution over a wide area is necessary to justify the expense.

Still another important factor in the plight of many small and medium sized breweries is their failure to keep up with technological improvements in the brewing industry through the introduction of new and more efficient equipment. As other costs climbed, it became increasingly vital that production costs be cut to an irreducible minimum. This required heavy investment in new machines.

Bottling, canning, packaging and similar equipment, to be efficient, became more complex and consequently more expensive. Here again, only breweries with large volume could afford to keep abreast.

There will be millions of new beer drinkers in 1955, because there is a growing realization that beer is a beverage of moderation and deserves a place in the food classification—but I repeat, there will be fewer breweries in existence at the year's end.

ROBERT G. FAIRBURN

President, The Diamond Match Company

Associated as the greater part of our business is, with two of the powerful supports to present business conditions, food distribution and home building, it is difficult for me to disagree with the consensus of economic experts that the year 1955 will be one of very good business. People will eat better and will be housed better. They will also be clothed better, travel better and have available tools and aids working for an easier life all around. I only hope that some of the available leisure time is spent reflecting upon the workings of the system which make this possible.

Robert G. Fairburn

A growing and increasingly important phase of our business relates to the prepackaging of food for self-service distribution in the nation's supermarkets. We are proud to be a participant in the ever-increasing effort to reduce the cost of getting more and better food into the American household. Our activities in the building materials field are divided between wholesale distribution of lumber across the nation and retail sale of lumber and building materials spread over some 110 locations in agricultural California and industrial New England. All in all we expect to make a good showing this coming year.

While it is accepted by almost everyone who has any familiarity with the make-up of our economy that there will be a high level of activity in most lines in 1955, it is not too often pointed out that, to a very great extent, the private sector of the economy is receiving substantial aid from the government. The aircraft industry, the largest private employer in the country, is almost wholly devoted to production for the military. The residential building industry which has been running at a high level since the end of World War II, and which more recently has been astounding the experts by rising almost to the peak attained in 1951, has been supported in its mortgage position to the extent of over 40% by the liberal terms of the Veterans Administration and the Federal Housing Administration. Added to this is the current proposal of the government to back a multi-billion dollar road rehabilitation program across the nation.

These programs, supported as they are in large measure by the taxes paid by corporations and their employees, make even more delicate the balance of the economy which currently is on the favorable side. There is a great responsibility to maintain this balance, and today more than ever it requires a close cooperation of business and the government.

BENJAMIN F. FAIRLESS

Chairman of the Board, United States Steel Corp.

There are firm prospects 1955 will be a good year for the steel industry with production conservatively running about 95 million tons, accounting for the fourth highest annual tonnage of all time. Moreover, the year's anticipated output should be approximately 7 million tons above 1954 and some 10 million tons higher than that averaged during World War II, when our steel-making facilities were hard pressed for every possible ton of production.

Benjamin F. Fairless

This means 1955 will be a good year not only for the steel industry, but for nearly all segments of U. S. business. It is indicated that the industry will have an adequate margin of capacity to meet any national emergency and one which will permit proper maintenance and repair programs. It also will be a year of continued vigorous competition, a vital essential in a healthy economy.

At the beginning of the year, the nation's steel industry had achieved an all-time record capacity of 124.3 million tons annually. Confidence that the country would continue to enjoy an expanding economy prompted com-

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What Convertibility Means to Business

trade," restricted to this narrow definition, indeed has become somewhat of a misnomer. The United States has emerged from the day when it did little abroad except buy and sell goods, when it bought many services but sold few, when it depended on foreign banking institutions to finance its external trade, when business firms remained close to home site and invested their funds almost solely in domestic plant. For example, we have reached a point where there are a number of American firms in the organization with which I am associated having world-wide interests but shipping virtually nothing to or from the United States.

Since 1939 the foreign trader and investor has been subjected to more vicissitudes than Job and has responded to them in a similar fashion. It is a tribute to the resiliency of both that despite these obstacles foreign trade and investment have gone on and grown, even after appropriate allowance is made for that part of exports financed from public funds under the recovery programs. This growth does not alter or contradict the fact that the exporter has found markets closed or all but closed against him, that by governmental edict his competitors abroad have been granted preferred access to markets, and that he has been asked at the same time to assist through his taxes in rehabilitation and strengthening of these same competitors. Firms with investments abroad have had accumulated earnings frozen in blocked accounts, have had limitations imposed on the amounts transferable, have been forced to utilize non-dollar sources in the purchase of replacement and repair parts, and have been restricted in their right to liquidate operations and move the capital elsewhere.

Other firms contemplating new investment abroad, it is true, have been offered in some instances more favorable treatment as an inducement to locate in a given country. They have been assured of the right to remit earnings and, after a relatively brief period, even to withdraw the original capital. The United States Government, moreover, in effect has countenanced this discrimination between old and new investment through its ECA-MSA-FOA Investment Guarantee program. On the other hand, new private foreign investment projects have had the disadvantage of being forced to run a battery of official tests and to submit to foreign governmental "screening," with a better than even chance of being refused entry if they did not fit into the "Plan" of the recipient country or if they showed signs of becoming competitors of local firms already in existence.

These are only a few of the difficulties and frustrations encountered, but they serve to demonstrate what the foreign trader and investor has been up against in his efforts to expand abroad. He has been among the first, nevertheless, to concede the unavoidability of various restrictions and the need for well administered controls over external transactions as emergency devices to defend slender reserves. His prime complaint has been directed against their deliberate perpetuation and extension for political reasons or because of an unwillingness to face realities. The one word which the foreign trader and investor has seized upon to express the antithesis of all he deplores and to sum up all that he believes should prevail is "convertibility."

There are, of course, any number of definitions of convertibility, some relatively simple, some rather abstruse and conditional. The one which to my mind perhaps best illustrates the exporter's point of view came out of a luncheon conversation. After the subject of the "electronic brain" had been worked over for a few minutes, one of the export executives present suggested: "We wouldn't have much use for an 'electronic brain' in our business. What we need is a machine which you can feed with pounds, francs, lire, any soft currency, and which will turn out U. S. dollars at the other end." This may lack come of the niceties and nuances which an economist or banker would introduce, but it is a good working statement of what the trader wants. In general, the attitude of the foreign trader and investor toward convertibility is a reflection of his belief in the desirability and advantages of a free market economy.

Needless to say, it would be almost impossible to obtain a unanimous opinion on what might currently constitute a free market economy and on the degree to which governmental intervention or interference could justifiably be exercised before the free market economy would cease to exist. To attempt to draw the lines here would entail an extended detour which time does not allow. Within the present context, however, it would be safe to conclude that measures which by intent unduly or arbitrarily limit the area of competition or which are incompatible with convertibility would be held to be inconsistent with and inimical to a free market economy.

Specifically, the exporter of both goods and services looks to the day when exchange controls and other related artificial impedimenta will not be used to curtail or limit: (1) Freedom to locate potential buyers; (2) freedom of choice for the customer; (3) the opportunity to compete with others for the customer's favor; (4) the right to deliver the merchandise without hindrance; (5) the opportunity to transfer the proceeds of the sale or to receive payment in the currency agreed. Except as security considerations might be a modifying element, any type of convertibility or transferability which prevents accomplishment of these aims would be counted by the export trader as less than complete restoration of convertibility.

The direct investor, whether old or new, shares these free market objectives as they touch upon his activities. His main concern, however, is to have the right to trans-

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panies in the steel industry to launch a multi-billion dollar modernization and construction program in the immediate postwar period. As a result, capacity has climbed some 30 million ingot tons since 1945.

In 1954, the steel industry experienced a year of transition with the removal of heavy pressures following the end of the Korean hostility. Steel consumers found themselves with heavy inventories which they drew upon, reducing orders they might have placed with steel mills. Thus, consumption of steel in 1954 was greater than production. During the April-August period of last year, it is estimated that about 15% of the steel consumed came out of inventories. Largely because of this, steel operations declined to a point as low as 61.5% of capacity. With the depletion of inventories, however, operations picked up in the early fall and returned to a healthy rate of more than 80%. This was accomplished despite the fact direct military orders amounted to about 2.5% of all steel consumed during the year.

During the past year labor relations continued harmoniously. Contract negotiations with the United Steelworkers were speedily and equably settled in June. In an effort to gain better understanding, through personal contact, between labor and management at the plant level, the United Steelworkers' President, David J. McDonald, and I continued a tour, started last year, which has taken us to all of U. S. Steel's major production centers.

The beginning of the year saw the first shipment of iron ore reach the new Fairless Works in Pennsylvania from U. S. Steel's recently-completed mining operation at Cerro Bolivar, Venezuela. Today, iron ore is flowing from Cerro Bolivar at the annual rate of 5 million tons. In addition, U. S. Steel continued its pilot research operations of refining low-grade taconite to strengthen our iron ore position in the Upper Great Lakes region. Our geologists continued a world-wide search for new sources of raw materials as part of the corporation's long-range planning.

During 1955 U. S. Steel's research center on the outskirts of Pittsburgh will be completed in an important phase of the Corporation's continuing program to develop new steels and new uses for steels for ever-changing industrial requirements. At present more than 100 new steels or new applications are under study. An example of applying an existing production to a new use is the rapidly-growing field of soft-drink canning. Last year some 75,000 tons of tin plate went to this branch of the beverage industry with an expectation that this amount will be doubled in 1955. Similarly, research is under way for the canning of whole milk now made possible with newly discovered sterilization methods.

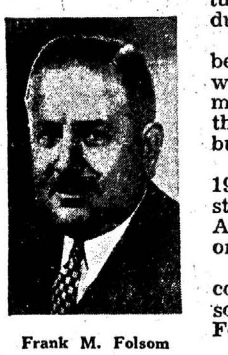
Last year U. S. Steel demonstrated a new alloy steel—T-1, which has three times the strength of ordinary steel. Possessing excellent welding qualities and high resistance to impact and abrasion, T-1 is finding wide acceptance in industry where such qualities are required. Another field rapidly developing is the use of vitreous enameled sheets and stainless steel as a material for the exterior walls of multi-story buildings and other large structures. New Yorkers soon will see an example of such use for skyscraper construction with the completion of the Socony-Vacuum Building in the Grand Central Station area.

Again, U. S. Steel not only reached a wide field of customers but generated additional business, as a customer itself, for companies both large and small. During the year the corporation purchased goods and services from more than 50,000 different concerns, and, in turn, served over 100,000 customers.

FRANK M. FOLSOM

President, Radio Corporation of America

New and improved products in virtually all lines of radio, TV and electronics—coupled with continued vigor in merchandising that proved so successful during the past year—should spark an outstanding sales volume in the next 12 months.



Frank M. Folsom

My estimate a year ago was that 1954 could be good for business. This most certainly has proved true for the companies in the industry that heeded the changing trends and new challenges of the buyers' market.

It has been a splendid year for RCA, with sales of products and services attaining an all-time high volume, of approximately $930 million. The electronics industry as a whole continued its phenomenal growth, with sales of more than $10 billion, which is about 600% greater than those eight years ago.

Volume should be particularly good in black-and-white television receivers, TV transmitting equipment, radio sets, "Victrola" phonographs and records, also industrial TV. Development of color television into its commercial phase in 1955 will move ahead. Advances in color TV demonstrated by RCA in 1954 and incorporated in production models of RCA Victor's 21-inch color sets will contribute importantly to the transition over the next few years to a nationwide color television service, with a steadily increasing demand for color sets.

Radio and television, even color television, bear the highest rate of Federal manufacturers' excise tax. Last April 1, Congress cut excise taxes on articles ranging from guns to household appliances, but the taxes on both radio and television were continued at discriminatory levels.

Many millions of dollars have gone into developing color television, and it will cost industry many millions more to get color television to an enlarged American audience. Currently the tax on color television sets will produce only small revenue and, under the circumstances, I cannot help but feel that it is most unfair to penalize consumers. I think the government would do well not to try to harvest the field at least until industry has completed sowing it.

Television attained new heights of service in 1954 as more than 90 additional stations went into operation and consumer demand for receivers led to the seven-million-plus boom in set sales. For RCA Victor, unit production and sales of TV sets surpassed the top year of 1950.

Engineering advances, which provided continuously larger screen sizes in the six-year span since 1948, have been parallel by production efficiencies providing lower priced units without sacrifice of quality. In 1954, 95% of RCA Victor TV sales were of receivers of 21 inches or larger, as compared with the 96% average of 10-inch sets in 1948. Sets of 24 inches are increasing in popularity.

Opening of new television service areas and the trend to multiple TV sets in homes, will give added impetus to sales in the years ahead. In fact, estimated retail sales of black-and-white and color receivers during the next five years is expected to exceed 33 million units, thus exceeding by more than a million units sales during the past five years.

During the past year, a trend of major importance was discerned in the increasing use of new electronic products and services for industrial purposes. By year-end, sales to industry and government had reached a total of more than half those in communications and home entertainment.

More electronic equipment was in use in a greater number of different fields than ever before. The accelerated "electronizing" of such diverse areas as manufacturing, inventory control, military equipment, food protection, medicine, scientific research and home entertainment can be expected to continue impressively in 1955.

The phonograph record industry continued its impressive growth in 1954 and showed a rise of nearly 20% in record sales. During 1955, record sales are expected to increase an additional 15%.

Growth of the radio-television and electronics industry, at its present rapid rate, is highly significant. The record of progress shows that the increasing usage of electronic products and services represent a strong and stimulating factor in the growth possibilities of industries employing these modern scientific devices and technical advances. Because of this broadening horizon of usefulness the sales outlook for electronics grows steadily brighter.

HENRY FORD, II

President, Ford Motor Company

The year 1955 probably will witness the keenest—and consequently the healthiest—competition for the automobile business in 15 years.

Also, in the year ahead we foresee a moderate upturn in business generally. National production should increase slightly, employment should continue at a high level, and consumer purchasing power should edge upward.

Henry Ford, II

To Ford Motor Company, that's good news in the making.

We have just finished one tough competitive year in which we set sales records unequaled in our company's 51 years.

With 1954 recorded as history, we are ready for the year at hand. During 1955 we intend to demonstrate more effectively than ever the thoroughness with which, for almost a decade, the men and women of Ford Motor Company prepared for the return of really competitive conditions in the auto industry.

One reason we believe so strongly in competition is because the customer benefits most from it. With a wide-range choice of products, the customer can demand—and get—the top value for his money. We know the automobile buyer of 1955 will be hard to please, but we believe we offer the kind of products he wants.

Since the end of government output restrictions in 1953, we have increased our share of the auto market steadily. Today, about one of every three new cars on American highways is a Ford product, compared with one out of four a year ago.

The record shows that in 1954—the first full year of competition in our industry since before the war—Ford sold more than 2,000,000 Ford, Lincoln and Mercury cars, Ford trucks and tractors, or 13% more than in 1953.

This all-time sales record permitted the company to increase its market penetration from 25.2% in 1953 to more than 30% in 1954.

Success in the auto market is not the sole reason for our viewing 1954 with pride and 1955 with optimism.

Employment in Ford Motor Company plants continued high through all of last year. Our 1954 payroll totaled more than $950 million, or slightly less than $19 million a week, with Ford hourly employes earning at the average rate of almost $5,000 a year.

A good year also was had by the company's car, truck and tractor dealers, who were assisted in their selling job by a growing preference for Ford products.

Fortunately, Ford Motor Company anticipated this growing preference almost 10 years ago, when it embarked on a $1.6 billion expansion and modernization program affecting all key company operations. Much progress was made on this program in 1954 and important projects will be completed in the year ahead.

We view our expansion program as more than an investment in buildings and machines and equipment. We think of it as solid evidence of our faith in both the nation's future and our own.

ALBERT E. FORSTER

President, Hercules Powder Company

The year 1954 was the second highest year on record for the chemical industry, and the coming year probably will go on to a new high record in the physical volume of production. With the expected recovery in the industrial activity, it is likely that the production of chemicals and allied products in 1955 will exceed the previous high record year of 1953.

A. E. Forster

In Hercules, we believe that the physical quantity of our own sales will reach an all-time peak in 1955. At this moment it appears that price stability should prevail.

While industrial production of the nation probably will not exceed its 1953 peak, the level of activity in the current year is expected to rise 5 or 6% above the level of last year. The recovery in industrial production in the fourth quarter has exceeded general expectations, and the outlook for the first quarter seems to be highly favorable. Inasmuch as our own fortunes are linked so closely with that of the general prosperity of the country, we expect a good year for Hercules as well.

The 1955 outlook for virtually all the industries served by Hercules appears to be favorable. Some of the important consumers of our products are expected to equal or exceed the peak levels of 1953. Among these fields of rising output are rayon, major household appliances, furniture, paint and varnish, cement and paper. The one industry served by Hercules for which the outlook is not as favorable is coal, where substantial increases are not expected.

Greater activity in passenger car production, mining and quarrying, petroleum, synthetic rubber, and construction expenditures, all of them important to the chemical industry, is anticipated for 1955. Construction expenditures, from present indications, will rise to the highest level in the history of the country.

While the increase in industrial output in 1955 is not likely to be sensational, it should be a sound, solid growth. It will reflect our population growth, increased productivity, a gain in the standard of living, greater consumer purchases of goods, and the high level of construction. While the outlook is almost uniformly favorable, the adverse effect of possible strikes or stock market excesses should not be disregarded.

EDWARD G. FOX

President, The Philadelphia and Reading Coal and Iron Company

Anthracite enters 1955 as a tougher, leaner, harder industry today than at probably any time in its history. It has achieved that condition because of the realization that it must produce more efficiently and sell more imaginatively than it has ever done before if it is to prosper and grow.

Edward G. Fox

This realistic attitude has been brought to bear on the problems that have plagued anthracite these past several years. Such problems have included excess production facilities and unstable market conditions, complicated by the inroads of competitive fuels. While it is still too early to say that these problems have been solved satisfactorily, it is a fact that they are not as acute as they have been in the past two years.

The industry, which has been in an overproduced position for a number of years, is adjusting itself to meet today's market requirements. These changes in the number of producing units will assist in stabilizing the industry and take it from a deficit position to a position of greater economic strength.

This means that the outlook for anthracite in 1955 is improving. And should this improvement continue throughout the year the industry will enjoy a satisfactory return.

Perhaps one of the outstanding features in the industry presently is the feeling of renewed confidence. Producers and dealers alike are beginning to realize once more that despite the decline in tonnages, anthracite is still a substantial business. The industry is doing between $350 million and $400 million worth of business a year. It is turning out the best product in its more than century-old history. Modern merchandising and selling methods are making the consuming public cognizant of the quality of that product. Moreover, the natural superiority of anthracite as a fuel of high carbon content and inherent steady burning characteristics has been considerably enhanced by the extensive development of automatic heating equipment. Today, the widest variety of these automatic units make available automatic anthracite to consumers at low cost. In fact, automatic anthracite from a competitive standpoint — is lower in cost than any other automatic heat. It is even lower than the heat from hand-operated systems.

Meanwhile, the industry continues to make good strides towards its goal of expanding its industrial fuel

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What Convertibility Means to Business

fer as much or as little of his net earnings as he deems advisable, and to have a similar right with respect to capital holdings in the event of sale or liquidation. In his operations abroad he seeks the flexibility of movement and decision which commercial success requires and which currency controls hamper, if not rule out altogether.

The reference has been to exporters and investors as groups. Actually, certain exporters and certain investors in their dealings with individual countries already enjoy these conditions. To this extent there exists a type of bilateral convertibility or transferability on commodity account. Within the given market and the prescribed list of products, freed from quantitative restrictions, the exporter in effect has thus partially achieved his five aims, even though there may remain a few minor formalities which either he or the customer must satisfy. Traders generally have welcomed the trend toward convertibility through gradual liberalization of import controls, although at times suspicious that goods so privileged have been carefully selected with an eye to picking only those which are noncompetitive, of limited appeal, or of such absolute essentiality they already were being licensed freely. Administratively, there also has been an easement in the remittance of earnings from investments, but the effect has been less noticeable since the privilege of transfer normally has been granted to current profits, although subject in some instances to a percentage ceiling.

In detailing the objectives, however, two of the most significant factors have been omitted or only vaguely implied in passing. The first is that convertibility, if it is to have real meaning, must be established as a right, not merely as an administrative, hedged-in concession. In other words, there must be a full-fledged, functioning exchange market. The second consideration is that convertibility must be regarded as a "permanent" fixture to be defended and supported, not an on-again, off-again type of exercise. Surely, no one is anxious for a repeat performance of the 1947 experience. From the standpoint of the foreign trader, investor and banker, an in-and-out, shifting policy is far more of a deterrent, far more to be feared, and even far more objectionable than the retention of moderate controls over external transfers.

For example, any firm weighing an investment project must think long range. It is, therefore, less likely to be impressed by convertibility of the moment if there is a strong possibility that tomorrow convertibility will peremptorily be abandoned. There are enough commercial uncertainties and risks to be met in the ordinary course of events without the addition of others brought about by the vagaries of government policies.

Although on occasion the foreign trader may be prone to idealize convertibility or to exaggerate the immediate personal benefits to be derived, he does not mistake it for an abstraction. Convertibility to him is the external manifestation of internal slovency and of integrity in fiscal and monetary affairs. It thus becomes incumbent on any other country which aspires to a convertible currency and the resultant advantages to accept in full faith and in advance the obligations and disciplines which convertibility imposes. More specifically, this means a resolute effort to achieve economy in governmental expenditures, to maintain balanced fiscal and credit policies, and to preserve the incentives to thrift, investment and greater productivity. A sound and convertible currency cannot be imposed on any nation from without: it must come from within.

III

The Effects of Convertibility

Attention up to now has been centered on the views and attitudes toward convertibility held by a single, though the most clearly concerned, group of businessmen. By and large, other business groups take a similar, but much less intense position on convertibility. Individual businessmen whose energies are focused almost completely on the local or domestic market may at best, however, have only the most casual, cursory opinion. Although we have come a long way since the day when what happened abroad was presumed to be of import only to a few denizens of Wall and State Streets and to some bureaucrats in Washington, foreign trade still is regarded by many as a stepchild of domestic business.

There should be no need, however, to make a missionary speech on foreign trade and its importance to the economy before this group. It would be equally presumptuous, as well as time consuming, to dwell on the chain effects of changes in our external transactions and to trace step-by-step the implications to various sectors. I would, therefore, content myself with one quotation which represents the combined views of the foreign traders themselves as expressed (November 1954) in the Final Declaration of the Forty-First National Foreign Trade Convention:

"Just what does a high level of foreign trade and investment mean to the American company engaged in the production or distribution of useful goods and services here in the United States? It means, even to those companies which are not themselves in the business of exporting or importing, a higher level of business activity throughout the national economy, and, in consequence, a commensurately larger domestic market for what they produce. It means a lowering of their costs of production through the economies which increased volume makes possible. It means, more directly, a greater availability and a wider variety of the raw materials and other products essential to their own operations, and an opportunity to acquire these products, in the open market, at lower prices. It means a lessening of their costs of distribution arising from the more widespread and economical use that is made of the nation's railroads and other common carriers, and of its banking, insur-

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market. The Philadelphia and Reading Coal and Iron Company, for example, now is supplying nearly a score of industries a tonnage that amounts to nearly 40% of its entire output. Our progress in the industrial market in recent years offers a sound warrant for the conviction that the industry can steadily broaden its use in these areas.

For the longer term, new non-fuel uses for anthracite are being pursued. In recent years the industry has had underway a long-range experimental and research program. Its objective is to develop broader uses and ultimately conserve anthracite. In this direction lies anthracite's greatest potential. National, state and privately-supported research agencies are cooperating in the attainment of this goal. In addition, the Philadelphia and Reading has launched on its own initiative a number of research projects. While it is much too early to appraise with any degree of accuracy the ultimate value of all this work, there is sufficient indication at present to warrant its continued aggressive promotion.

While many problems still confront the industry, none is impossible of solution, and most are of the type that have been solved in other industries. It is my conviction that anthracite, likewise, will solve its problems and in doing so, the possibilities of the industry will be more fully realized than ever before.

C. KENNETH FULLER

President, County Bank & Trust Company, Paterson, New Jersey

Business in the Southern Passaic-Bergen County area concluded the year 1954 with much more successful results than had been thought possible a year ago, or in fact throughout most of the year. Total volume has been high in most lines and profits favorable even though profit margins have been lower and backlogs reduced. Retail sales showed a surprising surge in December, bringing the total volume for most stores well above or only slightly below peak levels of 1953.

C. Kenneth Fuller

A survey of the national economic outlook for 1955 shows an almost unanimous prediction for a continuation of the improvement in business which we have experienced these past months. In fact, there have been few times when so many of the economic indices pointed so clearly to fair weather as at present. It should be realized, however, that at best these indices can only **point out** trends and do not tell how far the trends will go nor how long they will last. Furthermore, there are some unfavorable factors in the picture which should not be overlooked in our present state of optimism. Sensitive commodity prices have been moderately weak, commercial failures continue high, unemployment is well above minimum limits, farm income is reduced, competition is very keen and there are few backlogs of pentup demands to be filled.

There doesn't seem to be any sound basis, therefore, for a strong business recovery and we are more likely to experience overall moderate improvement with fairly wide fluctuations prevailing in some industries and in marginal units within industries.

A survey of local industry and trade shows general sentiment following closely the national pattern and there is good evidence that industrial activity within our service area will be at a relatively high level for the next six months at least.

The major uncertainty is in the textile field where after three years of depressed conditions we are witnessing a substantial recovery with much greater optimism throughout the trade for 1955. Productive capacity is still large and profit margins low, but mergers and liquidations are providing a partial remedy for this condition.

The machine tool industry, airplane engines, electronics, television, electrical equipment, industrial rubber, cables, metal containers and paper are operating almost uniformly at high levels with an improved backlog of orders and a favorable outlook.

The construction industry has had another highly active year, especially in residential building with a good volume of diversified contracts for the coming year. Active building of the big shopping centers in Bergen County will probably start in 1955 and provide an added boost to the already expanded conditions of this industry. It is quite possible that we may be temporarily overstepping ourselves in these fields, in building for the potential demands of the 60's without giving too much thought as to what is going to happen in the remaining 50's.

Even though the local industrial outlook is very favorable, unemployment is relatively high and may remain so in view of the greater efficiency of operations of recent years. This does not indicate reduced retail sales or bank activity, however, as evidenced last year when to our surprise retail sales exceeded those of 1953 in spite of a 7% unemployment roll, continued increase in savings, and no significant increase in the use of credit. This seems to indicate that in spite of greater unemployment, the total number of employed remained high, and with average wages increased, more spendable income was produced and there was an increased willingness to buy. At the moment, this condition seems likely to continued for some months. Furthermore, several national concerns have built, or are in the process of building, new plants in the area and although it may not affect employment rolls sharply in 1955, it is a highly promising factor for future years.

It would appear, therefore, that retail sales of both consumer and durable goods should be in good volume, although probably with lower profit margins; bank deposits should increase, especially time deposits; bank clearings should be higher, loan volume increased; and consumer credit active for the next several months.

Beyond that depends largely on the wisdom and restraint with which our major industrial managements, the government, money managers, labor leaders, and we as individuals meet the problems and changing conditions which will continue to confront us from day to day.

PAUL V. GALVIN

President, Motorola Inc.

In overall business the electronics industry will hold its own in 1955 with 1954. Gross volume now approaches $10 billion annually, and electronics is strongly entrenched in second place among the consumer durables industries.

Relating to the various categories of production within the electronics industry, sales of monochrome television receivers should be about 6,600,000 units, a slight decrease from 1954 but above 1953.

Paul V. Galvin

Added to the television receiver category will be a modest number of color television receivers. Forecasts of exact quantities of color television production and sales in 1955 are without great significance at this time because the rate of progress of color marketing is intimately involved with questions of picture tube costs, the simplification of chasis engineering and the amount, type and regularity of color programming. In general terms the color art will continue its evolution during 1955 growing steadily and naturally like a healthy young baby. Color is now as exciting a horizon for the next few years as the prospect of a 21-inch black and white picture was back in 1947 when most people who had television were looking at a 7-inch picture.

Consumer radio sales for the home during 1955 should approximate the 6,500,000 units sold in 1954 exclusive of car radio. The latter product will enjoy an increase over 1954 benefiting from the new model automobile introductions and the spirited competition throughout the automotive field.

The two-way mobile radio communication, micro-wave relay system, and other public safety and service equipment phase of the industry will be about the same in 1955.

In military electronics the total volume for 1955 will be somewhat reduced on an industry basis. However, the need for continued research and development of a high order in military electronics is a prime factor in the security of the nation and can be expected to be sustained.

The electronics industry has thrived through the obsolescence of "today's products" and through diversification. This will be no less true in 1955 than in previous years. Industry as a whole is moving into an era of automation. Leadership and experimentation towards this end is being provided by the electronics industry which is both a supplier and a user in automation.

FREDERICK V. GEIER

President, The Cincinnati Milling Machine Co.

As 1955 opens, the machine tool industry can look back on a good job done for the national defense and forward to its task of helping to modernize America's productive equipment.

Frederick V. Geier

Again in the Korea-defense emergency, the industry demonstrated its resourcefulness in quadrupling output from $305 million in 1950 to $1,192 million in 1953. Plant expansion, widespread subcontracting, and long hours all contributed to this peak, well above the industry's own capacity. With 1954 shipments around $880 million, the industry completed its emergency defense job and is scaling down operations to normal peacetime demand.

Many machine tool using industries have adequate capacity for the present to produce the motor cars, farm machinery, locomotives, household appliances, etc., they expect to sell in 1955. Recognizing this, machine tool builders are centering their efforts on stimulating replacement of obsolescent equipment by more productive new machines. Months ago, our company led off the selling effort with 3-D movies, a traveling coach bringing demonstration machines right to the customer's door, a Technicolor cartoon on the high cost of operating obsolete machines, plant visitations, and the unveiling of new model machines. Next September, the whole industry will stage a great Exhibition in Chicago to demonstrate the advantages of up-to-date, cost-cutting machine tools. Customers are increasingly production-cost conscious, and the September Show should stimulate fourth-quarter orders, and shipments a few months later.

Although the big backlog of defense orders for machine tools has been worked off, the mobilization base is not complete. The defense services are expected to place orders for about $140 million of "elephant" and special machines which require very long in-process time, with deliveries largely in 1956 and later.

The 1955 peacetime orders and shipments of machine tools will obviously compare unfavorably with the exceptional defense volumes of the past several years. But 1955 should be the industry's best year for peacetime business, and it should show a definite gain over the levels of pre-Korea years.

Looking further ahead, the pace of technical progress will quicken as competitive pressure for lower costs and improved products mounts. This should spotlight the need to replace many of the out-of-date machine tools in use by the more productive new machines now available.

W. W. GASSER, Sr.

Chairman of Board, Gary National Bank, Gary, Ind.

Much of the present economy has been artifically created by Federal deficit spending, Federal control of interest rates and the quantity of money in circulation. Both major political parties are committed to a continuation of these policies in order to keep the economic curve at the present level or even a little higher.

W. W. Gasser, Sr.

I therefore believe 1955 will see the following:

(1) Further Federal deficit spending.

(2) A continuation of higher taxes, both Federal and local.

(3) A slight trend toward further inflation.

(4) Higher wages.

(5) Slightly larger incomes and considerably higher expenses.

(6) Slightly rising deposits.

(7) Interest rates about the same or possibly a tendency to higher levels.

(8) A good year for steel.

(9) A big year for construction of toll roads and highways.

(10) A continued trend toward Socialism and enlargement of Federal controls.

LORING L. GELBACH

President, Central National Bank, Cleveland, Ohio

With business expanding over a broad base—automobile production, steel operations and construction all rising—and with employment and personal incomes increasing—the outlook for business in 1955 is promising.

Loring L. Gelbach

The recent recovery in business is an outgrowth of many favorable factors, the most important of which are:

(1) The ending of Government cutbacks in spending.

(2) A change in policy of inventory liquidation to one of stabilization or accumulation.

(3) The easing of credit terms on FHA and VA mortgages as a spur to residential building.

(4) The introduction of new models throughout the automobile industry as a stimulus to sales.

(5) The growth in confidence that business is improving.

(6) Other factors such as the continuance of the policy of "Credit Ease," and further expansion of the money supply.

The result of these favorable factors was a rapid rebound in industrial production to the highest level in over a year.

The business outlook for 1955 is for a moderate increase of around 2% in Gross National Product and 4% in industrial production.

The recovery has acquired enough momentum and is broad enough in scope to maintain business at present or at slightly higher levels throughout the first half and possibly the entire year.

Increase in demand for new homes is expected to continue throughout most, if not all, of the year in keeping with the willingness of people to go into debt during periods of rising incomes.

Growing confidence in the outlook for business is expected to stabilize business spending on plant and equipment around present levels.

Anticipated higher labor costs and threatening strikes will accelerate production in the early months of the year. Some moderate increase in inventories is, therefore, anticipated. Increases in inventories of consumer goods may bring about a moderately lower rate of industrial production throughout the second half—for example, automobile production.

Inflation will not be a serious threat to business this year. Cost of living is not expected to change appreciably. Deficit financing by U. S. Treasury through the banks, and increased borrowing by corporations and individuals, should increase the money supply by about 3%. No appreciable change in interest rates or in the policy of credit ease is anticipated.

This will be a year of new highs for personal incomes, dividend payments, number of people gainfully employed, and total outlays for construction. Operating costs will be higher, competition throughout industry very keen, with net earnings of the larger corporations up moderately.

Nineteen fifty-five will be a good year—second best in volume of goods and services in the history of the nation.

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What Convertibility Means to Business

ance, warehousing, and other servicing facilities generally. It means a better market, specifically, in those segments of the economy whose prosperity is vitally dependent upon exports for the disposal of a substantial part of their production.

"It means, in short, as any increase in the total volume of business that is done must mean, that a better opportunity for growth and expansion is afforded to all American business enterprises. Obviously, whether he realizes it or not, the private enterpriser who confines himself exclusively to the domestic market has a vital stake in foreign trade and investment."

Just what, then, would the quantitative effects of convertibility be on our own foreign trade and investment? Unfortunately, we cannot pluck out a single, simple answer. Obviously, any conclusion has to be conditioned on the type and form of convertibility envisaged as well as on the circumstances of the time. To describe the effects convertibility *would not* or *should not* have is a much easier matter than to sketch the many possible consequences.

For one thing, convertibility is not the gateway to the "big rock candy mountain." The notion has been spread, and is held even by some foreign traders, that once convertibility is re-established an immediate upward lift of substantial proportions will be given to U. S. and dollar area exports. There could be no greater disservice to convertibility than for such a development to occur. Some advance there presumably will be, but unless the export gain is kept within reasonable proportions and is fairly well distributed by areas, the pressure may prove too great for the exchanges, and convertibility will falter and fail. The only alternative to such a result would seem to be correction through exchange rate fluctuations. The risk of a big increase must be admitted to exist, but does not the restoration of convertibility presuppose general stability in total transactions while changes are taking place within the commodity and country patterns?

Assuming, however, continuation or a slight improvement of the current dollar supply position, a 5% increase in the total amount of U. S. commercial exports probably would be supportable. Imports into the United States are unlikely to show any marked change purely as a consequence of convertibility, although there may be price adjustments. Investments presumably will not at once show any upward response. It is, in fact, even possible that the rate of flow might slow down temporarily until the outlook can be determined with fairer assurance. Export and import service transactions might be expected to behave in about the same way as merchandise, subject to the proviso that restrictions are not continued on outlays for such purposes.

The foregoing may appear to present a rather dismal picture of business prospects and a weak justification for undertaking all the risks of convertibility. The explanation is threefold. First, the expectations outlined or postulated relate only to the short-run, and the real advantages of convertibility are realized in the longer-run as the effects are transmitted throughout the different economies and as the associated policies begin to bear fruit. Secondly, the gains derived by certain firms or categories of products may exceed the suggested 5%, while the stimulation to the economy as a whole could have even more striking effects. Finally, the establishment of convertibility makes possible an attack on other impediments to trade and investment, and through the pricing mechanism should correct the distortions in trade which have developed during the period of inconvertibility.

Probably the most important effect of convertibility from the commercial-financial angle is that it introduces an element of flexibility. In this connection one of the most telling comments I have come across was recently made by a British businessman, Sir Edwin Herbert, in the course of a company address: "Freedom is an essential quality of life, and marks of life are growth, change, flexibility, and adaptation to changing circumstances. The mark of death is rigidity. . . . We have to choose between growth with its inevitable growing pains on the one hand or rigor mortis on the other hand."

The ultimate gains and benefits will be provided through the impulse convertibility gives to the adoption of more rational economic policies, through the concomitant removal of burdensome and discriminatory controls, through the development of "natural" patterns of trade, through the integration of economies by exchange, and through the restoration of flexibility as a guiding force.

IV

Some Unresolved Questions

Anyone dealing in the field of international economic affairs surely cannot escape the conclusion that much of what he may seek to say must be highly conjectural, that the variables he is working with are too vast to allow otherwise, that his remarks with respect to one country may not be at all applicable to a neighbor, and that there is a highly complex interdependence of issues. But these are exactly the elements which the businessman trading and operating abroad must face on a daily and practical basis. One cannot hope in few words to portray or assess the impact on him of all the shifts and changes, all the varying environments and policies, and all the subtle differences in view and attitude encountered, or his reaction to them. It is difficult to do so even when an attempt is made to confine the survey to a single issue, such as convertibility. As a result many questions highly relevant to the theme must here be left unresolved.

They include such vital questions as: Floating versus fixed exchange rates? The role and desirability of stabilization funds? International trade policies? The role of gold? The gold price? The dollar supply? The place of investments? The treatment of capital? The social framework? Com-

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CURTISS GINN, Jr.

President, The F. E. Myers & Bro. Co.

It appears to me that the outlook for the water system industry for 1955 is favorable. If the number of new housing starts now being discussed actually materializes, the rural non-farm market will of course be further increased. While extension of city water lines will take away some of this market. I believe houses are being built beyond water mains faster than the lines can be extended. Household appliances such as water heaters, automatic dishwashers, automatic laundry machines, water softeners and other devices are increasing the usage of water and in many instances this replacement of an inadequate water supply system. The trend towards farm improvement and modernization also continues and many farmers, too, are realizing that they could increase their production of crops, livestock and dairy products with a more adequate water supply.

Curtiss Ginn, Jr.

While I believe the outlook is favorable and the potential large, I realize that we are competng for the consumer's dollar with products that may be classed as more utilitarian than glamorous. This means that we must increase our sales effort and promotion. It means that we must educate the dealer in the importance to him of increasing his water system sales because of the tie-in sales of other appliances he can make only if a reliable and adequate water supply system is first installed.

In other words, I believe the economic climate for our industry looks good but I believe we will have to get the business.

J. R. GRAINGER

President, RKO Radio Pictures, Inc.

It is my firm conviction that 1955 will be a year of continued economic and technological triumph for Hollywood and that RKO will enjoy its rightful share of this success. RKO begins 1955 with undoubtedly the brightest outlook the company has enjoyed in a long time. We have excellent product currently in release, equally excellent product completed and awaiting release and we have a group of outstanding independent units at RKO who have their respective shooting schedules of major attractions completed for 1955.

James R. Grainger

I have personally read each of these forthcoming productions and I know that these are the kind of films that the exhibitors and the public want. RKO has long been known as the "Showmanship Company" and I think it only proper to mention the unique premiere RKO held for Howard Hughes' new Jane Russell Technicolor Superscope production "Underwater!" at Silver Springs, Florida on Jan. 10. We are so convinced that "Underwater!" will be one of the top grossing pictures of the year that we flew 200 of the top press of the United States from New York and Hollywood respectively to the famed Florida resort for the film's premiere. This is the kind of showmanship we intend to put behind all of RKO's productions.

In addition to "Underwater!" we will release early this year such outstanding product as "The Americano" in Technicolor with Glenn Ford, Frank Lovejoy, Caesar Romero, Ursula Thiess and Abbe Lane; "Seven Bad Men" in Technicolor and Superscope with Randolph Scott, Forrest Tucker and Mala Powers, which is a Nat Holt Production; "Escape To Burma" a Ben Bogeaus Production in color and Superscope with Barbara Stanwyck, Robert Ryan and David Farrar; "Son of Sinbad" in color and Superscope with Dale Robertson, Sally Forrest, Lili St. Cyr, Vincent Price and Mari Blanchard; "Jet Pilot" in Technicolor and Superscope with John Wayne, Janet Leigh and Jay C. Flippen and "The Conqueror" in Cinemascope and color with John Wayne, Susan Hayward and Pedro Armendariz.

RKO's list of top independent producers include Edmund Grainger, who has two deluxe pictures ready for filming in Technicolor and Cinemascope, "The Treasure of Pancho Villa," with Van Heflin and Gilbert Roland heading an all-star cast; and a picturization of James Street's best seller, "Oh, Promised Land," to star Alan Ladd. Ben Bogeaus has a top-budget picture, starring Miss Stanwyck, as yet untitled, to go in February. First of three big movies to be filmed by David Butler Productions is "Miracle At Santa Anita," with a top star cast to be announced shortly. The King Brothers start their "The Boy and The Bull," a $2,000,000 picture to be filmed in color and Cinemascope entirely in Spain in February, while in June cameras roll in England on "The Two-Headed Spy," with two box office names to be announced. Nat Holt Productions have just completed "Seven Bad Men" while a second production, as yet untitled, is being prepared for early 1955. Already completed by Sol Lesser Productions is "Tarzan's Hidden Treasure," with the new Tarzan, Gordon Scott, to be followed within the next few weeks by another Lesser film for RKO release.

CRAWFORD H. GREENEWALT

President, E. I. du Pont de Nemours & Co., Inc.

For the Du Pont Company, as for industry generally, the level of business in 1954 was somewhat under the record level of 1953. Sales for the year may turn out to be 6% or 7% below 1953. The decline has been quite general, and decreases in sales to the industries we serve, with the possible exception of the textile industry, have not been far from the average. A mild upturn has been apparent in the fourth quarter of last year and should this continue, as we think it will, 1955 sales will be near the 1953 record.

C. H. Greenewalt

Nothing in the present economic picture has discouraged continuation of our substantial construction program, and expenditures in 1954 will be about equal to those in 1953 and to those forecast for 1955.

For the long-term, an important basis for optimism is in the leverage on our economy of the very large research expenditures being made by industry generally — which cannot fail to produce eventually new investments, new jobs, and improved living standards. In the Du Pont Company, research expenditures have unquestionably paid off, as exemplified by the fact that such a large percentage of present sales arise from products developed years ago in our research laboratories. Research expenditures are continuing at the rate of $50,000,000 to $60,000,000 annually and we have every expectation that that expenditure will produce the same benefits for Du Pont and for the economy as has been the case in the past.

JOSEPH GRIESEDIECK

President, Falstaff Brewing Corp.

During the year just completed, Falstaff Brewing Corp. exceeded its 1954 sales goal of 3,000,000 barrels of Falstaff beer by more than 285,000 barrels, marking an all-time high in annual sales for the company. This gain, which represented a 13% barrelage increase over 1953, was achieved in spite of an industry decline in sales of about 3½%, and brought Falstaff's total sales since Prohibition ended in 1933 to well over 30,000,000 barrels. With this brief reference to the past as background, I would like to discuss our feeling about the future, both as it pertains to the brewing industry and more particularly as it pertains to Falstaff.

Joseph Griesedieck

The new year opens with general business optimism at probably its highest level in over 25 years. An almost unprecedented bull market in stocks has continued practically unabated. Our population continues to grow at an amazing clip. In a little over three years the U. S. has grown by 9 million, the same increase it took a full decade to achieve from 1930 to 1940.

Assuming that the business forecasters are correct in their predictions of good times in 1955, the changing population patterns can have an important influence on future sales in the brewing industry. Based upon a recent Crossley survey, the segment of the population consuming the most beer and ale is the 21-45 age group. This particular group, due to the low birth rate in the depression era, now is the smallest in some time, and during the next five years should grow slowly. Commencing in 1960, however, when the post-depression babies become of age, this segment of the population will swell considerably and reflect in a decided increase in the consumption of beer and ale.

Inasmuch as the industry will still be considerably overproduced in 1955, competition among the brewers will become more intense this year than it was in 1954. Major national brands and strong regional or local brands will use every means possible to increase sales volume—at the expense, naturally, of competition. In this struggle for position, advertising will play an increasingly important role.

Falstaff's management anticipated this strong competitive battle in consumer advertising several years ago. Through detailed study and analysis, Falstaff management set the course for its consumer advertising—planning as much or possibly more for the present as well as the future. This carefully planned and carefully charted advertising program reached a new peak of effectiveness during 1954 with substantial sales increases. During 1955, Falstaff advertising, improved where necessary to meet competition, will continue this plan which produced the sales gains of 1954. While I feel that industry sales should show a small increase over 1954, I am optimistic that Falstaff sales gains should about parallel those of last year.

There is, of course, one other factor which plays a very important part in increasing or decreasing beer sales—and that's the weather. Over this element we have no control. At the risk of alienating many friends, I can only wish for a good hot summer in 1955.

GEORGE GUND

President, The Cleveland Trust Co., Cleveland, Ohio

Once more the time has arrived for the traditional appraisal of prospects for the new year. Personally, I look for a higher level of general business activity in 1955 than in 1954. Indeed, unmistakable signs of an uptrend were already evident in the closing weeks of last year. A strong push has been supplied by the sharp rise in automobile production, and improvement has spread to various other industries as well.

George Gund

This recent spurt means that industrial production is starting the new year at a higher point than a year ago, although below the pace of early 1953. It is distinctly possible, however, that total production in one or more months of 1955 will exceed the average for 1953, the best year on record so far.

Construction furnished very important support to business in 1954, with an all-time record for the amount spent on new construction put in place. The outlook is that 1955 will witness another banner year for this industry. Both private and public building should achieve new peaks. This is significant, because in the past a good year for construction has rarely been accompanied by a slackening of business in general.

On the financial side, more business will mean more demand for bank credit. This may apply particularly to commercial loans, partly because some concerns will be seeking short-term credit to add to their inventories. In 1954 excess inventories were being worked off by many companies, but the period of liquidation is probably nearing its end.

With another big home building year in prospect, the demand for mortgage loans will be strong. Consumer credit is likely to increase somewhat, along with a good market for automobiles and household goods. Borrowing by state and local authorities will also rise. The volume of long-term corporate financing may ease, since capital outlays for new plant and equipment are expected to decline slightly from the 1954 total.

Interest rates will probably show no great change, though they will average somewhat higher than the low level of 1954. The trend of money rates of course depends partly on Central Bank action. Last year the Federal Reserve authorities followed a policy of monetary ease, so as to encourage credit expansion and greater business activity. It remains to be seen what modification of this course will develop in 1955.

FRED G. GURLEY

President, Santa Fe Railway

Although the Santa Fe Railway System will conclude the year 1954 with a lower revenue return than that of 1953, the year as a whole has been a good one by most standards of comparison, and indications are that we probably can look forward to a good year in 1955 with a moderate optimism. Of course, our traffic has been affected by the general business activity throughout the country, but there have also been relatively local conditions affecting our revenue returns. A continuation of drouth conditions in parts of Texas, Oklahoma, Kansas, New Mexico and Colorado has had an effect not only upon the movement of agricultural products from those states, but to a degree on the movement of other commodities.

Fred G. Gurley

It is good to be able to report that during the past few weeks our carloadings are materially better than a corresponding period a year ago. Much of this better showing is because of the splendid sorghum grain crop in Texas, but the general list of commodities is also showing improvement.

The past year has seen many outstanding developments on the Santa Fe. We have embarked on construction of a new $7,000,000 main line into Dallas, Texas. Our railroad now is completely Dieselized. We inaugurated a new streamlined train, the San Francisco Chief, operating between Chicago and San Francisco. Full length dome cars were added to several of our passenger trains, new high-level chair cars were placed in experimental use between Chicago and the West Coast, and schedules of our top main-line streamliners were speeded up.

In addition, we have opened at Argentine, Kansas, a huge new Diesel electric servicing, maintenance and repair shop. We placed in service more than 2,000 new freight cars, and we inaugurated trailer-on-flat car service in the Chicago-Kansas City and Los Angeles-San Diego territories. There have been many other improvements — mechanical refrigerator cars for transport of frozen foods, family plan fares, economy meals, continuous welded rail, mechanized tie gangs and so on.

It is our intention to continue our research into improved passenger and freight service and to put improvements into effect wherever possible, but we and the rest of the railroad industry today face a number of serious problems, several of which threaten to back us to the wall in a fight for survival.

In the postwar era the railroads have spent more than $10 billion to improve the efficiency and economy of their services. Yet with the general business activity at

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What Convertibility Means to Business

petitive capacities? Considerable space, much more than is here available, could well be devoted to each of these in turn, and—in view of the mixed reactions and positions of business on some of the questions—would certainly be required.

Full and adequate coverage being precluded, the attitudes with respect only to the first three questions may be summarized very briefly as follows: There has been a growing tendency to favor some type of floating rate or at least a fairly flexible rate policy. There is general opposition to the appropriation or allocation of funds by the United States Government for the purpose of establishing any additional special currency stabilization fund. There is broad support for freer trade policies consistent with the vital interests of the American economy.

V

Concluding Observations

What then does convertibility mean to business? If we have arrived at any answer it is that there are many answers. To the one group most affected and most involved, the foreign traders and investors, it is the "indispensable key to a broad and expanding flow of multilateral trade." To all branches of industry and commerce, it is the avenue to greater sales and activity. To the whole economy, it is the channel through which a better standard of living may be achieved.

Whether we are to have convertibility, however, depends not on the businessman, but on the state of mind of the people as a whole and their political leaders, here and abroad. It depends on whether there is a willingness to endorse the principles and live up to the obligations of convertibility. It depends on whether there is an underlying sympathy for convertibility. It depends on whether each nation is willing to consider itself a custodian of convertibility. It depends on whether the world is ready.

Russell With Walston

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Kenneth D. Russell has become associated with Walston & Co., 550 South Spring Street. Mr. Russell was formerly with Holton, Hull & Co. in the trading department and prior thereto was Assistant Manager of the trading department for Edgerton, Wykoff & Co.

With A. C. Allyn

(Special to The Financial Chronicle)

CHICAGO, Ill. — Richard L. Boyle is with A. C. Allyn and Company, Incorporated, 122 South La Salle Street.

Goodbody Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Wm. O. Burnett has been added to the staff of Goodbody & Co., 1 North La Salle Street.

Joins Cruttenden Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.— Alton Cherry has joined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Reinholdt & Gardner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Russell C. Yeager is now connected with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Banks for Cooperatives To Issue Debentures

The 13 Banks for Cooperatives are arranging for a public issue of $40,000,000 of one-year consolidated collateral trust debentures, Homer G. Smith, director of Cooperative Bank Service of the Farm Credit Administration, announced on Jan. 17. This financing operation is primarily to provide for the redemption of $40,000,000 of Central Bank for Cooperatives 2⅛% debentures maturing on Feb. 1, 1955.

The offering will be made through Macdonald G. Newcomb, 130 William St., New York 38, N. Y., the banks' fiscal agent, with the assistance of a nationwide group of security dealers.

The debentures will be offered at par and the rate of interest will be announced on or about Jan. 21, 1955.

The Banks for Cooperatives are incorporated under Federal law and operate under the supervision of the Farm Credit Administration, an independent agency in the executive branch of the U. S. Government. These banks make and service loans to farmers' cooperatives. Their debentures are instrumentalities of the U. S. Government, but the government assumes no liability for them, either direct or indirect.

Weber-Mitchell Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — James F. Robinson has been added to the staff of Weber-Mitchell & Co., 411 North Seventh Street.

With Reserve Inv. Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Caldwell Sherrill has become associated with The Reserve Investment Company, Dixie Terminal Building. Mr. Sherrill was previously with the Weil, Roth & Irving Company.

H. M. Bloom Opens

OAKLAND, Calif. — Harry M. Bloom is now engaging in a securities business from offices at 3820 Broadway.

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record levels, railroad earnings have been both unsatisfactory and inadequate. There has been a steady and alarming decline in the railroad's proportion of the total intercity freight traffic. Diversion of traffic from the railroads has been due in large part to government policies and programs which have provided large subsidies for air, highway and waterway transportation, while at the same time rigidly restricting the railroads in their efforts to meet the competition of subsidized carriers.

All the railroads seek is freedom to compete on an equal basis with a subsidy to none. We have suggested to President Eisenhower's Cabinet Committee on Transport Policy two means of bringing this about—first, assessment of adequate user charges for services, rights-of-way and other facilities provided for air, highway and water carriers at government expense, and secondly, de-regulation of railroads to accord them greater freedom in the making of competitive rates.

The need for the user charge is all the more imperative now in view of the current government plans for greatly increased expenditures for highways, airports, airways and waterways. The government already has announced plans for spending within the next 10 years many billions of dollars on a highway system.

H. FREDERICK HAGEMANN, Jr.

President, Rockland-Atlas National Bank of Boston

The year 1955 has begun with an uptrend in business and a resurgence of inflationary forces.

The Federal Reserve Board, after applying the credit brakes in the Spring of 1953, reversed its policy in the last half of 1953 and the first half of 1954 by increasing the money supply and establishing a policy of extreme ease in money to stem the downturn in business that began in the summer of 1953 and extended into 1954. Beginning in the last half of 1954, the Federal Reserve Board again has permitted money to firm slightly as evidenced by lower government bond prices, and just recently the Reserve Board has raised margin requirements from 50 to 60% as a warning to the stock markets that the Board looks with some disfavor on the rapid increase in prices on the exchanges.


H. F. Hagemann, Jr.

Since there is relatively little margin trading in the stock market, and since stocks are largely being bought for cash, only time will tell whether the gesture made by the Board will have the effect it desired, or whether the Board's admission that there is an inflationary breeze to lean against may cause more people to turn to certain high-grade equities as a means of hedging against inflation.

Certainly there is reason to be concerned about inflation as the budget has not been balanced, the money supply as defined as the total of bank deposits and currency in circulation has increased to an all-time high, and during 1954 there was no marketable government bond offering designed specifically to attract nonbank buyers. In addition, Congress had to authorize a temporary increase in the debt limit to enable the government to meet its obligations. Furthermore, Central Banks in the past both here and abroad have attempted to regulate the supply of credit so that it will be in short supply for speculation and plentiful for business. History reveals that it is imposible to maintain two levels in the same reservoir either with water or credit.

The Federal Reserve Board is faced with an extremely difficult, and so far as history records impossible, task of trying to furnish ample funds for business expansion without at the same time increasing inflationary pressures, one phase of which is dramatized by activity on the stock exchanges.

The basic trouble is too many dollars and the cure is not to try to regulate where those dollars go, but to reduce the number of dollars. The Board tried to do the right thing in the Spring of 1953, but businessmen, labor leaders, politicians and even a large percentage of bankers, to say nothing about the voters, were unwilling to undergo the irritation and pain essential in a return to sound money.

In the light of the foregoing, what about the year 1955 for banking? I still see no willingness on the part of any of the above groups to subject themselves to the necessary discipline that a return to sound money would require, so I feel there will be an increase in the money supply and higher bank deposits at the year-end. Money rates will tend to be firmer as the Federal Reserve tightens a bit but not enough to hamper business expansion. The business uptrend which has started will continue through 1955. Bank loans will be some higher at year-end.

Bank operating profits, in my opinion, will be about the same as in 1954, but portfolio bond profits will be scarce.

In conclusion, I expect 1955 to be an excellent year for most lines of business barring bad strikes that might occur on the renewing of many major labor contracts coming up this year; and a good business year generally means a good year for banks. I want to emphasize, however, that the day of reckoning is still ahead.

We have not moved into a new era in which business cycles are eliminated or the inexorable laws of sound money suspended. Irredeemable paper money and continued inflation is not a permanent way of life. Some day we shall have to pay the penalty, but as far as I can see 1955 will continue the exhilarating effects of inflation with the pain postponed for some later year probably beyond the all-important election year 1956.

While all forecasting is hazardous, I submit the above for your consideration based on my interpretation of the condition of the economy as I see it today.

HON. CHARLES A. HALLECK

U. S. Congressman from Indiana

Feeble complaints that President Eisenhower's State of the Union message to the Congress was "too optimistic" aren't finding many takers. Such comments are in a class with the alarm viewing of the recent campaign.

What about all the dire things that were supposed to happen to the nation just a few short months ago?

What happened to the recession we were warned was getting worse and worse?


Charles A. Halleck

Far from being "too optimistic," the President's message offered a temperate review of Administration accomplishments during the past two years and displayed a firm confidence that our country can and will move forward with an expanding economy based on a just and lasting peace.

Beyond that, the message presented a sobering explanation of the problems we must solve in the years ahead if we are to achieve our goals. At the same time, however, there are good reasons why we can, with justification, begin the new year in a spirit of optimism.

The world is at peace. predictions of violent eruptions here and there over the globe have not come to pass.

Observers who were ready to write off all attempts to bring about closer unity among the free nations of the world have been forced to admit that chances for an effective defense community are brighter than ever before. While we are certainly a long way from universal sweetness and light, the past two years have seen tensions eased in many historic trouble spots.

On the domestic front, this Republican Administration's efforts to lay sound foundations for a vigorous economy that will improve the standard of living for all Americans are bearing fruit.

As the President pointed out in his message, the transition to a peacetime economy is "largely behind us." We have moved through this difficult period with a minimum of adjustments, considering the pressures and strains of such a transition.

It is now established fact that, far from being a year of economic decline, 1954 was one of solid prosperity.

Personal income and consumer spending are reaching new records, and as we move into 1955 the line on the national production chart is moving upward.

One of the most complex problems faced by the Eisenhower Administration when it took office two years ago was the farm surplus situation resulting from the disparity between production and consumption.

Courageous and far-sighted policies, worked out it conference between the Executive and Legislative branches of the government, and with the cooperation of farmers and their representative organizations, are beginning to pay dividends.

The troublesome surplus is dwindling; we are gradually adjusting production to fit the needs of expanding markets, and the easing of restrictive acreage controls, always a peril to the traditional independence of the American farmer, is in sight.

Citizens who interest themselves in government can recall the many predictions, made so freely during the early days of the Republican 83rd Congress, that only a small portion of the original Administration program would be enacted into law. Such predictions were thoroughly discredited when the final returns were in, with some 80% of the proposals on the books.

I cannot believe that a Democrat-controlled Congress will turn its back on the President's appeal for cooperation, thereby denying America a program dedicated to the well-being of all.

GEORGE H. HALPIN

Executive Vice-President, Minnesota Mining & Manufacturing Company

In our opinion the general outlook for business in the United States for 1955 on a net sales basis is quite good. By this we mean better than 1954 and approximately equal to the banner year of 1953. We would expect that net profits in 1955 will be better than in 1954 and considerably better than 1953, especially for those who were burdened with excess profit taxes in 1953.

To support this, we believe that there will be a firming of 1954 selling prices in 1955, tending to slight increases rather than decreases. It is our opinion that 1954 has brought inventories into better balance than existed in 1953, with no further inventory liquidation to reflect against 1955 business as it did in 1954.


George H. Halpin

We expect an increase in general employment in 1955 over what it has been in 1954.

We expect that new orders will increase in 1955 over 1954.

For our own company, *per se*, we expect our 1955 business will be better than the banner year of 1953 and considerably better than 1954 due to a number of new products which are developing into major new product businesses.

ROBERT M. HANES

President, Wachovia Bank & Trust Company, Winston-Salem, N. C.

Nineteen fifty-five will "weigh-in" as a strong and healthy year for business, and may prove a worthy contender for the championship record now held by 1953.

An upward movement in production and trade which began in some lines in mid-1954, and became fairly general in the economy by late fall, is almost certain to continue in the first six months, of the current year, and with minor seasonal dips and changes, could well extend throughout the year.


Robert M. Hanes

The textile industry has shown measurable improvement and appears headed for a period of more normal demand and production. Construction activity, now at a record high level, shows no signs of diminishing in the immediate future. Production in the steel and automobile industries is moving at a good pace. Personal income in this nation is at the highest point ever reached and consumers are showing a willingness to buy, where quality and price are satisfactory.

These trends and factors indicate, but do not guarantee, a good year of business. There will be opportunities for progress and success where business management has the ability, foresight, and the willingness to work for business and to compete vigorously for its share of the market for its products or services.

CHARLES J. HARDY, Jr.

Chairman of the Board, ACF Industries, Incorporated

Prospects for the coming year are excellent, since the development of our valve and electronics properties, and of our Talgo-type passenger equipment should begin to show results during the coming year.

Two main lines of business, valves and electronics, were developed substantially during the past year by the acquisition of a well-known company in each of these fields. The ACF Electronics Division was established in January, 1954, at Alexandria, Virginia. In April, we obtained the W-K-M Manufacturing Co. of Houston, Texas, which makes high pressure stee lvalves for the petroleum, gas, and chemical industries. This strengthened our already established position in the valve field. In November, the Engineering and Research Company of Riverdale, Maryland (ERCO), leading manufacturers of aircraft and electronic equipment, was obtained to complement the activities of our two other electronics plants.


Charles J. Hardy, Jr.

The past year's investment in plants, new facilities, research and personnel in our electronics operations, should provide a broadened earnings base in this field during the coming year.

Likewise, we will continue to diversify our production in the years ahead in order to maintain a more even return on the investments of our stockholders and thereby provide better job security for our 12,000 employees.

W. HARNISCHFEGER

President, Harnischfeger Corporation

Indications are that business is somewhat on the upswing for the year ahead, so there should be additional plant revamping and purchases of cost reduction equipment in the industrial field. The demand should increase particularly for material handling and welding equipment and for machine tool equipment. Equipment such as diesel engines which bring about greater economy of operations should be in good demand.

In the construction industry the contracts let plus the work contemplated indicates an expansion over last year. Consequently, business in the construction industry should be good. The expansion of quarries and cement plants should be substantial to meet the contemplated expansion in the highway program.


W. Harnischfeger

Predicting the future will, of course, depend somewhat upon the total operating capacity of the automobile industries plus the appliance industries for employment, both of which have a substantial effect upon the basic materials industries. During the past year there has been a reduction in inventories which should assist in bringing about an improvement in business. Competition in all lines should be extremely keen in that supplies are ample and there is even an overcapacity in some industries. The over-all business outlook will probably be about the same as in the last month of 1954 with the exception of those companies which have a specialty product or are in a position that they can participate in the large over-all market by reason of good sales organization and an advantageous cost position. The decreased backlogs will naturally affect future earnings.

We hope that the Administration will insist on a balanced budget and develop improved international rela-

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Canada's Oil Picture

jected into the future. Starting at the primary end of the industry, that phase in which oil is searched for and found by geology, geophysics and exploratory drilling, the record expenditure of over $350 million in 1953 will be nearly matched when the outlay is tallied for 1954.

While Alberta continues to produce by far the greatest share of Canadian crude oil, an important development, nevertheless, is the broadening out of the area recognized as good oil country. A healthy increase has taken place in Saskatchewan to mark it further as the second oil province, and a whopping jump took place in Manitoba to bring it also into the ranks as an oil province, and one of no little promise. Further, for my money, I am confident also that oil eventually will be found in commercial quantities in British Columbia, where large quantities of gas already have been discovered, and that the Northwest Territiories and the Yukon will also provide their share. Even in the Arctic, large salt domes exist which could mean greatly increased reserves of oil for us—once exploration got under way.

We should produce in 1954 an average of about 265,000 barrels of oil a day in Western Canada. And that's a lot! It is 20% more than in 1953 and 12 times that produced before the LeLduc discovery in 1947. It is estimated that already completed wells could satisfy two-thirds of our current consumption of 560,000 barrels daily if it were physically possible and desirable from an economic point of view to have this done. We are now well on the road to self-sufficiency, and better, in our oil production, and subject to extending our markets, both domestic and external, we should achieve self-suffiicency within the next few years. Indeed, Canada's oil has emerged without fanfare from the status of a useful but indeterminate quantity in continental strategy to a major reserve, which can be mighty important should we ever be drawn into another war. With a vast latent ability to produce oil, the important question is that of markets.

Major Challenge

The swing of attention for the time being from Alberta to the other prairies provinces, is a normal trend from a region that is now fairly well occupied by the oil industry to those areas which have been worked over less intensively and where the opportunity is wide open for making new discoveries. On the other hand, the decline in wildcat drilling in Alberta can also be said to be bound up with a major challenge, which has been thrown at the oil producer by a chain of economic circumstances dating back to 1953. This challenge is to bend all efforts and ingenuity to the task of finding markets in which to sell the oil that the wells are capable of producing. It is axiomatic in the development of most oil countries that their production of oil must always fight for a place in the markets that are served competitively by other sources of crude supply.

Initially, the problem was one of transporting the oil we had discovered, but with the construction of our great pipeline systems, today the problem is the disposition of the oil beacuse others besides ourselves have it to sell.

The Canadian oil industry is better off today than it has ever been, and its economic and physical position is such that it can generate an enormous volume of activity with a small percentage expansion. We have created the physical facilities to produce something like 18 times our rate of production at the time of the Leduc discovery. We have built transportation links necessary to handle as much oil as we will be able to produce by 1960 if our present rate of discovery of new reserves continues, as we believe it will. We are now in a position to refine virtually all the petroleum products that we can consume in this country.

New Markets Required

All that remains is to sell our oil in extended markets at home and abroad. But we can do this only if it is competitive. This being so, it might well be that, in order to meet foreign competition, the producers ultimately might have to decide to shade the price asked for in the field.

In 1949 a similar challenge was met by the construction of the Interprovincial Pipe Line from Edmonton to the East and the producing companies accepting a re duction in the field price of their oil in order to sell in the more distant markets. In 1953 the challenge was met again and the accumulating capacity to produce was relieved to some extent by completion of the Trans Mountain Pipe Line to the West Coast to supply refineries at Vancouver, displacing oil which previously came more than a thousand miles up the coast from California. In addition, a new plant which was opened last fall in the State of Washington is taking half its capacity in crude oil from Canada, but because of competitive conditions, this is somewhat short of the volume we anticipated since the refinery also receives crude from Venezuela. By next summer another large refinery in the same state is scheduled to start operating on what we hope will be a substantial volume of Canadian crude. Once again strong world competition could dash these hopes.

Another significant element in what may well be a future trend to supply refineries across the border has already been created for the disposition of some Saskatchewan crude oil. Being heavy oils, the bulk of Saskatchewan crude thus far discovered is not acceptable to all types of refineries, and particularly those within market range of western crude in the prairie provinces and western Ontario. Those refineries are set up to handle light oils which constitute almost all the production of Alberta and Manitoba. Faced with this problem, a group of the Saskatchewan producers enterprisingly set up shop in the United States and are building a new refinery in St. Paul, Minnesota, to operate exclusively on Saskatchewan crude and sell its products competitively in Minnesota and Wisconsin. There is a bright hope for the future in the prospect that other groups in the industry with similar marketing problems might well try to solve them in a similar manner with the same display of enterprise.

To my mind, we will see the day—and I do not believe it is many years away—when Canadian crude will be carried by pipeline to Montreal and refined in that—the greatest in Canada—refining centre. Such a move would also

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tions which will bring about the confidence so necessary in developing forward looking business planning. We hope that labor will recognize that earnings must depend upon productivity in order to insure continuity of work and an upward swing in the economy.

Furthermore, our philosophy of giving foreign aid should be rationalized. I personally would be in favor of having gifts of this kind handled in the form of loans through the Export-Import Bank and that a substantial portion of them be set up as a reinsurance program so that private banking institutions can assume some of the obligations after careful investigation. A program of this type has been carefully developed by the New York Board of Trade, International Section, by specialists on the subject.

Another matter that will have an influence on the economy is the tariff policy.

WILLIAM H. HARRISON

President, International Tel. & Tel. Corporation

The United States has witnessed no more remarkable example of industrial expansion in recent years than in the field of electronics—which is usually defined to include all equipment employing vacuum tubes, transistors, or comparable devices for utilizing electrical energy in relatively small quantities. So defined, the U. S. electronics industry grew from total sales of less than $500 million in 1939 to about $8 billion in 1954.

William H. Harrison

The part that war or peace will play in determining the absolute growth of the electronics industry in future years may be judged from the fact that, in 1954, about 50% of its total output was for military use. But it is safe to say that, under any circumstances, its relative importance in our way of life is bound to increase for one or both of two reasons: first, the increasing employment of electronic devices in other industries; and second, the creation of new electronic industries.

Aviation is the prize example of what electronics can contribute to the growth of another industry. The expansion of aviation has closely paralleled the development of electronic devices such as direction finders, radio ranges, radiotelephony, the ILS (instrument landing system), radar, radio altimeters, distance measuring equipment, and long-range navigation systems (Loran, Navarho, etc.). Other forms of transportation making great and increasing use of telecommunication and other electronic devices are ships, trains, and fleet-operated trucks and taxicabs.

Microwave radio for communiction, monitoring, and control purposes is increasingly employed by organizations generating and distributing electrical power and light, and by pipeline companies distributing gas and oil. The telephone industry, which has long made use of electronics for multiplexing circuits and for overseas communication, is now finding new uses ranging from automatic switching to long-distance overland transmission.

Electronic industries are best known to the public in the field of home entertainment, where television, radio, high-fidelity phonographs, and tape recorders last year accounted for approximately 25% of total sales of electronic equipment.

The remaining 25% of the industry's output in 1954 was for industrial electronics, where perhaps the greatest promise of future growth is found. Electronic systems of production control, inventory control, accounting, and the performance of other tasks hitherto manually performed, are bringing us very close to the time when any repetitive task may be carried out automatically.

Beyond this, electron microscopes are showing us hitherto hidden realms of nature; electronic computors are making it possible to calculate with superhuman speed and accuracy; while closed-circuit television is permitting us to observe, and other electronic apparatus to control remotely and therefore safely, processes otherwise too dangerous or difficult to handle. The atomic age would not have dawned without the help of electronics.

I like to think that, far from creating new problems of unemployment, as pessimists have proclaimed with every new invention, the electronically controlled automatic factory is our one best hope of continuing to increase America's per capita production, which is the secret of our high living standard. Perhaps more important, it holds the promise of finally liberating our people from the chief bane of mass-production techniques—the reduction of intelligent human beings to the fatiguing and boring and wasteful performance of repetitive motions that are, in essence, mechanical. If electronics can permit machines to monopolize mechanical functions, life for our people will become not merely richer, but more spiritually rewarding and meaningful. For such an industry, there can be no limit to future growth.

ERNEST HENDERSON

President, Sheraton Corporation of America

With the stock market booming and business indices turning upward, as they do—sooner or later—when the pace is set by the Dow Jones stock-market averages, there can be little doubt that most predictions for 1955 will be on the optimistic side. My prediction for the Hotel Industry, a business that follows closely the trend of most other commercial activity, will be no exception. This prediction of growing sales and good business is directly based on the recent rise of security prices, for I am convinced that the inflation in security dollars resulting from a rise in stock-market averages actually creates an enlarged reservoir of liquid "spendable" wealth, which makes possible many large purchases which otherwise would not have occurred for lack of the necessary "wherewithal." The extent to which fluctuations in the value of common stocks affect our economy depends on the ratio of the value of all common stocks to all other forms of liquid wealth, such as currency, bank deposits, government bonds, etc., that portion of our "liquid wealth" which is relatively stable.

Ernest Henderson

The purchasing power of the nation is largely measured by its total liquid wealth which constitutes to a large degree its potential purchasing power. If this liquid wealth is predominantly in common stocks, as was the case in 1929, a given change then in the Dow Jones averages could (and did) produce a violent effect on business by deflating a major segment of our potential purchasing power.

During the past 15 years the total of currency, bank deposits, government bonds and other "stable" liquid wealth, were greatly expanded whereas common stocks, during those years, have remained until recently at relatively low levels. Thus, the proportion of our liquid wealth represented by fluctuating security dollars (common stocks) was relatively low. As a result, for an unprecedented number of years the business cycle has been practically free of those major swings characteristic of former periods.

Now that common stocks are again penetrating higher levels, a trend which may well gain momentum as the inflation in liquid wealth makes possible larger spending—such a rise in common stocks once more increases their significance in our economy. A further sharp rise would once more make common stocks a major factor in our business cycles and expose us to the risk of a depression, should such expanded markets for common stocks later collapse.

A rough calculation suggests that in 1929 common stocks subject to changes in value, represented some 75% of our total liquid wealth. During the past 15 years the percentage of common stocks was nearer the 15% to 20% range—a level at which even substantial changes in market averages could have only a minor effect on our economy.

If common stocks can be stabilized at current levels, 1955 will be an excellent year. I predict that a further expansion of the bull market will lead to boom business conditions, exceeding current predictions; but if the market thereafter collapses, it will require Herculean measures on the part of our government monetary agencies to avert financial and business chaos.

JOHN E. HEYKE, Jr.

President, The Brooklyn Union Gas Company

Growth in the gas industry can best be indicated by the growth in transmission facilities. With more natural gas reserves being discovered annually than are being consumed at even new record levels every year, the industry's big problem has always been bringing enough gas to the customers who want it.

John E. Heyke, Jr.

Expansion in 1954 could be measured by nearly 18,000 miles of pipeline added to an already huge natural gas network totaling about 413,000 miles. The only area in the country that is not presently served by natural gas transmission facilities is the Pacific Northwest and an 1,800-mile line has just been authorized to serve this section.

At the end of 1954, almost 22,000,000 customers were receiving natural gas. This represents more than 95% of all gas sales today, and about 25% of the energy used in the United States. The present size of the natural gas industry is even more amazing in view of the fact that many of the most highly populated sections are well over a thousand miles from the source of supply, and that until after the last World War there was no practical way of bringing natural gas to these areas. Until 1952, natural gas lines had not reached the New York metropolitan area. Yet by next year customers of The Brooklyn Union Gas Company will be receiving natural gas from two different transmission companies.

The gas business has by no means reached the end of its expansion. New construction and facilities are being added at the rate of $1 billion a year, a rate that is expected to continue for at least the next three years. And although giant pipelines may have become almost commonplace, the industry is making huge investments in new phases of operation. Last year, for example, about $50 million was spent in putting natural gas back in the ground.

The reason, of course, is the big increase in gas heating sales. House heating in 1954 continued to be one of the industry's fastest growing markets—and an extremely heavy one-season market. Underground storage, in extinct natural gas fields, provides a convenient solution to winter peak loads. Early in 1954 there were 167 underground storage fields in 17 states.

Natural gas utility lines will be serving more than 3.5 million new house heating customers by 1957, based on the present rate of sales. The Brooklyn Union Gas Company set its own estimate at the end of its changeover at about 50,000 new such installations by the same date.

The effect of this seasonal load on Brooklyn Union is fairly typical of what is happening in most natural gas utilities. The large volumes of gas that must be purchased to sustain a large house heating market, results in a surplus during the warmer periods of the year. This abundance of natural gas makes possible an attractive, seasonal rate for the heaviest fuel users, and has put natural gas in favorable competition with other fuels for industrial uses.

The expansion of transmission facilities has meant that Brooklyn Union and a number of other eastern utilities are now in a position to fulfill the tremendous growth predicted for the years ahead. From an almost impossible demand for manufactured gas immediately following the war, the gas utility business is now in a healthy, strongly-competitive merchandising position today, and there is every indication that the gas industry will set new sales records for many years to come.

JOHN A. HILL

President, Air Reduction Company, Inc.

At this time the outlook for the year ahead is one of confidence, rather than the concern of a year ago. 1955 has all of the appearances of a year in which the growth of our economy will be resumed. Much of the decline in the country's Gross National Product in 1954 can be traced to the decrease in government spending for defense. The decline in this important segment of the economy, however, has about run its course and should no longer have any significant depressing effect upon business activity.

John A. Hill

Capital expenditures for new plant and equipment have declined from record levels of a year ago, but some of the slack in business spending for production capacity may be taken up by increased spending for more profit capacity. Materials handling, automation, distribution . . . in these directions alone there is much room for the expansion of industry's profit capacity. Personal income should set a new record in 1955, and if we remember that the consumer spends twice as much as business and government combined, the potential is evident. If the American manufacturer can match this record buying power with effective selling power, he cannot help but enjoy a year of good business.

As for the chemical industry, the high outlays for new plant and equipment, and record research and development activities of recent years should begin to bear fruit in the form of increased sales of its present products and greater commercial harvests of the new products which have been nurtured in its pilot plants.

Production in many sectors of the chemical industry turned upward as long ago as last January. Plastics, synthetic fibers, industrial gasses and other basic nonorganic chemicals appear to be on the way toward new record levels of consumption.

In the metalworking fields there are already many signs of increasing activity, and the outlook is for increases in 1955. The steel producers look for better than 10% more steel this year. The automobile makers are confident that their cars are designed to meet the selective buying market of 1955. The appliance manufacturers are likely to enjoy increased business in 1955, now that many of the household appliances bought in the shopping sprees of the Korean supermarket of 1950 are approaching their sixth year of use.

It seems to me that 1955 may well develop into a positive print of 1954's business negative . . . with the general picture of business reversed.

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Canada's Oil Picture

involve the extension of the Sarnia line to Toronto—although this latter step could, and I believe would, take place a year or two before the Montreal extension.

To visualize prairie oil travelling the more than two thousand miles from Edmonton to Montreal may take quite an exercise of the imagination. But as inevitably as water seeks its own level, oil must find its maximum market, whether it be two hundred or two thousand miles removed—and be it remembered, pipeline transportation is one of the most economic forms. The Interprovincial Pipe Line, for example, carries oil from Alberta to Ontario, a distance of 1,775 miles—at a cost of about 1.9 cents a gallon, or, to put it another way, for a penny less than the cost of sending a postcard the same distance.

The Montreal area is a natural outlet for Western Canadian crude, inasmuch as one-third of the total refining capacity in Canada is located there. The combined capacity of the refineries in the Montreal area with the construction of a new plant, which is due for 1955, will be about 210,000 barrels per day.

It can readily be understood what a difference it would make to the actual self-sufficiency of our crude oil supply, if prairie oil could secure this volume of new business, an increase of more than 70% over the approximate current production rate of 265,000 barrels per day for the three prairie provinces. The attainment of this major economic target would bring in one swift action a benefit to the national oil economy exceeding the benefit contemplated in the initial planning from an entry into the California and Pacific Northwest markets.

Over the long trend this is virtually the only way in which real national self-sufficiency is likely to be attained. No matter how thoroughly the producers of domestic crude can saturate the existing markets with their normal growth, they will be receiving a diminishing share of the entire national market unless they can break into the vast region covered by the Montreal refineries and the great industrial and population area they cover.

There is also another angle to this and that is that we could improve our foreign trade balance over $200 million a year by supplying Western Canada crude oil to the markets in the central provinces instead of importing the volume we do today.

Assured Supply

The next question that arises is—could our crude oil suppliers stand the pace of this demand? In my opinion, yes.

It is true that at no time in the past 90 years has the world ever had more than approximately 13 years' supply of oil ahead in the form of proven reserves. However, equally true, there has never been any serious doubt about the ability of the oil industry to find enough oil each year to keep pace with demand growth, and Canada is one of the world's relatively unscratched oil regions.

We are in the fortunate position of having roughly 800,000 square miles of prospective oil bearing regions in Canada, and of these less than 5% have been explored adequately at this time. Our geology presents a promising challenge and at present about 185 million acres are being prospected by geologists and geophysical parties. Arising out of this it may interest you to know that the exploration record in 1954 has been one discovery of gas or oil every 2¼ days.

To the middle of last year, a total of merely 10,000 wells have been sunk in the prairie provinces in search of oil and gas. In terms of the number of wells which could be drilled before the prairies could be considered as exhausted in the search for oil, this is about 1% of what would represent complete drilling. In 1953 a record 2,200 wells were drilled and for 1954 I would anticipate just under that number.

One of the most significant geological events of the entire post-Leduc development was the recent discovery of the prolific Pembina oil field which may yet turn out to be the largest of them all. This exceptional discovery, in an entirely new oil-bearing zone, was a complete geological departure from the discovery of practically every major Alberta field in the past seven years. The Pembina discovery has needled the whole exploration industry into a reappraisal of primary objectives. This event, along with others which are bound to occur in the future with an equally startling impact, will definitely result in the finding of more oil. It is estimated by some to have added as much as 50% to the calculated total Western Canadian reserves as at the end of 1953, which now stand at over 2.5 billion barrels.

But, to my mind, the profitable operation of the producing oil industry in the future is going to depend in a very large degree on its ability to absorb its Pembina, its Sturgeon Lake and its future discoveries and merge them into general channels of production while new markets are being found. In brief, the sequence is something like this. First, you must find plenty of oil, more than you can dispose of, in order to create an incentive to find new markets. These markets, having been found, in turn provide an incentive to discover still more oil to keep up with the increasing size of the markets.

Refineries

Among the quietly sensational aspects of the oil industry growth in this country since the war, attention must be given to the increase in refinery capacity. Canadian refineries now total over 40, for the second greatest number of any country this side of the Iron Curtain, and represent an investment of over $600 million. Our refinery capacity has progressed so far that today we are practically independent of all outside sources for refined products across the country.

Our refineries today are a credit to us and, you will be glad to know, are the most modern that exist anywhere.

Since Leduc the consumption of petroleum products in Canada has more than doubled compared with a 37% increase in the United States during the same period. Our consumption for 1954 should show an increase of 7% over that of 1953 and, based on the trend of the last several years, estimates show that the domestic market will increase by about one-third within the next five or six years.

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DAN W. HOGAN

President, City National Bank and Trust Company, Oklahoma City, Okla.

In reporting on the outlook for business in our field, I shall first mention a devasting drought which swept over certain sections of the several states in the region known as "The Southwest" during the year 1954.

Dan W. Hogan, Sr.

Oklahoma, except in the extreme Eastern counties and the Panhandle counties, in the West, has suffered a considerable loss in the production of corn, grain sorghums, and alfalfa. Pasturage was cut short, but cotton and wheat made fair crops. As a rule, Oklahoma ranks second in the states producing wheat, but the past fall has been so dry that thousands of acres have been dusted in, and so far have not germinated. I am happy to say, however, that at the time of this dictation, a heavy snow has blanketed the entire section where we do business, and should be in time to save the greater part of the wheat already sown, and give time for reseeding in places where the wheat germinated and died.

In normal years, wheat pasture supplies fall and spring feed for cattle and sheep. On account of the complete failure of this pasturage, farmers and ranchmen have been forced to sell considerable portions of their cattle, but fortunately received fair prices from purchasers from other states where feed was available.

It has now developed that this section was somewhat overstocked with cattle, and the funds brought in from the sales referred to, have had a tendency to relieve other financial problems which might have developed.

Some 30 years ago the Oklahoma Bankers Association sponsored the movement to promote 4-H Clubs and Future Farmers of America to a point of giving premiums and prizes to the boys and girls who took part in these organizations. Many of these erstwhile youngsters are in the front ranks in our churches, schools, and the State Legislature.

Terracing, contour farming, and soil conservation have developed to such a high degree that our farmers and stockmen are in the strongest positions they have been in since the opening of the Indian Territory to white settlement, in what is now the State of Oklahoma.

As 1954 draws to a close, I can say in spite of the drought conditions, mentioned above, that the year has been quite satisfactory businesswise, and sales during the Christmas holidays have been satisfactory.

We are still hoping for a balanced National budget, relief from double taxation on dividends, and the privilege of deducting the amount of our Federal income tax as we can any other operating expense.

EUGENE HOLMAN

Chairman of the Board Standard Oil Co. (New Jersey)

World demand for petroleum products reached a record high in 1954, increasing almost 2% in the United States and more than 9% abroad. In 1955, Jersey Standard economists expect domestic consumption to increase about 5% and foreign consumption nearly 7% over 1954.

Eugene Holman

Although general business activity in the United States for 1954 will average 7 to 8% below the 1953 level, prospects for the new year are bright. The outlook is for continued economic progress in the free world.

In many respects, 1954 has been a remarkable year. In the light of inventory adjustments after the end of fighting in Korea, curtailment of government expenditures, and growth of production in other parts of the world, some rather drastic effects on our economy might have been expected. Actually, major adjustments took place with extraordinary smoothness. While such major adjustments in the economy have in the past brought not only decreased production but also declining employment and falling prices, 1954 saw a modest falling off in the Gross National Product but with relatively stable prices and a continuation of high personal income. The adjustment in our economy without major dislocation represents an achievement on the part of American business and on the part of the makers of our fiscal policy.

Competition for the petroleum market became more intense than at any time since World War II. The outcome was expanded effort in research, marketing, and other phases of the oil business, and resulted in product improvements. We look for competition to remain keen in 1955, rather than to diminish.

Capital expenditures in our industry and others are being made not alone to increase capacity but also to improve quality, to reduce costs, and to develop new products. Capital and exploration expenditures of Jersey and affiliated companies in consolidation are now expected to total $785,000,000 in 1954. Of this, additions to property, plant and equipment are estimated to amount to $625,000,000, while other expenditures made in the search for oil are expected to total $160,000,000. In 1955, those expenditures may be even greater.

Already under construction or in the planning stage are 12 catalytic naphtha reforming units, seven desulphurization units for diesel fuel, and an atomic radiation laboratory where the Standard Oil Development Company, our central research affiliate, will embark on a series of investigations to find better and cheaper ways of producing oil products.

Continued technical progress also is being made in the methods and equipment for locating oil, drilling wells, and taking more of the oil out of the ground. Similar progress is being made in obtaining faster and more economical transportation of oil products. Storage facilities are continually being increased to help reduce fluctuations in product requirements between summer and winter, and a new method of storage, placing large quantities of heating oil in abandoned quarries, already is in use.

I am confident that in 1955 and the years to follow, the whole field of industrial research will continue to expand, multiplying the uses of our present natural resources and discovering new ones.

Many of the problems which confronted the oil industry in 1954 will be carried over in whole or in part into 1955. Among them is the intrusion of government price regulation into the production of natural gas which, like oil, is a major source of energy for our nation. We believe strongly that such regulation could drastically curtail the eventual availability of natural gas to consumers.

Other important problems relate to oil imports. Jersey Standard recognizes that there is no substitute for a healthy domestic oil industry. We recognize, too, that added imposition of legislative restrictions on oil imports into the United States would adversely affect the long-range security of our country and would have serious repercussions abroad. Development of foreign oil supplies by American companies contributes toward conservation of oil resources at home and assures foreign reserves in the event of an emergency. The problem of oil imports is of real concern to domestic producers but we believe that a solution lies in the use of good business judgment by individual companies in the oil industry.

I hope that the year 1955 will evidence a trend toward relaxation of the roadblocks hindering the movement of goods among friendly nations. Steps toward a more liberal foreign trade policy would, we think, contribute to the continuance of our present very healthy economy in the United States.

In 1954, the industry had a substantial margin of spare capacity and apparently will operate under the same conditions for some time to come. A condition where the industry is able to supply more products than the customers want to buy, of course, presents problems.

But an industry as important as the oil industry should have a reasonable spare capacity to meet unexpected demands, unforeseen interruptions to normal supplies and as reserve for possible military erquirements. Excess capacity is costly to the industry. I am convinced, however, that there is sufficient ability and good judgment within the industry to deal with the problem wisely.

Even with the keenly competitive conditions expected to maintain through 1955, the outlook for Jersey Standard's earnings is for a continued favorable level of profits. Jersey's operating affiliates have reported that they expect employment to remain about the same as in 1954.

J. G. HOLTZCLAW

President, Virginia Electric & Power Co.

The year 1954 witnessed marked growth and prosperity in the company's area, and business in 1955 is expected to be as good as, or perhaps somewhat better than in 1954. While the level of employment in durable goods at the end of 1954 was slightly less than the previous year and there was a comparatively small decrease in the nondurable goods field, as the new industries which located in the area recently come into production, the 1955 employment is expected to show a great increase.

Jack G. Holtzclaw

Industries locating in the company's area indicate the continued diversification of its economic development. New plants established in 1954 produce and process electrical equipment, chemicals, textiles, nylon and plastics, pharmaceuticals, paper, rubber and food products, carpets, shoes, razors and tea. Here, at the "Top-of-the-South," the Virginia Electric and Power Company, in cooperation with State and local chambers of commerce, industrial groups, railroads and other organizations is working for the economic development of its service area, which includes the greater part of Virginia, northeastern North Carolina and a section of southwestern West Virginia. With plenty of loyal, skilled labor, decades of management-labor harmony, a modern, fast-paced transportation network to the nation's markets and to world markets through the unequalled ports of Hampton Roads, there is a well-balanced growth between industry, agriculture and trade at the "Top-of-the-South."

In 1954, Vepco's business showed about a 7% increase in power output, and its maximum load for one hour exceeded 1,000,000 kilowatts for the first time, and customers used more than twice as much electricity as was used in 1947. About 25,000 electric customers were added during the past year. The annual average use of electricity per residential customer for 1954 was about 2,820 kilowatt-hours, and is expected to reach 3,000 kilowatt-hours in 1955.

Vepco's expansion reflects the economic growth in its area. The Company's construction program for additional generation, transmission and distribution facilities exceeded $45,000,000 in 1953, and $61,000,000 in 1954, with an extimated $50,000,000 to be spent in 1955. Vepco's generating capacity has more than doubled in the past six years. A second 100,000 kw steam unit recently began operating at Portsmouth Station, and in 1955, additional generating capacity will be available upon completion of the 100,000 kw steam unit at Possum Point and the 100,000 kw hydro-electric development on the Roanoke River near Roanoke Rapids, North Carolina.

Adequate, dependable and economical power is available for the expected expansion of existing plants and new industries. The Company's favorable progress and growth reflects the progress and growth of the area it serves, and its assurance of future prosperity also may be translated into terms of economy of the "Top-of-the-South." Indications are that this growth will continue to be well diversified.

JOHN JAY HOPKINS

Chairman of the Board & President, General Dynamics Corporation

During 1954 General Dynamics Corporation's participation in the defense production program increased sharply with net sales for the year exceeding $600 million. As of Sept. 30 the corporation's backlog of unfilled orders — contracts, firm orders and letters of intent — was estimated at $923 million with another $410 million under negotiation.

John Jay Hopkins

Defense spending, of course, continues as a major factor in the fiscal planning of the United States and our government apparently has decided that such spending will continue to be of primary importance on a long-range basis.

With General Dynamics engaged in a wide area of defense production, I am confident that sales and earnings will continue at a favorable rate. Currently the corporation is at work on military and commercial aircraft, submarines, guided missiles, and nuclear and electronic products. My confidence in the future is reflected in the increase of the quarterly dividend to $1.00 voted by our board of directors on Oct. 28, 1954.

As I have already reported, earnings for the first nine months of 1954 were higher than in any other comparable period in General Dynamics history. Net income after United States and Canadian taxes through Sept. 30 were $12,392,834. This figure for the same period in 1953 was $9,377,061. Per share earnings through last Sept. 30 were $6.17 for the 2,048,096 common shares then outstanding as compared to $4.46 for the first nine months of 1953 calculated on the same basis.

The high point of the year for the corporation was the launching of the world's first atomic-powered means of transport, the submarine "USS Nautilus," at our Electric Boat Division, Groton, Conn., on Jan. 21.

Christened by Mrs. Dwight D. Eisenhower, the "Nautilus" wil be ready for her sea trials early in 1955.

Meanwhile work on the second atomic submarine, the "Sea Wolf," progressed as planned in 1954. Her first keel plates were laid in September, 1953.

Electric Boat is also building a new, conventionally-powered attack submarine for the Navy and is engaged, as well, in submarine repair and overhaul work. Other work at Groton includes the production of components for Atomic Energy Commission installations, non-submarine work for the Navy, and commercial contracts such as the wind tunnel work now being manufactured for United Aircraft Corporation.

Finally, the Navy has announced that it shortly will commence negotiations with Electric Boat for the design and construction contract for a third nuclear-powered submarine.

Nearly as important, and probably attracting as much attention to General Dynamics on a world-wide scale, were the development and progress of the Convair Division's XFY-1 vertical takeoff and landing plane, the Pogo, and Convair's work with its supersonic all-weather jet interceptor F-102.

Convair also made headlines with its contract for an undisclosed number of supersonic jet B-58 bombers, an entirely new delta-wing aircraft.

In addition, Convair is in the forefront of the effort to develop practical atomic-powered aircraft. Production is also continuing on Convair's navigator-bombardier trainers.

During 1954 Convair built and placed in operation an atomic reactor in connection with the development of nuclear propulsion for aircraft. Other projects at San Diego, Fort Worth, Pomona and Daingerfield include new developmental and production programs for guided missiles and on the overhaul and modernization of the B-36s. Development work continues on electronic systems and other military items.

Canadair Limited, our Canadian subsidiary, is now engaged in preliminary tooling and engineering for production of the maritime reconnaissance version of the Bristol Britannia for the Royal Canadian Air Force. It is anticipated that a mock-up of this four motor plane will be ready for review and study in 1955.

Meanwhile production of T-33 jet trainers (Silver Star) and F-86E Sabre jet fighters continues at the Montreal plant with the possibility that additional Sabres will be ordered by the RCAF. Canadair is en-

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Canada's Oil Picture

The industry is today geared to meet this new market.

New Gasolines

I cannot indulge in any story of the petroleum industry in Canada today without reference to the new and better gasolines that you have been obtaining of late. I am sure you have read diligently all the advertisements put out by each company; I am sure as a result of this you have been able to add to your vocabulary of superlatives in a way you never believed possible; but I am also sure that after reading them all and comparing their claims, you find yourself confused.

However, notwithstanding this, some important improvements have been perfected in our gasolines with a resultant benefit to the motoring public. Some people fall into the error of believing all gasolines are pretty much the same. This is not so—there are differences, and important differences, but insofar as the power characteristics or octane number is concerned, all the new refineries of today are producing a greatly improved product over that of some years backk.

From a performance standpoint, today's gasoline is superior in several major respects. It has quicker starting and warm-up characteristics; it is a highly refined product that will keep the engine clean for a long time; and it has carefuly worked out volatility qualities to make the engine's full power available at all times. Most important is its increase in latent power to where it now has 50% more than 25 to 30 years ago—two gallons do the work of three formerly—and surprising perhaps to you, at a f.o.b. refinery price essentially the same as that of the product 25-30 years ago.

Continued research is going on to effect still greater improvements in your gasolines and further improvements will be forthcoming.

The regular brand of gasoline you put in your car today probably has an octane rating of around 87 or 88, but your new cars, with their high compression engines with a ratio of 8-to-1 or better, need the rich diet of first-grade fuel with five or six octane points higher.

The motor car industry is said to be thinking in terms of 9, 10 and possibly 11-to-1 compression ratio in the next five or six years, and this being so, you can be assured of still higher octanes. I foresee the day when 100 octane gasoline will be making its appearance on the market and you will be driving your 10-to-1 ratio engine up Yonge Street with a tankful of the high octane gas that today goes into aeroplanes. The octane race brought on by research, competition and the improvement in motor car engines, will, it is believed, continue unabated for the next 10 years.

Natural Gas

Closely allied with this fast maturing of the oil industry has come, in 1954, the first large-scale proposal in definitive form for the utilization of the vast natural gas reserves of Alberta. The Trans-Canada system now being planned will require an estimated $355 million to build and will cover some 2,200 miles in a direct line, not including the mileage of lateral lines. If everything goes as expected by it, the Trans-Canada Company hopes to build the first stage of its main line to Winnipeg in 1955, completing the rest in 1956.

This additional source of energy will be valuable to the economy of Eastern Canada. If the gas does come in and is competitive, I do not think it will disturb the market for fuel oil. The whole history of a nation's energy requirements shows that new sources of energy bring new developments.

Petrochemical Industry

The last piece for us to fit into the complex jig-saw pattern of Canada's oil and gas is the petrochemical industry. Whether you look at it through the spectacles of science or business, of factory or home, of health or sickness, of work or play, of past or future, you get an amazing sight. Before Leduc, Canada had two petrochemical plants, with an investment of around $4 million, turning out two or three products. Today, less than eight years later, the industry has two dozen plants worth some $275 million, fed by oil or natural gas. These plants are producing over three dozen chemicals, nearly all of which were formerly imported, with scores of industrial applications and fabrications into hundreds of items. These make an impressive catalogue for modern living — germicides, insecticides, fertilizers, protective coverings for industry, anti-freeze, detergents, pharmaceuticals, plastics for housewares, food wrappers, perfume

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gaged, to, in design and construction of guided missiles for the RCAF.

At the Electro Dynamic Division, Bayonne, N. J., oldest unit of the General Dynamics operation, the production lines continue to turn out electric motors for a variety of purposes, including shipboard uses.

Turning from the production phases of General Dynamics to the corporate activities, an historic event in our development in 1954 was the merging of Consolidated Vultee Aircraft Corporation with and into the corporation to become the Convair Division.

This merger was effected by the vote of shareowners of both firms on April 30, following earlier approval of the plan by the directors of both groups. The joining of the two organizations was a logical one which added to the diversification of our already widespread operations and at the same time made us one of the leaders in the production of defense goods. Thus has been created the concept of "Dynamics For Defense."

In October the directors voted to redeem the corporation's preferred shares on Dec. 17, 1954. These shares were convertible, prior to the close of business on Dec. 6, 1954, into one and one-twentieth shares of common for each preferred share.

The holders of over 99% of the preferred shares converted their shares into the common, leaving only a small balance of the preferred shares for redemption.

Our plans for the future call for continued effort in the cause of defense but also an aggressive interest in further diversification and emphasis on developments relating to the peacetime industrial uses of atomic energy.

E. JANSEN HUNT

Partner, White, Weld & Co., New York City

Two factors have contributed to the sharp rise in common stock prices over the past year. Easy money policies of the Federal Government provided funds for investment, while a revival of confidence in the future of the economy provided a willingness to invest.

E. Jansen Hunt

Banks, insurance companies, pension funds, investment trusts, and the general public have all recognized the merits of common stock investment. High current yields, appreciation possibilities, and inflation protection attracted buyers to common stocks and away from fixed income securities. For the most part, buying was concentrated in a relatively limited number of good quality stocks. Only recently have secondary and low-priced stocks become popular.

At the start of 1955, prospects for business are bright with the automobile, building, steel, and other key industries all anticipating a high level of output during the year. The post-Korean readjustment in business proved surprisingly mild and the recovery now underway should continue. There is good reason for confidence not only about 1955 but also for the long term.

In spite of the good business outlook, a cautious investment policy seems to be the prudent course at this time. The Dow-Jones Averages at the 400 level reflect not only the recovery which has taken place but much of what may occur in the near future. The spread between bond yields and the return on common stocks has been narrowed and there is greater risk because of the high level of stock prices. The recent upsurge in speculation is an additional reason for selectivity in new purchases.

The Administration gives indications of concern about the excessive use of credit and it is reasonable to expect a series of moves to keep the boom under control. A tightening of credit would be reflected in higher interest rates and both bonds and stocks could undergo a period of unsettlement as they adjust to changed conditions. For the longer future, however, there is little reason for concern as population, industrialization, and standards of living increase. The American economy has demonstrated an unlimited ability to expand and in a peaceful world this should continue.

JOEL HUNTER

President, Crucible Steel Company of America

Stainless steel, tool steel and other alloy steel business has traditionally been more volatile than tonnage steel business. Nineteen fifty-four was a good illustration of this characteristic; a decline began in the last quarter of 1953, reached a low point in the third quarter of 1954 and began to rise in the fourth quarter. The rate of increase has been very sharp to date. I would not expect this increase to continue at the same rate. If this should happen, in my opinion it would tend to indicate an inventory accumulation in customers' hands which might eventually lead to a drying up of demand later in the year. Indications are for a rounding off of the rate of increase, but continued good demand for alloy steel products in general. This demand should continue during the first part of 1955 and, barring work stoppages throughout the year.

Joel Hunter

AUGUST IHLEFELD

President, Savings Banks Trust Co., New York City

The mutual savings banks of the country are confident that 1955 will be another year of healthy growth and of expanded service to the communities they serve. Resources of these institutions by mid-year should cross the $30 billion mark, a new historic landmark in their growth.

August Ihlefeld

Deposits in mutual savings banks should register another good gain this year, about the same as in 1954, when they increased about $1.9 billion. Payment of extra dividends by a number of savings banks and establishment of new branches tend to stimulate deposit gains. On the other hand, the recent tendency of the public to spend more and to save somewhat less out of current income will tend to hold down the volume of funds flowing into all thrift institutions. These influences are likely to offset each other, resulting in a rate of deposit gain for savings banks about nearly the same as last year.

Mutual savings banks find first mortgages on real estate the most attrative investment for their funds under prevailing conditions. Through careful selection of mortgages and through favoring loans guaranteed by the Veterans' Administration or insured by the Federal Housing Administration, the quality of the expanding mortgage portfolios of these banks is being kept up to conservative savings bank standards. Mortgages provide a materially higher rate of return than do high grade bonds to experienced lenders like mutual savings banks, which make loans on a large scale and administer their mortgage portfolios at relatively low expense per dollar invested.

With mortgages readily available, savings bank purchases of corporate and tax-exempt bonds will be relatively limited. Holdings of Government bonds may register a further small decline in 1955, as in other recent years, unless the Treasury should offer a new long-term marketable bond issue at an attractive yield in the course of the year.

When resources of the nation's mutual savings banks cross the $30 billion mark this year, it will constitute an increase of two and a half times in the resources of the mutual savings banking system since 1939. This notable expansion has demonstrated the keen demand that exists for the services of mutual savings banks in the communities in which they may now function.

Savings bankers hope that the year 1955 will witness at long last a liberalization of their authority to operate branches in New York and other states, to bring the regulation of mutual savings bank expansion into line with provisions applicable to other financial institutions. They feel that the record amply justifies the grant to them of the same branch privileges that are accorded the institutions with which they compete in serving the public.

HON. IRVING M. IVES

U. S. Senator from New York

At the midway mark of his Administration, President Eisenhower finds himself in the position of dealing with a Democrat-controlled Congress. To this 84th Congress, the President, in his State of the Union message, made a strong appeal for cooperation. The extent to which this cooperation is forthcoming will determine the fate of the Administration's legislative proposals during the two sessions of the new Congress.

Irving M. Ives

Writing in these columns two years ago, prior to the inauguration of General Eisenhower, I mentioned the stabilization of a free, prosperous economy at home without resort to the inflationary policies as one of the overriding problems facing the incoming Administration. This has been accomplished with a minimum of dislocation.

The elimination of irksome controls, the reduction of Federal expenditures, and tax revisions and tax reductions are among the many actions taken by the Administration to assure a healthy, expanding economy. At the same time, needed programs for individual security have been broadened and developed.

I point to these accomplishments to underline the basic philosophy of the present Republican Administration—to provide for an expanding economy and to meet the needs of our people with a minimum of governmental intervention and the maximum individual freedom.

In his 7,800-word State of the Union address, President Eisenhower etched the blueprint for the Administration's continuing programs for peace abroad and prosperity at home. They include the maintenance of a powerful military establishment and the strengthening of our international relations to meet the Communist threat. At home, the President referred to agriculture, public works and natural resources, small business, taxes, education, housing, health, labor, subversion, and government organization among others.

The numerous proposals which the President placed before the Congress will be followed by subsequent detailed recommendations. They must run the gamut of the various Democrat-controlled committees, the majority leadership, and the membership of both Houses of the Congress. With the 1956 Presidential election in the background, the legislative situation thus presents many imponderables. The important factor in this picture is that the cooperation of the now majority party in the House and in the Senate is required for the realization of any part of the Administration's program. On the issues which face the 84th Congress, it is hoped that the wise counsel of the President—"let the general good be our yardstick"—will prevail.

L. R. JACKSON

President, The Firestone Tire & Rubber Company

The outlook for the rubber industry in 1955 is very good. We at Firestone are looking ahead with confidence and enthusiasm.

The present wealth of the country, its high employment, the expansion of suburban living and other factors all add up to needs for increased automotive transportation and, therefore, a larger need for tires.

Lee R. Jackson

Our latest estimates for 1955 as compared with 1954 indicate increased production of automotive vehicles, a rise in the number of passenger cars, trucks and buses in use, and a greater market for replacement tires. These factors spell out more business for the rubber industry and for independent tire dealers during the year ahead.

Current estimates of total automotive vehicle production for 1955 show increases of approximately 7% over 1954. These increases will be reflected by a corresponding rise in total shipments of original equipment tires by the industry.

Automotive vehicles on the road will increase by more than 2,000,000 during 1955, from approximately 53,000,000 to more than 55,000,000. This fact together with the fact that the number of vehicles requiring replacement tires during 1955 will be the largest in history, points to extremely encouraging business prospects for independent tire dealers.

Our most recent estimates for 1955 are that the industry will ship 49,000,000 passenger car replacement tires as compared with 46,900,000 in 1954, and 8,100,000 truck and bus replacement tires as compared with 7,850,000 last year.

We also foresee an enlarged market for batteries and accessories consistent with the increased sale of tires.

All these factors add up to a great potential market in which there will be more customers needing more of what the independent tire dealer has to sell.

But only the hard-selling, imaginative and aggressive dealer is going to get his share of this increasing business. Every dealer will have his opportunity. If he works hard at the job of improving his service, of doing a better and better merchandising job, and if he maintains balanced inventories large enough to have the right products on hand at all times, he will succeed in making 1955 a banner year.

B. BREWSTER JENNINGS

President, Socony-Vacuum Oil Co., Inc.

Although demand for petroleum products in the United States, including exports, is expected to increase about 3.5% in 1955 to the highest level in history, the oil industry's ability to supply these products will continue to exceed demand.

B. Brewster Jennings

Capital expenditures for oil exploration, production, transportation, refining and marketing totaled some $4 billion in 1954; they probably will approximate that figure in 1955. Since the industry currently has an excess of some 15% in refining capacity and probably something more in crude oil producibility, why the need for such an outlay?

The answer is two-fold:

(1) A good deal of the money oil companies are investing in properties, plants and equipment is being spent to meet stiffening quality competition in a buyers' market created by the industry's vast postwar increase in output. Many of the new refining units are being built not to process more oil, but to make better products.

(2) In any industry as vital and dynamic as petroleum, companies must act in response to future as well as present considerations. Money must be spent now to provide equipment and sources of supply we expect to need several years hence. The producing end of the business demands the longest look down the road. To develop crude oil production in a virgin area, for example, normally takes 10 to 15 years.

It is essential that the industry continue to develop oil reserves and facilities, whatever the future may hold. Barring a major conflict between Russia and the West, which there is some reason to believe will not occur in the next several years, each side will work to consolidate its position by improving and strengthening the economy of its orbit. The further development of inexpensive mechanical energy, which depends largely on the availability and use of oil, will be a key factor in these efforts. Because we and many other nations recognize a common interest in satisfying the material needs of all men throughout the free world, we are likely to

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Canada's Oil Picture

bottles, telephone sets, TV lead-in cables, and an endless list of products.

I foresee a continuing great development of the petrochemical industry in Canada, supplying a tremendous impetus to the development of our economy and multiplying the value and the benefits of oil and gas. Particularly do I believe once natural gas enters the eastern markets at a competitive rate it should bring a wave of expansion in our petrochemical development.

Conclusion

In closing I would say this, that looking back over the past few years, we can draw two major conclusions about the future.

The first is this: The modern world will continue to move, literally, on a river of oil. Petroleum products play a part in nearly every article we require for our daily existence and for a national and international defense, which, I am afraid, will be required for years to come.

The second conclusion is that the growth of the oil industry in Canada will be limited only by the resourcefulness of those interested in it in overcoming the same obstacles that beset every industry competing in a world-wide market.

That resourcefulness has already been demonstrated in dealing with a host of major problems in the past seven years, and all of us in the industry will welcome the challenge of new problems as they come along, for we know we can find their solution.

Barclay Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lorenz C. Voth has been added to the staff of Barclay Investment Co., 39 South La Salle Street.

With Julien Collins Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Arthur H. Schomp has become affiliated with Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Schomp was previously with the Northern Trust Company.

Hornblower & Weeks Add

(Special to The Financial Chronicle)

CHICAGO, Ill. — Harrison R. Kimble has been added to the staff of Hornblower & Weeks, 134 South La Salle Street.

With A. G. Edwards

(Special to The Financial Chronicle)

QUINCY, Ill.—Louise B. Craft has become affiliated with A. G. Edwards & Son, 336 Main Street.

Joins Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Peter S. Chiavaras has become affiliated wtih Gibbs & Co., 507 Main St.

With Blyth & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard J. Corbin has been added to the staff of Blyth & Co., Inc., 75 Federal Street.

Eaton & Howard Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard H. Greene has been added to the staff of Eaton & Howard, Incorporated, 24 Federal Street.

Joins First Boston

(Special to The Financial Chronicle)

BOSTON, Mass. — Parker L. Monroe II has joined the staff of The First Boston Corporation, 75 Federal Street.

B. W. Haxall With Doremus & Company

Bolling W. Haxall has joined the news department of Doremus & Company, 120 Broadway, New York City, advertising and public relations firm, it is announced by William H. Long, Jr., Chairman of the Board. Mr. Haxall was formerly a financial writer and columnist with the New York "Herald Tribune" since 1951 and prior to that held the same positions with the New York "Journal of Commerce," from 1949-51. After five years in the Army during World War II, Mr. Haxall spent three years in the advertising department of Colgate-Palmolive Peet Co.

Wandell Mooney To Address N. Y. Municipal Women

The Municipal Bond Women's Club of New York will have Wandell M. Mooney, Vice-President in charge of the fiduciary dept in the Chemical Corn Exchange Bank, as speaker on the current year's educational program on Jan. 20. Mr. Mooney's topic will be "A Trustee and Municipal Securities."

Guests are invited to the meeting, which will be held at the Chemical Corn Exchange Bank, 30 Broad Street, New York, N. Y., 10th floor, at 5:30 p.m.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Anson N. Smith is now with Investors Planning Corporation of New England, 68 Devonshire Street.

Keller Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Harris S. Yett is now with Keller & Co., 53 State Street.

Joins F. S. Moseley

(Special to The Financial Chronicle)

BOSTON, Mass.—Renouf Russell is now connected with F. S. Moseley & Co., 50 Congress St. In the past Mr. Russell was with White, Weld & Co.

With Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard H. Fitton is with Palmer, Pollacchi & Co., 84 State Street.

With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass.—Roy P. Smith is now associated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly for many years with Chace, Whiteside & Warren.

Federated Managem't Adds

(Special to The Financial Chronicle)

WORCESTER, Mass. — Vincent F. Murphy is now with Federated Management Corporation, 21 Elm Street.

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see in the next decade economic development on a scale surpassing anything the world has ever known.

A cause for deep concern to the U. S. oil industry is the Supreme Court's recent split decision which asserts the authority of the Federal Power Commission to regulate the price paid to producers who sell natural gas to interstate transmission lines.

Quite aside from the effect price regulation may have on natural gas supply and distribution, and thus on consumers, the most serious question involved is one of principle. If gas can be regulated by virtue of its use in a public utility, why not everything a utility uses, whether fuel oil or coal, automotive vehicles, business machines or what-have-you? From a long-range standpoint, it is a question that could affect many businesses. It strikes at the very roots of our free economy.

The Supreme Court's decision is an interpretation of the Natural Gas Act, a law passed by Congress. Congress has the power to change the law, and there is every indication that legislation seeking relief from the Court's ruling will be introduced in the next session.

E. FRED JOHNSON

President, The Fourth National Bank of Tulsa, Okla.

In the Southwest, with the entire area pushing ahead to new records in the expansion of population, industry and over-all economy, there certainly is every reason today to forecast the future with optimism. We have just closed 1954 on an upward trend, despite the fact the year brought a slight recession in the first half, and that same trend should continue on a reasonable, sound basis during the next 12 months.

Easing of international tensions seems probable to some extent during 1955, with a possible improvement in world trade conditions that could exert a beneficial influence for industry, while at the same time there can be no critical let-up of our own government's arms and military programs in the foreseeable future. Employment should remain high over the entire nation, and particularly in the Southwest, probably will wind up the end of the New Year at an all-time record level.

The general atmosphere of confidence that prevails today, in contrast to the pessimism that prevailed generally at the opening of last year, is in itself a tribute to the soundness of the present market and should be one of the decisive factors in maintaining that same condition during 1955.

The over-all picture for 1955, then, should be one that while it may bring spectacular gains for the nation, will undoubtedly be on the plus side with the Southwestern area, in particular, enjoying substantial progress in all major business and industrial fields.

GEORGE C. JOHNSON

President, The Dime Savings Bank of Brooklyn

Economists should not be alarmed by the fact that the nation's home mortgage debt on one-to-four-family homes now stands at an all-time high of $74.6 billion. This represents a sum less than 21% of the present rate of Gross National Product and is $1.4 billion less than the amount of direct obligations of the Federal Government in the hands of the public which will mature in the next 12 months. Also, it happens to equal exactly the Federal Government's expenditures in fiscal 1952-53.

George C. Johnson

It must be remembered that mortgage debt is being paid off. Regular payments on mortgage principal and interest now amount to only approximately 2.6% of all spendable income. This is virtually the same as the 2.7% of income in 1939—a year in which mortgage debt was not considered excessive.

Those who question the rise in home mortgage debt apparently overlook the fact that the population is increasing at a very rapid rate—something like a 30 million increase in the past 15 years. These people have to be housed. But of more importance is that Gross National Product has more than doubled since 1940. Total national income rose from $81 billion in 1940 to an estimated $300 billion in 1954.

Home mortgage debt is growing because more people than ever before can now buy homes without financial hardship. This is because the nation's high rate of production means high employment with high incomes, plus the fact that we now have the most liberal mortgage credit policies ever devised.

Although mortgage lending is on a far more liberal basis than at any time in the past, the loans are sound. Lenders take a realistic view of the borrower's ability to pay. The long-term self-amortizing mortgage has proved the greatest single factor in putting good homes within the reach of families in every income bracket.

Government insurance and guaranty of certain types of home mortgages also has helped make the purchase of a home easier by permitting lenders to write larger mortgages in ratio to value than allowed by state laws or other regulations.

However, this government insurance does not hold the dangers that some economists would have us believe. The Veterans Administration and the Federal Housing Administration have underwritten some $30 billion of home mortgage loans, but the government does not stand responsible for this full amount. For example, the VA guarantees only a maximum of $7,500 on any loan.

On the other hand, private risk capital now holds more than $40 billion in conventional mortgages on one-to-four family homes without government guaranty of any kind.

Some economists recently have raised the question of small equities and possible defaults. A recent report by the VA shows that at the end of 1954, veterans had **repaid in full** some 500,000 of the 3,600,000 loans guaranteed by that agency. The original face amount of the paid in full loans was $3.2 billion. An additional $3 billion has been paid off in instalments on loans still outstanding.

Although total mortgage debt on homes is at an all-time high, the obligations are spread among a far greater number of people than at any time in the past. It is estimated that 15 years ago, about 60% of America's families were renters and only 40% owned or were buying homes. Today, it is the other way around; 60% own or are buying, while 40% pay rent.

As one small example of how mortgage debt is being retired, I might point out that more than 500 families every month make the final payments on their mortgages at The Dime Savings Bank of Brooklyn and thus own their homes free and clear. The number of mortgage debt-free home owners is steadily accelerating because the nearly 6,000 home buyers who satisfied their mortgages at our bank last year are only among the first coming under the amortization plan we started in 1936.

So far as future outlook is concerned, the risk involved in making home mortgage loans depends, of course, on the nation's economy. But all indications point to stability and a continued high and increasing level of production during the next several years. Demand for homes, and the ability of families to buy them, will contribute importantly to this high rate of production. Conservative estimates set construction at $40 billion during 1955, or nearly 11% of the expected Gross National Product of $370 billion. Of this, dwelling construction is estimated at $15 billion, a 13% rise above 1954.

Liberal but sound mortgage credit will continue to serve as an important tool in helping maintain a high rate of production. Such credit, soundly applied against the borrower's ability to pay, decidedly is not inflationary, as some economists assert. Production, and production alone, is the most effective weapon against inflation. But we cannot have maximum production unless the public is provided the means with which to buy the goods and services which are produced.

ROBERT WOOD JOHNSON

Chairman of the Board, Johnson & Johnson

Industries concerned with the nation's health have never before faced greater research opportunities or obligations. Never before has there been an equal understanding of the manifold problems of aging, nutrition, metabolism, psychiatry, and personal comfort and well-being.

Robert W. Johnson

In our own research centers with over 400 scientists and technicians, we have found the answer to many important problems of concern to the nation's health and, in other instances, we stand on the threshhold of momentous practical solutions.

Specifically, mention may be made of Johnson & Johnson's discovery this past year of a revolutionary surgical dressing for burns and other wounds which will not stick to the wound in the process of healing. In the past, the sticking of dressings has presented a serious surgical problem, causing considerable pain to the patient and delaying recovery. For the first time in the long history of surgical dressings after generations of failure, we have solved this important problem. We plan to market this product early in 1955.

For the future we will continue our efforts in research and in bringing new health products of the highest quality in mass production to the people at the most economical prices. In these vast fields there is presented not only great humanitarian challenge but business opportunity of unprecedented proportion. Continued intelligent and inspired research, supported in the future as in the past by the untold millions of dollars devoted by American industry, will bring us to these great objectives.

During the past year, Johnson & Johnson has opened two major plants on the West Coast, both near San Francisco—one at Menlo Park for surgical dressings and baby products, and a Personal Products Corporation plant as well as a new Ethicon Sutures Laboratory plant in Sunnyvale, Calif.

In Chicago a major enlargement was made at the surgical dressings and baby products plant. In Chicopee, Georgia, a large bleaching mill is under construction and at Milltown, N. J., Chicopee Manufacturing Corporation opened a new laboratory. At North Brunswick, N. J., Personal Products constructed a new laboratory.

Foreign plant construction ranged from a new plaster mill at San Jose dos Mados, Brazil, to plant enlargements at Mexico City and a new research center at Montreal, Canada.

In spite of the great expansion of Johnson & Johnson facilities during 1954, more is being planned for 1955. The 1955 program includes a new Ethicon Sutures office, laboratories, and production plant to be constructed in Bridgewater Township, N. J. Ortho Pharmaceutical Corporation will build a laboratory, office, and plant at Toronto, Canada, and additions to plant facilities in Montreal and England are planned.

Johnson & Johnson, a New Jersey home-grown institution, continues to add millions to the many states wherein its plants are now situated in capital investment, increasing employment and prosperity. It is conscious of its responsibilities to its employees for steady employment, high earnings, and ideal working conditions, and is ever vigilant in being a good citizen and a good neighbor.

GALE F. JOHNSTON

Vice Chairman of the Board, Mercantile Trust Co., St. Louis, Mo.

In the last quarter of 1954, industrial activity began to rise, thus ending the period of stability which characterized most of 1954. Since a normal seasonal recovery usually takes place in the last part of the year, business analysts were cautious about stating that the 1953-54 recession had ended. Although there were many signs of recovery, it was generally believed that it was too early to claim that this was a permanent recovery.

Gale F. Johnston

The two major factors which led to the decline in industrial activity were inventory liquidation and the reduction in military expenditures. Business is probably close to the end of the long period of inventory liquidation and, therefore, this depressing factor has probably been eliminated. Military expenditures have also probably reached a stable level, although at a rate somewhat higher than had originally been anticipated. The trend of plant and equipment expenditures has been downward since last year, and preliminary forcasts indicate that the slow contraction will continue in the early part of 1955. It is significant to note that the forces depressing business which dominated 1954 will be less significant in 1955.

At the same time, business activity will be influenced by the continued expansion in construction expenditures. State and local governments are expected to increase their spending for new schools and highways, although their expansion may not offset the decrease anticipated in Federal expenditures. Under the impetus of the new Housing Act, residential construction is expected to rise above the level reached in 1954. While housing starts may not match the all-time record in 1950, 1955 should be another good year.

Consumers have been increasing their expenditures for goods and services over the last year, and preliminary surveys seem to indicate that they are relatively optimistic about the future. Expenditures for non-durable consumers' goods show signs of increasing, and it can be expected that a further increase will take place in expenditures for services. At the present time, it is belived that the market for automobiles will be good in the coming year. Since a great part of the current recovery can be attributed to the current high rate of production in the automobile industry, trends in the sale of new automobiles should be watched carefully. If the volume of sales is not maintained, the economy will be subject to a depressing influence.

Under these circumstances, the volume of bank loans is likely to fluctuate in a normal seasonal pattern. Interest rates can be expected to remain relatively close to current levels since the monetary authorities are not likely to change existing monetary policies unless business expands or contracts sharply. The wholesale price level may show some tendency to decline as the result of lower agricultural prices, but the prices of consumers' goods are likely to show little change.

1955 is, therefore, likely to be a year of stability at a level slightly above or below the one reached in 1954. Businessmen would do well, however, to continue to watch developments in the international field because that situation continues to be explosive.

DWIGHT P. JOYCE

President, The Glidden Company

The year 1955 promises to be more prosperous and vigorous for the basic industies in which The Glidden Company is engaged than even the good 12 months which have just drawn to a close.

A number of factors contribute to this belief, one of which is the steady improvement in the entire business situation in the past three to four months.

Dwight P. Joyce

Glidden is sharing in this betterment, as evidenced by the fact that operations for November and December — first two months of the company's new fiscal year — have produced a satisfactory gain over the corresponding months of the previous year.

Based on projections for the industries in which Glidden's various manufacturing divisions operate, the improvement so far can be expected to continue through the current year.

For example, the paint industry in which Glidden is an important factor, is set to produce and sell 6% more goods, in both unit and dollar volume, than it did in 1954. Volume of industrial paints, the laggards of last year, has picked up smartly in line with the improvement in general business conditions. This trend is continuing.

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As We See It

and large, the current mood is rather more than usually cheerful, tending to be more than usually confident of this year, and since elections are coming up next year about that period also.

There is a fly or two in the ointment, to be sure. There is no gainsaying the fact that concern is growing about the degree in which the powers that be continue to force feed housing construction. Uneasiness is not allayed by the persistent tendency to make credit more and more available to potential home owners on easier and easier terms. The cry of the humanists about the need for better housing is met with a reminder that this is a very real world in which we live, and that to proceed arbitrarily to supply a theoretical need without reference to ability to pay for what is supplied is always a dangerous procedure, one which in the end can do, and often in the past has done more harm than good.

The Stock Market

The general behavior of the stock market in recent weeks has at times given rise to uneasiness, too. There is still some difference of opinion about the basic nature of recent events. There is no evidence of "absorption of undue amount of credit" as the politicians are so likely to charge. In fact, the market is in exceptional degree still a cash market. There have been reports of unwise degree of "in-and-out" speculative transactions by the rank and file—a situation never without its disturbing aspects—but facts on this subject are not plentiful or particularly enlightening. Generally speaking, the worry concerns more the psychological effect of a boom and quite possible later crash in the market, and particularly what events such as those of recent weeks may bring in the way of "investigations" and possibly adverse legislation in Washington.

Another source of some uneasiness in certain quarters is the truly enormous flow of borrowed funds into the coffers of state and local governments, particularly into the hands of various agencies which plan large developments with the funds thus acquired and which are not in a position to assure the investor more than is obtained from the operation of the projects in question. Many of these so-called revenue issues are for road building, bridge construction and the like. More often than not such of these facilities as have come into operation are exceeding expectations so far as revenue is concerned, but it is still much too soon to arrive at any settled judgment about these issues on the basis of actual experience. In any event, it is as much the volume of these issues that are coming on the market as anything else which causes some eyebrows to rise.

There is, however, another and different aspect of the current situation which gives us serious concern. The source of this uneasiness is found not in the outlook for a high rate of business activity in the months immediately ahead, or even in the next year or two. It rather grows out of reflections about the basic nature of the economic situation that has been created by all of our paternalism, not to say socialism, and which apparently is to be nursed along in much the same way for as long in the future as one may readily see. That is to say it is not the relatively nearby future but the longer term future which disturbs us. Some day or other the fiddler will have to be paid. Of that we are sure, and when that day comes our position may not be nearly so pleasant as most observers believe our current situation to be.

Beneath the Surface

Let us take a quick look beneath the surface of things. Thanks to the New Deal, World War II, the Fair Deal, and whatever sort of "deal" we have been having during the past two years, this country has been and is still flooded with money or its equivalent. Interest rates have been driven down and held down for more than two decades. All this has resulted in drastic upward movements in prices and wages, but this basic inflation has not as yet, in our judgment, nearly spent itself. An indefinite continuation of the policy of trying to force business activity up by driving money and credit into the business stream under pressure can not in the end of fail to have effects not yet seen or not yet felt in full measure.

Already this credit or monetary policy is proving pervasive enough. It is responsible for a number of conditions which are causing uneasiness even at a time when almost everybody agrees the immediate outlook is extraordinarily promising. It is at the bottom of the stock market developments which are a source of concern. Returns in the bond market are no longer adequate, and investors in large numbers have turned to the stock market. Such substantial and continued buying could hardly fail to attract the rank and file, some of whom are persuaded to take risks that are quite unsuitable. The end may be further adverse legislation. Abundant funds for the most speculative sort of home building are to be traced to this same source, of course. A good deal of the tremendous surge in public construction could carry on only in such a monetary situation.

Meanwhile this deceptive ease in the general situation tends to conceal from view a good deal that needs correction. The full effects of a tax system which exults in soaking the rich do not come to view. Various restrictions and other adverse actions of government tend to escape attention. These are the things which must cause concern even in the presence of widespread "prosperity."

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At the same time, the building boom, a strong segment of the economy for the past two years, will continue its thrust to new records in 1955, with resultant benefits to paint producers and other suppliers.

Estimates in November, 1954, indicate a U. S. population this year of 163,000,000 people, some 7,000,000 more than the August, 1953 estimates. These continued increases, superimposed on the fact that American families are living far better today than they did several years ago, offer strong potential for producers of food products, among which Glidden is active through its Durkee Famous Foods Division.

Some idea of the improvement in this field is found in recent official estimates that manufacturers of grocery store products will show an increase of 5% in sales at the wholesale level over their record 1954 volume, which was about 4% ahead of 1953. From present indications, Glidden's volume for this division is expected to show a greater-than-5% gain.

Glidden in recent years has been consolidating its already strong position in a number of industries, withdrawing from activities and products which were minor in their overall importance and expanding into fields that show promise of producing a highly satisfactory return.

It has also expanded its physical properties to take care of anticipated growth in the food, chemicals-pigments-metals, naval stores and the chemurgy divisions, as well as in paints and varnishes.

New facilities completed or under construction in Baltimore, Chicago, Toronto, Montreal and other plant locations will have a total value of over $16,000,000. The creation of additional manufacturing facilities are also planned for the current year, particularly for the paint division. A new paint plant is contemplated for the Los Angeles area, with additions to other facilities in strategic marketing areas now under consideration.

Research and development expenditures last year were the largest in Glidden history and we plan to expand our research work still further in the next 12 months.

R. C. KEMPER

President, City National Bank & Trust Co., Kansas City, Mo.

President, Association of Reserve City Bankers

The banking outlook is extremely good for the New Year. Banks generally finished 1954 with both deposits and earnings higher than 1953. After quite a downward trend in loans the first nine months of the year, there was discussion of a lowering of the prime rate but, within the last two months, demand has increased in all directions and the present rate of interest to good borrowers seems secure.

R. C. Kemper

Banks generally have had to make many adjustments and remain extremely flexible in their policies the past few years. Just a little over 18 months ago, loan demand was large and the prime rate looked very secure at 3¼%. The new long term 3¼% government bonds were selling at 99 and the longer term 2½s at under 90. Yet, because of the large credit demand and government fiscal policies, few banks took advantage of their investment opportunities which not only would have given them an excellent yield on the bonds purchased, but a handsome profit on the present market. Federal Reserve policy played an important role in this change. Their policy was changed from one of restraint to one of "active ease."

For the present, inflation seems to be checked for the purchasing power of the dollar has varied less than one cent the past year. Consequently, living costs and overhead are becoming more stabilized which is a good thing for banks. A greater number of Americans are more dependent on a stable dollar everyday. Life insurance, savings bonds, savings deposits and any other fixed income securities are attractive only where inflation is retarded.

Bankers generally are rather of the opinion that real estate credit has been stretched to the limit with 30-year, low down payment government loans. Further breaking down of these terms might result in overbuilding and wholesale foreclosure. Consumer credit has also zoomed to huge proportions with easier terms and lower down payments. Because of discount houses and unusual conditions prevailing among automobile distributors, this tendency is being closely watched. Banks and finance companies generally are requiring satisfactory credit reports of borrowers and up to now collections on all types of installment loans are quite prompt. There is no question but what consumer credit has helped mass production and mass consumption, thereby helping stabilize the economy.

Because of excellent Christmas retail business and a general lowering of inventories earlier in the year, credit demand for replenishment of stocks should be increasingly active. Then, there should be an added credit demand for the financing of waterworks, electrical plants, building of all types, including roads, public buildings, schools, hospitals and churches. The transportation industry, including railroads, air lines, truck lines and pipe lines, will need a large amount of credit to finance their expanding needs. Many of the new products resulting from research involve increased outlay by manufacturers, distributors and the consumer, thereby increasing the demand for credit. Our population is constantly seeking a better standard of living which will also stimulate the demand for credit in the New Year. Accelerated tax payments this year will also help in creating a credit backlog.

In the fall of last year, money rates again changed direction in a modest way. Treasury Bill yields have increased from two-thirds of 1% to more than 1.30% recently and longer term governments have declined in price.

With demand picking up, it looks good for loaning money in 1955. Many banks have taken advantage of the excellent demand for stocks to sell additional shares in their institutions, thereby strengthening their position and increasing the bank's loaning power. This should continue into the New Year. Mergers, which have been popular in the past, probably will continue as the trend seems to be toward larger institutions with greater ability to loan. With expanding population, high consumer income, the development of new industry sparked by increased research and the urge of the population to save, deposits of most banks should continue to increase in 1955 and banks should fare well in the New Year.

HENRY J. KAISER

President & Chairman of the Board, Kaiser Aluminum & Chemical Corp.

There is every reason to expect a continuation of the present strong aluminum market. In addition to the generally expected stability of business conditions for 1955, there exist certain special conditions of significance to the aluminum industry.

Henry J. Kaiser

Of first importance is aluminum's complete availability. After several years of shortages and allocations in the face of growing demand, aluminum became available last year to all users in any quantity and form to satisfy requirements of the largest mass production industries. During the past three years, aluminum primary production facilities in the United States have been practically doubled.

Aluminum's consistent economy in relation to other metals and its unique combination of properties are other factors contributing to its growing use.

With an assured supply stimulating more active demand, there is every indication that the aluminum industry stands today on the threshold of a new phase of growth. Assurance of adequate supply is the dynamic factor that will accelerate further research and development, and this in turn will lead to new large-volume applications of aluminum.

For Kaiser Aluminum, 1954 has been a year of continuing expansion in metal capacity and mill fabricating facilities. During the year the Corporation completed final phases of a three-year $230,000,000 expansion program which raised its primary metal capacity to over 800,000,000 pounds annually, or almost 30% of total U. S. primary aluminum capacity.

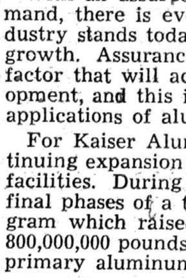
In mill fabricating, the Corporation recently began production of aluminum forgings at Erie, Pennsylvania. At the Permanente foil plant a new high-speed foil mill was placed in operation. This mill is capable of producing foil up to 54 inches in width, and represents a 50% increase in foil production capacity.

Within the next few weeks we will begin construction of still another major facility, a new sheet and foil rolling mill—the first completely new facility of this type to be built in the United States in the past several years—on the Ohio River at Ravenswood, West Virginia. When completed and in operation in 1956, this modern plant will enable the company to serve manufacturers in the middle western and eastern areas on an even more efficient basis and to keep pace with the growing markets for sheet and foil.

DONALD S. KENNEDY

President, Oklahoma Gas & Electric Company

Oklahoma Gas and Electric Company provides electric service to a population of approximately one million people in Oklahoma and Western Arkansas. The area served is an important part of the great Southwest, which is one of the strong growth areas in the nation.



Donald S. Kennedy

The general level of business in the territory during 1954 was good and the prospects for 1955 are very encouraging, Oklahoma City, which is near the center of our service area, ranked among the ten best business cities of the nation during 1954.

During 1954, 289 new commercial and industrial establishments, or distribution agencies, located in the territory served by the Company and 364 such firms expanded their facilities. Many diversified small industries make up this healthy growth. It is anticipated that this growth trend will continue during 1955.

The company's construction expenditures for 1954 amounted to $20 million. The budget for 1955 is $31 million. Generating facilities under construction aggregate 285,000 kw, which compares with 456,000 kw now in service. The budget also includes 138 miles of 161,000 volt transmission lines and related facilities.

The Company forecasts an increase of 10% in revenues for 1955 over 1954. Home building continues strong in the area and we expect to gain 8,000 new customers during 1955, which is the same as the increase last year. The Company now serves 305,000 customers.

JAMES M. KENNEDY

Chairman & Chief Executive Officer, Revere Copper and Brass Incorporated

If there is an extended period of labor peace in the copper mining, smelting and refining plants, 1955 should be an excellent year for this country's copper and brass rolling mill industry. Most of the leading industries which specify copper as a basic material for a variety of uses — such as the automotive, construction and electric power industries — are expecting a boom year. This means that demand for copper will continue strong. Granted an absence of strikes, the supply of copper will be more than equal to meet this demand.

James M. Kennedy

Even during 1954 — when strikes here and in Chile placed a severe strain on fabricators—there was sufficient copper to satisfy the needs of all end-users. Throughout 1955 the supply will be steadily stepped up.

New American copper mines are expected to add approximately 150,000 tons of raw copper annually to the domestic production before the end of the year and the supply of foreign copper also is improving. In Chile, the output is expanding while in Canada a recent announcement indicates that attainment in the near future of full capacity rate by a new project will put the output of that unit on a par with the largest new copper producer slated to come into production this year in the United States.

In view of these facts, it is plainly evident that, barring strikes of long duration, there will be an abundance of copper available in 1955 and in the years ahead.

Production plans for automobiles, for which our industry supplies much copper for radiators, ignition systems and other parts as well as brass for automotive trim, hub caps and decorative applications, are a major source of encouragement to copper and brass fabricators. The introduction of many attractive new models seems likely to boost 1955 car sales 10% over 1954, to 5.7 million units, thus making 1955 one of the automotive industry's best years.

Equally encouraging are the predictions of an even greater construction boom in the new year than last year. It is indicated that residential building will set the pace as a partial result of the Housing Act of 1954. Estimates are for a total of 1,300,000 housing starts in 1955 as compared with the expected total of 1,180,000 starts in 1954 and the 1,100,000 in 1953. This will represent an increase of about $1.5 billion in 1955 residential building.

And the actual residential building market in the new year should be even bigger in terms of quality material requirements than the number of housing starts would indicate. This results from the fact that there has been a marked shift toward quality in the demand for living space—from the basic shelter needs of the small postwar family to the requirement of greater conveniences for the larger families of 1955. Also the building boom can be expected to sustain the demand for builder's hardware, fixtures, and for the many types of electrical appliances and equipment varying from electric toasters, ranges and washing machines to central air conditioning units, all of which make use of copper or brass.

Continuing heavy demand for commercial and public construction, including schools and other public buildings, shopping centers for expanding suburban communities, and greatly increased appropriations for roads, should all play a part in sending the total new construction activity in 1955 to the $39.5 billion level as compared with the record $37 billion anticipated in 1954, and the total of $35.2 billion in 1953.

Another important copper and brass consumer, the electric power industry, also is expected to increase its production in 1955 to some 500 billion kwh., which will be 30 billion kwh. above 1954. Furthermore, capital expansion programs by gas and electric utilities should be sustained near the 1954 level which will cause continuing demand by the industry for many types of motors, generators, switchboards and other heavy electrical equipment.

The economic health of the copper and brass rolling mill industry is obviously tied in closely with general business conditions. Judging from the present outlook in important industrial and building markets and from an analysis of the major components of the Gross National Product, an increase in total business activity can be looked for in 1955. The Gross National Product may rise from an estimated level of about $356 billion for 1954 to about $365 billion in 1955, which would mean a return to the peak level reached in 1953. In fact, there have been predictions from economic authorities that the 1955 Gross National Product may even exceed the record set in 1953 and reach $370 billion.

RAYMOND KOONTZ

President, Diebold Incorporated

Diebold, Incorporated, is engaged in the manufacture of a wide line of office systems equipment and record protection equipment. We are also the largest manufacturer of bank protective equipment, including bank vaults, safe deposit boxes, tellers' protective equipment and burglar alarm equipment.

Raymond C. Koontz

We are expecting a very active year in new bank construction. This is brought about by the extension of branch banks into the new shopping centers being constructed. Wherever State Banking regulations permit, there is inevitably a new branch bank erected, wherever a new shopping center is established.

We introduced a radically new design in bank vault doors in the year 1954. This design was extremely well received and resulted in a substantial increase in business for our company. We also expect a continuance of the trend to drive-in banking.

Nineteen fifty-four was a highly competitive year in the office equipment industry. During 1954 we introduced several new products in the field of filing devices including a Super Elevator File designed to house large quantities of card records in small floor areas. This product has been well received by banks, insurance companies, utilities and governmental agencies, where there is a need for such a device. We expect these new products to substantially improve our business in 1955.

Business in our field is extremely competitive and the customer is inclined to buy extremely carefully. We have found, however, that where we can demonstrate user advantages and savings to the customer through the use of our equipment, he does have the money to buy and that he will buy. In other words, intelligent selling will still produce business.

In summary, we have introduced new products designed to meet customer needs and requirements and are prepared for an intelligent and aggressive sales program. We expect our over-all business in 1955 to exceed 1954 by 15% to 20%.

FRED LAZARUS, Jr.

President, Federated Department Stores, Inc.

We believe that the sales of U. S. department stores in the Spring of 1955 will show a substantial gain over the Spring of 1954 and will even make a slight gain over the Spring of 1953, the period before the recent recession started. We probably will not only make up the ground lost in the recession but will begin moving forward again in both dollars and units.

Fred Lazarus, Jr.

This certainly would be an acceptable result if the potential manufacturing capacity of the U. S. had not been substantially increased by the enlarged plant and by increased labor population. If we are to keep up our standard of living or increase it, the gains would need to be more substantial than we estimate.

Increased Capacity Will Present Inflation

This increase in sales should be accomplished without price inflation, as a result of the greatly increased manufacturing plant capacity. Just a few examples of this increased capacity would include autos, steel, household appliances, petroleum, chemicals, electronics and textiles. The competition to move the products of these enlarged capacities will serve to prevent inflation, and will ensure adequate supplies of goods and prompt delivery in practically all the lines that we sell.

Along with this increased competition at the manufacturing level, there will be intensified competition in distribution as each of several forms of retailing strives to increase its efficiency and its share of the consumer market.

Key to Higher Living Standards

Improvement in the standard of living will not come automatically. There is an important function that effective distribution can play in analyzing consumer demand, and in providing helpful information to the consumer.

The potential demand is there for all sorts of goods and services, existing and new. There is a great reward for those retail agencies that can interpret this demand and promptly bring the desired goods and services to the consumer.

Advantages of Conservative Inventory Policy

One danger to continued high employment and to stable prices would be in over-accumulation of inventories. We have gone through a period of bringing inventories down. There is no need or no advantage in turning about and piling them up again.

It has been traditional with retailers that we get excited or depressed inventory-wise because of small changes in our sales figures.

The increased factory capacity now has eliminated shortages and makes reasonably prompt delivery possible. Under these conditions of quick replenishment, a retailer can continue to operate on conservative stocks and have all the advantages of stock continuously fresh.

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DONALD S. LESLIE

President & General Manager, Hammermill Paper Co.

The prospects for a good year in 1955 for the pulp, paper and paperboard industry are excellent.

The industry in 1954 again demonstrated its inherent stability and enjoyed a highly satisfactory year as mills operated at a high rate of capacity to produce approximately 26,400,000 tons of paper and paperboard, despite the fact that the national economy experienced a slight set-back as industrial production decreased by about 7%. This was within three-tenths of 1% of the all-time high production of 26,459,000 tons achieved in 1953. The indicated decrease from the 1953 level was due chiefly to the fact that the output of paperboard, despite a strong recovery in the latter part of the year, was about 3% less than in 1953. The manufacture of paper, as distinguished from paperboard, was about 1.5% more than in 1953, as the tonnage of tissue paper and newsprint rose by about 4% and 9%, respectively, and the tonnage of other papers produced approximated that of 1953.

Donald S. Leslie

The production of wood pulp, notwithstanding a slight decrease in the rate of consumption by domestic paper and board mills, continued to advance in 1954 as a record-breaking 18,000,000 tons were manufactured.

It is noteworthy that one of the important factors in the indicated stability achieved this past year was a sharp increase in the exports of wood pulp and a smaller increase in exports of paper and paperboard, reflecting not only a growing interest by the industry in world markets, but also the fact that with improving economic conditions abroad opportunities for the development of foreign markets have increased. Thus, wood pulp exports, which in 1953 amounted to 162,000 tons, are expected to rise to about 400,000 tons this year. Further, reflecting the growing extent of integration on the part of mills in this country and the tendency of the management of non-integrated mills to rely more upon North American sources of supply, imports of pulp from overseas are of decreasing importance to the United States consumers. As a result in 1954, for the first time, United States imports of pulp from North America will exceed the volume imported from Europe. While the gain in exports of paper and paperboard is not so striking, it is, nevertheless, significant that they will for the year approximate 600,000 tons, 30% more than in 1953. Considering these two items together, they are a further indication of the growing extent to which the world must look to this country and to Canada to meet its growing requirements for paper-making fiber and, perhaps to a lesser degree, for paper and paperboard.

In 1955 the paper industry, having so successfully negotiated the recession of last year, should experience another satisfactory year if the general recovery so widely predicted is experienced. In that event it seems reasonable to assume that the steady growth of the industry will continue and that the production of all grades of paper and paperboard will be stimulated causing output for the year to exceed the record production of 1953.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Co.

Cleveland-Northeast Ohio, as the rest of the nation, anticipates the general level of business in 1955 to climb above that in the year just past.

Power consumption, one of the most sensitive indices of economic conditions generally, provides significant clews as to what we can expect during the present year.

Elmer L. Lindseth

Power production by the Illuminating Company set new records at the close of 1954. That, and the $200 million in industrial expansion invested or committed for investment in Northeast Ohio during the year, are good indicators of a vigorous year ahead.

Competition, of course, will be keener everywhere. With somewhat less new plant construction, but with concentrate effort directed toward plant modernization, we in Northeast Ohio expect to meet that stepped-up competition head-on.

More favorable opportunities from accelerated depreciation through new provisions in the revised Internal Revenue Code should provide ample encouragement to industry to remodel and expand their old facilities, as well as to build new plants.

More than $2 billion has been invested in Northeast Ohio's postwar industrial empire. The number of people employed in Greater Cleveland reached 637,000 last year, and 1955 should witness continuing high-level employment.

Continued large-scale commercial development has kept pace with the growth of the chemical, automotive, steel, and allied industries in Northeast Ohio. More than $110 million was invested in this type of expansion last year, with $15 million of that total invested in shopping centers alone.

Some 18,000 dwelling units were completed in Northeast Ohio during 1954, as this area's rate of home construction continued to outpace the national average. Nearly 19,000 new units are planned for this year.

Steel sources foresee national production gains in 1955 of 10 to 20% over 1954's level. Steel producers here expect their share of these gains.

Great activity can be expected to continue along Northeast Ohio's "Chemical Shore," rapidly becoming one of the nation's largest chemical industry concentrations. The latest link in the chemical chain along Lake Erie—Union Carbide and Carbon Corporation's proposed titanium reduction plant at Ahtabula, Ohio—is typical of the region's continuing attraction in virtually every field.

In order to better serve the rapidly expanding industrial, commercial, and residential needs of the area, The Cleveland Electric Illuminating Company, like other investor-owned electric light and power companies throughout the nation, is vigorously pursuing the greatest expansion in its history.

With $238 million already spent on new construction and expansion of service facilities since the end of World War II, the Illuminating Company has planned additional expenditures of $160 million over the next five years, including $35 million for 1955.

An additional 208,000-kilowatt turbogenerator is being installed this year at our Eastlake power plant. Completion of this unit will bring the new plant's operating capacity to 628,000 kilowatts, and system-wide operating capacity to 1,772,000 kilowatts.

One of the most favorable factors in Cleveland-Northeast Ohio's future, of course, is the St. Lawrence Seaway, scheduled to be ready for ocean-going vessels in 1959. Accessibility to the world's principal sources of

H. H. Arnhold Pres. Of General Ceramics

General Ceramics Corporation, Keasbey, N. J., announces the election of Henry H. Arnhold, as President. Mr. Arnhold has served as a director of the corporation since 1944. He is also Vice-President and Treasurer of Arnhold and S. Bleichroeder, Inc., of New York, dealers and underwriters of investment securities.

Henry H. Arnhold

Dr. Ernst Albers-Schoenberg, Vice-President in charge of research of General Ceramics Corporation, was elected a director of the company. General Ceramics Corporation is a leading producer of technical ceramics, especially ferrites and steatites for the electronics industry. The company also manufactures acidproof stoneware for the chemical industry.

Form DeWitt Inv. Co.

WILMINGTON, Del. — DeWitt Investment Company is conducting a securities business from offices at 910 West Street. Paul K. Guthrie is a principal of the firm.

Edward Ealey Opens

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif. — Edward Ealey is conducting an investment business from offices at 1025 Eleventh Street.

Porter, Stacy Co. Formed

HOUSTON, Tex. — Porter, Stacy & Company has been formed with offices in the West Building to engage in the securities business. Andrew C. Porter is a principal of the firm.

raw materials, added to an already excellent combination of geographical advantages, will greatly strengthen the area's claim to the title, "The Best Location in the Nation."

AUGUSTUS C. LONG

President, The Texas Company

Capital expenditures by The Texas Company in 1954 exceeded $300 million and during 1955 will remain at that high level.

During the past year considerable emphasis has been placed on upgrading of refined products, through construction of catalytic reforming and alkylation units, and the company expended a record budget of more than $80 million for these purposes. In 1955, increased proportions of the capital budget will be spent on producing, marketing and research activities.

A. C. Long

Approximately 60% of these funds will be expended on producing facilities and a "substantial increase" will be made in the amount devoted to the company's expanded research program. These expenditures are being made to meet intensifying competition and growing demand. Use of petroleum products in the United States during 1955 will increase from 4 to 5%, compared with the 1½% increase between 1953 and 1954. Consumption of gasoline should rise by about 3% with kerosene use rising from 6 to 7%, distillates 9%, and residual products 2%.

Foreign demand in all areas of the free world will increase by about 9% in 1955. Representing about 450,000 barrels per day, this dynamic increase in demand should permit obsorption of the new Iranian output in world markets with little difficulty.

One of the most important problems facing the United States oil industry in 1955 concerns Federal control of natural gas production, a condition arising from last year's Supreme Court ruling in the Phillips case. An amendment to the Natural Gas Act removing Federal control of production is urgently needed.

DAVID L. LUKE, Jr.

President, West Virginia Pulp & Paper Co.

Although many people thought that the year 1954 might be a difficult one, the economy of the country seems to have stood off the threats of a decline and seems now to provide a healthy foundation for the beginning of 1955.

David L. Luke, Jr.

In spite of the various economic adjustments of 1954, statistics would indicate that the paper industry suffered a decline in volume of about ½ of 1%. This is to say that the underlying growth factors of the paper industry proved to be almost as strong as the negative forces operating within the economy.

Since I believe that 1955 will be a year of moderate recovery from moderate economic decline, it seems reasonable to expect that the paper industry in 1955 will benefit not only from the increasing strength of the economy at large, but as well from its own continuing potential for growth.

H. E. MacDONALD

President, Household Finance Corporation

During 1954, Household Finance Corporation has moved forward in providing services to more customers. During the year we opened 43 new offices and now serve the people of 435 cities in 31 states and all provinces of Canada. At the end of 1954 there were about 1,400,000 accounts on our books, totaling over $385,000,000, an increase of over 6% during the year.

H. E. MacDonald

This record—despite the somewhat lower level of business generally throughout the two countries—can be attributed to the increased public recognition of the advantages of the constructive use of credit; and employees who have sought aggressively to serve the consumer better.

The year was not without its problems for all segments of the consumer cerdit industry. It saw restricted employment and some unemployment in many locations, and the virtual elimination of overtime;; nevertheless, delinquency has been controlled and uncollectible accounts have been kept within reasonable bounds. This favorable result was possible only because our staff applied "sound fundamentals" in appraising loan applications and in counselling customers and potential borrowers.

During 1955 we expect to open new offices wherever favorable opportunities to do so exist, and to modernize and relocate offices to serve the public more effectively. By continued careful selection and training of personnel, we hope to continue to help our customers to use their credit wisely.

Household Finance Corporation serves the public primarily under the provisions of the small loan laws, originally recommended by the Russell Sage Foundation almost 40 years ago in order to provide consumers with adequate credit at reasonable rates of charge. These laws generally provide for the licensing of lenders after a strict examination of fitness, character and financial capability and provide for continuous supervision of such licensees.

The test of time has demonstrated that the legitimate cash loan needs of families can be fully served **only** in states having an effective small loan law. Such laws now exist in two-thirds of the states and throughout Canada. In five states (Arkansas, Kansas, Montana, North Dakota and South Carolina) there is no effective regulation of loans made to consumers. In seven states (Alabama, Delaware, Georgia, Mississippi, North Carolina, Tennessee and Texas) and in the District of Columbia, and small loan laws which exist are seriously defective and fail to provide adequate service at reasonable rates. In states without effective small loan laws, loan sharks — levying unconscionable charges — exist alongside of banks and credit unions, which serve only a portion of the needs of the consumer public.

It is to be hoped that those states will provide legislation to give their citizens the benefits of the services of consumer finance companies regulated in the public interest. It is also hoped that the trend of recent years towards increasing the maximum amounts of loans subject to state regulation will continue. This will permit a more adequate service to consumers and will provide regulation in the public interest of loans in larger amounts.

W. C. Mac FARLANE

President, Minneapolis-Moline Company

During the past year we have been able to achieve stability in our company, and the prospect is for gradual and continuous upward progress. Our industry, of course, is greatly dependent on adequate moisture throughout all agricultural sections. Moisture conditions in the upper Midwest promise to be satisfactory in 1955, but there are several areas in the balance of the country that will have to improve for business to be entirely satisfactory. There was definite improvement in export business in 1954, and we look for this to continue up in 1955.

W. C. MacFarlane

We are therefore cautiously optimistic for the farm-equipment business in 1955. We believe prospects for the future years are good, for we feel confident that most farmers who have enjoyed good crops in the past several years have cash reserves and good credit ratings. As acute businessmen, like the industrialists, they will need cost-reducing equipment of good quality that will produce, in a more comfortable and convenient manner, the food and fiber needed by an ever-growing population.

The general business picture looks good, with an upward trend, which should have a continuing beneficial effect on the economy.

Our industry is subject to mother nature's idiosyncracies. She alone can determine where Hazel or Fanny may strike; what rivers are going to overflow their banks; where we will have drouth or insect infestations and such things as rust—or what might be stated as conditions unfavorable to the planting, growing, and harvesting of crops. Now, on top of everything else, we have politics to contend with—and what Uncle Sam is going to do or not going to do for our customer, the farmer, in the way of subsidies or restrictions. At this time we are manufacturing harvesting machinery for the 1955 harvest season, for crops that have not yet been planted. This gives you an idea of how difficult it is to guestimate and plan production for this or any year that lies ahead. If we build too much, and conditions are adverse, we carry over excessive inventory. If we plan too little, we spend our money for sales expense on merchandise that is not available when delivery time comes. In spite of the foregoing, however, I am cautiously optimistic for our industry this year, but less cautiously optimistic for our company.

For the long-term outlook, I am optimistic—period. Population is constantly increasing, and arable lands are not increasing in proportion. The farmer, the same as the industrialist, must use the very latest cost-reduc-

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ing machinery to produce the greatest number of man units per day that are possible under his operations.

Our export business showed a substantial increase last year over the preceding one, and we expect a substantial increase this coming year. We have increased our personnel, and bookings for the first few months of this year are very encouraging compared with the same period last year. We have recently undertaken a farm-machinery manufacturing project in Ankara, Turkey, where we are to furnish the technical and manufacturing know how. We expect this business to become profitable as they get into full scale production.

Our November and December business shows an improvement over November and December of last year.

In summing up then, we believe that 1955 prospects warrant us in being optimistic.

G. L. MacGREGOR

President, Texas Utilities Company

The Texas Utilities System, comprised of Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company, supplies electric service to a third of the people of Texas in an area covering about 73,000 square miles in the northern, eastern and western parts of the State. Included in this service area are the cities of Dallas, Fort Worth, Waco, Wichita Falls, Tyler, Odessa and about 25 other cities exceeding 10,000 population. The Dallas-Fort Worth Area has the greatest concentration of population, of both general and industrial employment, and of purchasing power in the System area. Population of this two-county area has increased about one-fourth in the past four years.

The service area's economy is based on agriculture, cattle, oil, commerce and industry. Very rapid development has accurred since the end of World War II. All segments of the economy have made great progress and the System's revenues are currently 42% from residential customers, 30% from commercial customers and 28% from industrial and other customers.

Although the whole service area has not experienced the same degree of development that has occurred in the Dallas-Fort Worth area, nevertheless, the past eight years have exceeded any earlier period in progress and expansion. Demand for electric service has trebled since 1946 and the System companies have invested in excess of $380,000,000 in new facilities in the post-War II period. Planning of construction is necessarily based to a considerable degree on the trends indicated by the immediate past, tempered by indications of what may be expected in the near future. Scheduled additions to the System's generating capacity total approximately 700,000 kilowatts in the next three years, an increase of about 40% over present capacity. Construction expenditures are estimated at $56,000,000 in 1955 and $60,000,000 in 1956.

We are confident that, in the absence of some serious reversal in the trend of our economy not presently discernible, business activity and population will continue to increase in the System service area. Our plans for future expansion are based on this outlook.

L. S. MACKERSY

President, Imperial Bank of Canada, Toronto, Ontario

For the first time in a generation we are living in a world where no shooting war is being waged. Beyond the fact that we are living in a world at peace even though that peace seems at times somewhat strained, that fact that we have come through 1954 without any major international catastrophe, is in itself highly encouraging.

L. S. Mackersy, M. C.

The great European fear that economic disaster would befall other countries if there should be an American recession has been proven false. In fact that American recession has produced hardly a ripple on the surface of European prosperity and the threat of serious depression which seemed to hang over this continent a year ago has also been dissipated.

The great postwar expansion, in Canada at any rate, has not yet run its course and a large part of our resources of raw materials and power are still unused. The development of these resources should encourage the high level of investment on which Canadian prosperity and growth will depend.

Though fears of depression have been dissipated and the possibilities of renewed advance are good, the interruption in the postwar rise in the volume of industrial production is nevertheless substantial and the decline in total demand which has brought this about is evident in all the main types of spending but one. In Canada private investment, government spending on goods and services, export demand, have all tended downward. Investment in inventories has shown an especially sharp decline. Fortunately, the largest element in demand, consumer spending, has not only been maintained, it has actually risen to a postwar peak.

The loss of employment in Canada through a fall in production is most noticeable in the industrial sector of the economy and were we to rest content with the present levels of production, high as they are in terms of all previous experience, this sort of unemployment, some of which is caused through natural growth of the labor force, could soon become serious. Expansion is therefore essential to the economic health of Canada and it is to be hoped that policy will be directed to that end despite any employment difficulties in particular regions or industries. It is especially important that the immigration of skilled workmen should still be encouraged if the full possibilities of our Canadian resource development program are to be realized.

This program of development is still being financed to an important degree by the inflow of capital from the United States and Europe for direct investment. Much the most important element in the capital inflow in the last quarter of 1953 and the first two of 1954 has been the heavy sales of new Canadian securities in New York induced by the lower level of interest rates there. In these three quarters, sales of new issues of Canadian securities abroad totaled $374 million, whereas direct investment reached a total of $303 million. In this period it was Canadian decisions as to the market in which securities were to be sold which were the major factor in the Canadian dollar's strength rather than the American investment decisions sometimes thought responsible for it.

For some time past our payments for imports have fallen faster than our receipts for exports in Canada and the decline in imports can be related to the sharp reduction in farmers' spending for machinery and to the end of inventory accumulation. That the recent decline in imports occurred while consumption in Canada was reaching new postwar peaks is worthy of note as Canadian producers must now be getting a larger share of the domestic market than was the case when the level of imports was higher.

The fall of Canadian total exports over the past year is due mainly to the great decline in wheat exports from the very high levels of 1952 and 1953. Other exports show no clear trend; declines in our exports of steel, automobiles and electrical apparatus were offset by high exports of pulp, paper, lumber and non-ferrous metals. With the decline of production in the United States, our exports to that market have fallen but the adverse effects that this might be expected to exert on our forest products and mining industries have been avoided by increased sales in the United Kingdom and elsewhere.

To raise the question of the future of the export trade is to go at once to the basic problem of Canada's economic future. The high level of investment by private business is a main sustaining factor in Canadian prosperity and these investments are being made in anticipation of expanding markets to come and as long as the Canadian prosperity continues, more goods of course will be sold in the home market.

Our fortunes for many years ahead must depend on our getting a good share of a growing volume in world trade. Whether world trade is to develop, along with world productive capacity, and whether our exporters are to gain access to world markets without discrimination are therefore fundamental questions for Canada.

During the postwar years Canadian industry has expanded phenomenally. Within its borders, Canada has an abundant supply of most of the raw materials required by other countries in the Western hemisphere and the growth of the mining industry in Canada must perforce continue. Ore is now being shipped, much of it refined, from the Quebec-Labrador Iron Ore development which represents one of the truly great achievements of this century and other great mineral developments are expanding in Northern Ontario and in Western Canada. Canada giant mining industry can be considered as the backbone of our country in peace and in war and forges ahead under vigorous leadership and it is responsible for much of the wealth and security of the nation in this atomic age and to the standard of living of every Canadian.

The petroleum industry continues to make notable progress and its contribution to our economy is of the highest order. New discoveries and expansion of established fields throughout Alberta are promising and developments in Saskatchewan and Manitoba have shown healthy progress during the year with a marked increase in production. Natural gas production has also increased and the solving of this industry's complex marketing and pipeline expansion problems, continue to receive active study.

What will unquestionably be one of the greatest projects of our time was finally commenced last August with the turning of the sods for the St. Lawrence Seaway and Power Project. There have also been many important power projects completed during the past year in every Province of this great country.

While it is always difficult to specify the types of spending which will bring recovery from even a minor recession, it is very hard to see anything but expansion ahead for Canada. Technical change and population growth together, demand an investment program in North America which should not only fully occupy our present productive capacity in Canada but call for its great expansion. The impact of these factors on Canada is bound to be particularly stimulating, especially if present upward trends in American business continue and world trade is freed of the restrictions which still check its growth.

SIDNEY MAESTRE

Chairman of the Board, Mercantile Trust Company, St. Louis, Missouri

At the beginning of 1955, business activity was rising slightly and the sentiment of businessmen was considerably more optimistic than it was at the start of 1954. It is not certain, however, to what extent the present recovery in industrial activity is a permanent one and to what extent it is temporary based upon a normal seasonal increase accentuated by the somewhat earlier introduction of new models of automobiles. That business sentiment is optimistic is reflected by the various polls of businessmen, and their optimism is reinforced by the somewhat more cautious statements of many economists.

Sidney Maestre

In a period when the economy is as evenly balanced as it has been over the last year, business sentiment is an important factor in influencing the future trend of industrial activity. At the present time the feeling of optimism is giving a firm tone to expectations about the business outlook. This optimism is not based upon wishful thinking because it is clear that construction activity, apart from industrial construction, in the next year will be at an all-time high, and this will provide an important prop to economic activity. State and local governmental expenditures are expected to rise and residential builders in this area, as well as elsewhere in the United States, are planning to maintain a high level of activity next year.

It is somewhat more difficult to predict the behavior of consumers. Throughout most of last year, they were sufficiently confident of the future that they tended to spend a larger amount of their disposable personal income. The increased expenditures were concentrated in the purchases of non-durable goods and services. It is possible that consumers will spend large amounts this year for the purchase of automobiles and home appliances. At the present time they appear to be relatively confident of the future.

It would be a mistake, however, to expect that the current recovery in industrial activity will carry business activity to extremely high levels since there still remain unfavorable factors present in the economy. Surveys show that plant and equipment expenditures by business enterprise are expected to continue to decline in 1955 and the level of Federal spending is also expected to fall further. It is also anticipated that farm income will again fall to a lower level. Inventory liquidation was responsible in the last year for a large part of the decline in industrial activity and, while there is little expectation that a period of inventory accumulation is under way, it is believed that businessmen have reduced their inventories to satisfactory levels. Consequently, the depressing effect of inventory liquidation is not likely to be a factor in 1955.

If business activity follows the pattern outlined in the preceding paragraphs, it is probable that bank loans and investments will be relatively stable apart from seasonal changes. There is some possibility that the seasonal fluctuations in loans will be somewhat less than normal. Interest rates in the long- and short-term markets should, therefore, remain almost unchanged from current levels. It is unlikely that they will fall further.

Nineteen fifty-five, therefore, is likely to be another year of relatively stable business activity. If either an upturn or a downturn occurs, it is likely to be of modest proportions. There is a tendency to expect that movements in business activity will be both sudden and sharp, but it is well to remember at this time that generally such movements are relatively slow. The international situation appears less critical now than for the past several years, but it would be incorrect to assume that "peaceful co-existence" is any more than a policy expedient to the present moment.

GEORGE P. MacNICHOL, Jr.

President, Libbey-Owens-Ford Glass Company

The flat glass industry faces 1955 with confidence.

Our company's glass sales for 1954 will run considerably ahead of the record-breaking 1953. Orders booked in the last months of the year and customer schedules were high, providing a flying start for the new year.

G. P. MacNichol, Jr.

Libbey-Owens-Ford has completed a three-year expansion program which has required a capital investment of nearly $40,000,000, with emphasis on increased production in its plate and safety glass plants. Tremendous gains in demand for glass due in part to the larger use of glass in homes, schools, hospitals, offices and similar structures as well as in motor cars, coupled with expanding volume of units in both building and automotive industry, are being reflected in the growing volume of orders.

We are meeting this situation now by (1) obtaining full output from all plants, including new facilities put into production in the last few months, and (2) by providing for a $25,000,000 expansion of plate glass capacity in 1955.

During the early part of 1954, importations of window

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President's Budget Message

still further the totals now estimated for these years.

Fiscal Year:	Expenditures (in billions)
1952	$65.4
1953	74.3
1954: As estimtd., Jan. 9, 1953	77.9
Actual	67.8
1955 estimated	63.5
1956 estimated	62.4

The stern requirements of our national defense dictate the largest part of our budget, and it is chiefly these requirements which prevent us from decreasing budget expenditures faster at this time. Further progress in reducing expenditures must result in large part from increasing efficiency and from finding better ways of doing the things that must be done. Future savings will be more difficult than those already accomplished. However, we expect to continue reducing the cost of government.

Major National Security — Expenditures for major national security programs in the fiscal year 1956 are estimated at $40.5 billion, 65% of total budget expenditures. This amount includes the cost of new legislation. I am proposing to establish an effective military reserve system and strengthen the career service. This budget provides for more expenditures by the Department of Defense for air power than ever before in peacetime history. New weapons for defensive and retaliatory action are being developed and produced in increasing quantities. High priority is being given to strengthening our continental defense system. Since military supplies are not being consumed in combat, the bulk of the military materiel being produced by our factories is adding to our capacity to defend ourselves. Our defense expenditures are now bringing about a steadily growing strength. Never in our peacetime history have we been as well prepared to defend ourselves as we are now.

We will deliver about the same amount of military equipment to friendly nations as in 1954 and 1955. New atomic energy plants will be placed in operation and more than in any previous year will be spent for peaceful applications of atomic energy. The dollar value of our stockpile of strategic materials is expected to reach 78% of the minimum objective, compared with 58% in 1954.

International Affairs and Finance — Our international programs are closely related to national security. The conduct of our foreign affairs is crucial in preserving peace. We have materially contributed to the strengthening of friendly nations through the economic aspects of the mutual security program. Continuation of such assistance is urgently needed for some countries. Net expenditures for international affairs and finance are estimated to be $1.3 billion, $88 million lower than in the fiscal year 1955.

Keeping our own defenses strong and cooperating with our allies to increase their defenses will deter outside attacks on our freedom. We must at the same time look to the abiding sources of our internal strength—our faith in the power of free men, our individual initiative, and our competitive enterprise.

Commerce and Manpower—We are moving ahead in taking the government out of business wherever this can properly be done. In addition to selling the Inland Waterways Corporation and liquidating the Reconstruction Finance Corporation, we have already sold or shut down a number of Department of Defense plants for processing scrap and manufacturing paint, clothing, and chlorine. Private industry is performing an increasing share, which has reached almost half, of major equipment overhauls for the Air Force. Most of the synthetic rubber plants have been sold to private purchasers, subject only to congressional approval. These actions not only serve to strengthen our system of private enterprise, but also in many cases reduce government expenditures and increase tax receipts for cities, counties, and States as well as the Federal Government.

During the past year, legislation was enacted permitting private lenders to make mortgage money available on more liberal terms so that more people can buy their own homes. Local public agencies, aided by private investors, are being encouraged to start comprehensive urban renewal programs. Provision has been made for extension of unemployment insurance to four million more workers.

For the coming year, I am recommending that we start a 10-year program to modernize the interstate highway system in cooperation with State and local governments. I am also proposing that we step up aeronautical research, expand air navigation facilities, and help industry build more ships. These activities are important for our national security as well as for our growing economy. I firmly believe that as large a proportion as possible of the expenditures of the government should be borne by those directly benefiting therefrom. The user charge principle should be further extended. I have recommended to the Congress that postal rates be increased to make the postal system self-supporting in the near future. With the enactment of this legislation, total net expenditures for commerce and manpower in the fiscal year 1956 are expected to be $2.2 billion, $364 million below 1955.

Natural Resources — An important policy of this government is to encourage an increased sharing by State and local governments of our long-range development projects. For example, the State of New York and the Province of Ontario are now jointly developing the power resources of the St. Lawrence River without cost to the Federal Government. Under legislation passed last year the Markham Ferry project in Oklahoma and the Priest Rapids project in the State of Washington, both with large power developments, will be built by state or local units, with modest Federal contributions only for those purposes such as flood control which involve national responsibilities. This budget proposes the start of several new construction projects under such partnership arrangements. Thus, we are continuing to develop our natural resources at less cost to the Federal Government. Net budget expenditures of $953 million in 1956 are estimated for natural resources, $180 million less thain in 1955.

Agriculture — Greater freedom from government direction and control of farming operations will be made possible in future years as a result of the new farm legislation enacted last summer. The flexible supports provided for therein will stimulate the consumption of farm products at home and abroad and will reduce government expenditures for buying and storing surplus commodities. Greater private participation in the financing of loans to farmers has also been brought about by legislation enacted last year. By increased use of fully insured private loans, the need for direct Federal loans for farm ownership and for soil and water conservation has been reduced. A sound basis has also been provided through the new watershed protection legislation for greater cooperation between the Federal Government and states and local groups in the upstream flood prevention program. In addition, through strengthened agricultural research and educational work, farmers can better work out solutions for their own problems. These steps reduce the dependence of farmers on the government, encourage farmers to take the initiative in adjusting production to demand, and provide the conditions under which farmers can maintain their incomes with less interference by the government. The flexible support legislation will not greatly affect expenditures for the fiscal year 1956. Estimated net expenditures for agricultural programs in 1956 will be $2.3 billion, $871 million less than in 1955. This reduction is principally due to the anticipated smaller outlays for farm price supports resulting from acreage restrictions and increased sales.

Welfare, Health, and Education —Our policy of partnership with state and local governments and with private enterprise is also enabling us to make significant con-

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glass under current low tariffs caused the shut down of several producing units and consequent unemployment. In later months, because of increased demand in world markets, foreign glass was diverted from the U. S. market, thus putting a sudden burden on domestic window glass manufacturers. Though it takes time to rebuild glass furnaces and get them into operation, Libbey-Owens-Ford has moved as rapidly as possible and has put five of its window glass furnaces back in production since July and now has all units operating, which should enable the company to supply all of the normal window glass requirements of its customers.

The same situation existed as to plate glass imports and major operating units were shut down for repairs and improvements. All of LOF's plate glass facilities are now in operation and we are in a position to meet the urgent needs of our plate glass customers.

We will be off to a flying start for 1955. Orders on hand are high, employment in the plate and safety glass plants is at a peak, and new products such as panoramic windshield and the new Parallel-O-Plate high-quality twin-ground plate glass are registering exceptional customer acceptance.

Libbey-Owens-Ford is now obtaining full output of its revolutionary new facilities at the Rossford plate glass plant. Two new twin grinding plants and new polishing lines, make Rossford the most modern plate glass factory in the world. These improvements, financed wholly from the company's own plant improvement and replacement fund, without recourse to loans or other financing, have been under construction for more than three years.

The integrated improvements at plants in the Toledo area, Ottawa, Ill., and Charleston, W. Va., since 1946, have approximately doubled the plate glass making capacity of Libbey-Owens-Ford.

Directors have recently approved a $25,000,000 expansion of our plate glass manufacturing facilities — the equivalent of a large, integrated plant. Work is to go forward on these new additional units in 1955 as rapidly as engineering plans can be completed.

New construction planned for the Rossford and East Broadway plants in the Toledo area call for investment of $21,000,000 in large new facilities aimed to substantially increase their productive capacity. The new plants tentatively scheduled for the area include a large new melting furnace, grinding and polishing equipment, and additional bending and laminating facilities.

At Ottawa, Ill., are scheduled improvements to grinding and polishing facilities, expansion of bending equipment, and service facilities.

At Rossford there is also planned some additional equipment for the two new twin-grinding plants.

The proposed new furnace would add nearly 50% to Rossford glass making capacity. Location of the melting furnace is tentatively set on the Maumee River side of the present two large furnaces.

The additional grinding and polishing facilities and laminating developments are scheduled to be made at the East Broadway plant, a mile distant, which is an outstanding plant in the production of automotive safety glass.

WALTER P. MARSHALL

President, The Western Union Telegraph Co.

The year 1954 was one of great progress in the telegraph industry. With the accomplishments of the past year as a basis, I am confident that even greater advantages will be achieved in 1955. Financially, Western Union had a successful year in 1954.

Walter P. Marshall

Net income from operations will exceed that of the previous year. One of the features of the year was the new peak reached in the company's private wire and facsimile services. Sales of these services have quadrupled in seven years, climbing from $6,000,000 in 1947 to $17,600,000 in 1952 and are now running at the rate of $24,000,000 a year.

Even larger increases in private wire and facsimile service sales are anticipated in 1955. Numerous extensive systems are being installed now and contracts for many others already have been signed. One factor accelerating demands for Western Union private wire systems is the increasing interest of industry in the use of these networks for automation processes, such as transmission of automatic punched card data.

One of the major leased wire systems installed during 1954 was for the General Services Administration of the United States Government, linking 53 cities throughout the country. Among other new installations were those for Trans-Lux Crispo News Service; Emery Air Freight; Continental Can; Olin-Mathieson Chemical; International Paper; Rexall Drug; Hughes Aircraft; Pan American Airways; Boeing Airplane, and North American Aviation.

Rapid strides are also being made in the sale of Western Union's Intrafax Service, a facsimile system leased to business concerns for use in flashing intracompany communications between their various offices and units. A new Intrafax, now ready for widespread installation, operates at 500 words a minute, more than three times the speed of the world's fastest typist, and reproduces a complete letter-size document within three minutes.

Western Union's latest facsimile marvel, Ticketfax, reproduces a Pullman or airplane ticket in eight seconds at a distant point, ready for immediate use by the passenger. Ticketfax installations are being made now for two large railroads.

Rapidly expanding its direct wire connections with business users of its services, the telegraph company added in its 1954 program about 7,000 Desk-Fax facsimile machines, bringing the total number of customers served by these ultra-modern "electronic messengers" to around 20,000. Another 22,000 customers have been supplied with Western Union teleprinter machines, bringing to 42,000 the number of customers directly connected with high-speed telegraph centers. In 1955 about 110,000,000 telegrams will be sent and received over these direct connections.

Desk-Fax machines were installed in the offices of a number of Montreal firms connecting them directly with Western Union's Montreal office and its transatlantic cable system. This was the first facsimile telegraph installation in Canada.

Extensive alterations were made to bring Western Union's high-speed message center at Richmond to maximum, high-speed efficiency. The volume capacity of the Richmond center, which serves the Virginia-North Carolina area, was doubled. An electronic brain at this and other centers flashes telegrams automatically to their destinations throughout the country.

Western Union's notable progress during the past year would not have been possible without the enthusiastic and wholehearted support of all telegraph people in this country and abroad. Their efficiency and oustanding devotion to the public interest in providing this nation with the world's finest telegraph service, contributed materially to our successful operations during 1954.

HON. JOSEPH W. MARTIN, Jr.

U. S. Congressman from Massachusetts

The legislative objectives of the Congress and of the Administration are to maintain a vigorous and ever-enlarging economy so that there is opportunity and work for everyone, to keep our position strong in the international field and, under present world conditions, to expand the strength of our armed forces in an age of atomic power.

Hon. J. W. Martin, Jr.

To keep peace in the world, we must be alert and on guard to deter the aggressor. That is why it is imperative to be strong militarily. We must also constantly fight Communist subversion. These are primary legislative responsibilities of the Congress. All of this costs money in the form of tax dollars. Until there is a solution to the existing global situation and as long as the fuse still burns in the powder keg, nothing should be done to jeopardize our military strength. While much of the tax dollar is going to maintain and improve our defense, it will be impossible to enact legislation cutting taxes in 1955.

At the same time that we are appropriating adequate funds for defense, we must spend wisely for other government functions. There is much room for economy in this field. By exercising this economy and with prudence, we can reduce the overall spending of the Federal tax dollar. Cooperation between the Executive Departments and the Congress can mean a tax reduction in 1956.

Occupying the position we do in the world today, it is necessary that we get along in the diplomatic and in trade matters with our good friends all over the globe. In this respect, I feel sure that the Congress will cooperate with President Eisenhower in expansion of foreign trade. We all know that foreign trade is essential to a happy and prosperous America, and we want to see it extended with complete fairness to all concerned.

At the same time, I am sure that the right and valid interests of American industries will be adequately safeguarded by Congress.

The Eighty-third Congress enacted legislation calling for great expansion of a much-needed Federal highway program. The present Congress will continue the development of this new creation of highways—much needed by every segment of our population in all states. Congress will approve needed reclamation projects as well as a nationwide comprehensive water resources partnership along Federal, state and local lines.

The President has asked for extension of the draft law, and Congress will comply. There is no rejoicing in seeing our young men entering military service, but it is a part of the price that must be paid to keep us secure.

The Congress will consider and act on legislation to improve existing health service and will take up the improvement of medical care for needy citizens and will continue the construction policy of new health facilities begun by the Eighty-third Congress. The Small Business Act of 1953, also enacted by the Eighty-third Congress, will be extended during the present session.

The Eisenhower Administration, from inception, has had the goal of peace in the world and prosperity at home. That is still the goal. No Congress can do anything but cooperate in the achievement of these objectives.

T. M. MARTIN

President, Lion Oil Company

The year just concluded was nearly as prosperous as the best year in our nation's history and indications are that 1955 will be much better than 1954. The year has begun without war anywhere in the world. We have moved away from the artificial stimulus of a war economy and are operating again under the competitive enterprise system—the condition under which American business advanced to its present position of world leadership.

T. M. Martin

Federal controls have been relaxed and we have what business has been wanting—an opportunity to perform under conditions which offer rewards for effort and imagination. We are again in a buyers' market. Competition will be keener and management must constantly be alert to ways of improving products, increasing efficiency and reducing costs.

The consumer stands to benefit from these changed conditions because better products will be developed which can be sold at lower prices. Consumer optimism has remained high and did not weaken during the recent readjustment. These facts should indicate a rising level of sales in 1955.

Business confidence has also been strong. The year 1954 was one of the highest on record in expenditures for capital facilities. Recent surveys show that similar investments in 1955 will be maintained at near the same level.

Consumer optimism and business confidence are but two indications that 1955 will be a good year—particularly for those who, by hard work, take advantage of the opportunities which it offers.

MORTON J. MAY

Chairman of the Board,
The May Department Stores Company

We are looking forward to a very satisfactory year for the retail industry in 1955.

Our optimism is based both on the fact that the outlook for business, in general, seems good and on factors that apply specifically to The May Company.

Morton J. May

Business seems to be recovering satisfactorily from the moderate recession that occurred throughout most of the country during a good portion of 1954. During this period, department store sales ran below sales in comparable months of 1953. However, they have shown steady improvement since the middle of the year.

The Christmas season was a good one for The May Company and other retailers, and the consensus is that the upward trend in sales will continue during the coming months.

We also expect to benefit in 1955 from our expansion program. We acquired The Sharon Store in Sharon, Penn., in November, 1954, and will benefit in 1955 from its operation. In addition, we have three branch stores under construction that are scheduled to open during the coming year.

One is a branch of our Famous-Barr Company store in St. Louis, which is being built in the new Northlands Shopping Center in St. Louis County. This store will occupy a modern, four-story building with 337,000 square feet of space. It will be the largest department store branch in the St. Louis area. The Northland Shopping Center will cover approximately 66 acres and have parking space for more than 5,000 automobiles.

Construction of this Famous-Barr branch is on schedule. The steel framework is finished, the roof is on, the brick outer walls are being installed, and a good start has been made on the interior work. We expect the store to open for business by the end of summer.

We are building another branch store in the San Fernando Valley outside Los Angeles. This store will have a four-story-and-basement building with 439,000 square feet and will be the largest branch in the May system. It is scheduled to open next fall.

The third branch store under construction is located in the University Hills Shopping Center in Denver. It also is scheduled for a fall opening.

Our expansion program is not limited to suburban areas. In 1953, our Kaufmann's store in downtown Pittsburgh began a major expansion project designed to increase its selling space by 50%—from 484,000 to 725,000 square feet. This included the purchase and remodeling of a 19-story adjoining building, which was completed a year ago, and the construction of a 10-story addition on another adjoining site. The new building will be ready for complete occupancy by next May.

During their first full year of operation, we expect these projects to add $50 million to our sales volume.

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President's Budget Message

tributions to human welfare. Our broadened programs of assistance for vocational rehabilitation and for construction of nonprofit hospitals and health centers will encourage greater state, local, and private activity in these fields. The extension of old-age and survivors insurance to 10 million more persons and the increased contribution and benefit rates enacted last year are in keeping with our tradition of self-reliance and will diminish dependence on charity. This budget includes appropriations for the health improvement program which I shall outline in a special message. Increases in some programs, principally for public health and vocational rehabilitation, will be offset by some reductions in other programs. Total expenditures for welfare, health, and education are estimated at $2.3 billion in the fiscal year 1956, about the same as in 1955.

Veterans' Services and Benefits—Expenditures for veterans' benefits continue to increase as a result of the growing number of veterans, now estimated at 81 million in civil life, becoming eligible for benefits. Legislation enacted last year raised compensation and pension benefits to our ex-servicemen and women. I have recently issued a proclamation ending the time period for acquiring further rights to readjustment benefits intended for veterans of the Korean conflict. Estimated net expenditures for veterans' programs will be $4.6 billion, about $200 million more than in 1955.

Interest and General Government — Expenditures for interest are estimated to amount to $6.4 billion, $180 million less than in 1955. In the field of general government, I recommend that we increase our expenditures for tax collection and management of government property as further steps toward efficiency. I also recommend strengthening our law-enforcement agencies, particularly the Federal Bureau of Investigation. Finally, the government should resume its payments as employer to the civil service retirement fund. As a result of these recommendations and anticipated increases in payments of certified claims, expenditures for general government purposes are expected to rise $344 million to $1.6 billion in the fiscal year 1956.

Special Classification of Expenditures—The budget expenditures discussed above may be divided into four large groupings to show the ends for which we pay taxes and also the items which make our budgets big. These groupings are (1) the cost of civil operations and administration, (2) interest, (3) civil benefits to various parts of our society, and (4) the major cost of protection against war.

The expenditures for civil operations and administration of the government have been obscured for many years by the large expenditures for defense and by the variety and complexity of the domestic and international programs. The cost of keeping the civil functions of the government running for the fiscal year 1956 is estimated to be $2.3 billion or about 4% of the net budget expenditures. This includes most of the expenditures classified as general government plus the expenditures for repair, maintenance, and operation of government civilian facilities and for regulatory activities.

The fluctuation shown in the cost of civil operations arises primarily from the contribution made by the Federal Government, as employer, to the civil service retirement fund. This contribution was $321 million in the fiscal year 1953 and $216 million is proposed for 1956. No contributions were made during 1954 or 1955 pending a detailed review of all Federal retirement systems by a special commission. Increased funds are also provided for several department operations where there has been a longstanding backlog of work.

Decreasing interest rates during the past 12 months, together with a change in the timing of interest payments, have made possible a forecast for lower expenditures for interest in the fiscal year 1956.

The various civil benefit programs of the government are estimated to amount to $12 billion in the fiscal year 1956. Expenditures for veterans' benefits represent 38% of all civil benefits in that year. The variations in expenditures for farm price supports and mortgage purchases account for part of the changes in total benefit expenditures between the fiscal years 1953 and 1956.

The expenditures for protection, which account for two-thirds of total expenditures, include continental defense at home and mutual defense abroad. The total amount in the fiscal year 1956 consists of the $40.5 billion for major national security programs and $1 billion for economic and technical assistance under the mutual security program. In addition, many items of smaller size scattered through other parts of the budget, not included in this category, are related in varying degrees to protection. Examples are the Coast Guard and the Selective Service System.

Tax Policy

Last year we made great progress in reducing tax burdens and improving the tax structure. Total tax reductions of $7.4 billion became effective. This was the largest tax reduction in any single year in the country's history. It was made possible only by large cuts in government expenditures. The basic tax law was revised to relieve hardships for millions of individuals and to reduce tax barriers to economic growth.

The budget would have been balanced for the current fiscal year if there had been no tax cuts. However, it was desirable to share the benefits from the large expenditure reductions. This enabled the people to have the extra money to spend for themselves which they retained because of the reduction in their taxes.

In view of the prospective deficit, we cannot afford to have any further loss of revenue this year through reductions in taxes. The corporate tax rate would be automatically reduced under existing legislation from 52 to 47% on April 1 with a revenue loss of about $2 billion for a full year unless extended. Under existing law, the excise taxes on liquor, tobacco, gasoline, and automobiles would also be automatically reduced on April 1, with a revenue loss of $1 billion unless appropriate legislation is enacted by the Congress extending them.

In the fiscal year 1956, there will be an automatic revenue reduction (as compared with 1955) of almost $2 billion under existing law, wholly apart from any changes in tax rates. The principal reason is the completion of the plan adopted five years ago under which payments of corporate taxes have been moved forward into earlier fiscal years. Fortunately, this reduction in 1956 will be more than offset by increases in revenue due to the economic growth of the country.

Because we must keep our existing revenues intact, I have already recommended to the Congress in my State of the Union Message that existing rates on both excises and corporate incomes be extended for one year. Any other course of action would result in either (1) inadequate expenditures for national security, or (2) inflationary borrowing.

During the past year the Treasury Department has continued to examine possible changes in the tax laws concerning which no recommendations were made in the revision of the tax laws last year. As final conclusions are reached by the Department they will be sent to the Congress.

I have also directed the Secretary of the Treasury promptly to make recommendations for any other changes in the laws which may be found necessary to prevent anyone from avoiding his fair share of the tax burden.

The present tax take of nearly one-fourth of our national income is a serious obstacle to the long-term dynamic growth of the economy which is so necessary for the future. There must be the means for providing more and better jobs not only for those who are working today but also for the millions of young people who will come of working age in future years. The stimulus of further tax reductions is necessary just as soon as they can properly be made.

We must always make adequate provision for our security and other essential services, and further tax reductions can only be made as savings in governmental expenditures or increased revenues resulting from growth in our economy are in sight.

However, further tax reduction remains a firm goal of this administration, and our policy is directed to achieving both the savings in expenditures and the economic growth that will make such reductions possible.

I hope that tax reductions will be so justified next year. If so, I shall recommend a reduction in taxes to spread the relief fairly among all taxpayers in a way which will be the most effective to relieve individual tax burdens and to increase incentive for effort and investment.

Debt Management

Debt management policy during the past year was keyed to Federal Reserve monetary policy to help assure the ready availability of money and credit needed to sustain a high level of business activity. The Treasury refrained under the special circumstances of 1954 from issuing long-term securities which would compete for long-term money available for the construction of new homes, for business expansion, or for new schools, highways, and hospitals at the state and local government level. At the same time, progress was made in improving the structure of the public debt by some extension of maturities through issuing more intermediate-term bonds. In each major Treasury financing during 1954, except for borrowing through tax anticipation securities, investors had the opportunity to buy securities longer than one-year certificates. The result was a substantial reduction in the short-term debt.

On Dec. 31, 1954, the public debt subject to the statutory limit was $278.3 billion. We expect to be able to operate this fiscal year within the temporary debt limit of $281 billion voted by the Congress last August. The increase beyond $275 billion provided by this legislation is, however, temporary. The statutory limit will go back to $275 billion on June 30, 1955. We anticipate that the heavy tax receipts during the remainder of this fiscal year will enable us to reduce the debt to within that figure by June 30, 1955.

At the start of the new fiscal year in July, 1955 the debt will already be pressing against the legal limit. With the present seasonal pattern of tax collections, expenditures will exceed receipts in the first six months of the fiscal year 1956 by about $8 billion. Thus, it will not be possible to

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J. W. McAFEE

President, Union Electric Company of Missouri

We at Union Electric Company of Missouri, together with our associates in the nation's investor-owned power and light companies, are looking forward with hopeful confidence to the business future. Evidence of this faith and hope is contained in the millions of dollars the electric power industry of this country is planning to spend this year on new and expanded facilities. At our company alone, we have scheduled capital expenditures of over $37 million for the production of power and its delivery to our customers. Over the five-year period, from 1954 through 1958, we plan to spend a total of $185 million on new construction.


J. W. McAfee

Such expenditures express a confidence in the future beyond mere words. The millions of dollars involved, representing the savings of thousands of individuals, will be put to work to create new wealth. Each such investment in the future helps make that future more secure.

Here in St. Louis, in the heart of the rich Middlewest, there are many factors which we think justify our confidence in a continued increase in business. The fact that no one industry dominates the economy of our area is a vigorous argument for stability—minimizing as it does the possibility of unexpected setbacks.

In this area and throughout the country, the electric power business can be expected to be in the vanguard in the drive for an expanding business economy. New electrical processes in industry, new electrical devices in the homes and on the farms, the continued growth in the average consumer's use of electricity are all important factors in maintaining business prosperity and insuring its continuance in the future.

The tremendous acceptance of air-conditioning alone is a powerful factor in the business picture. Television has created an entire new industry. On the horizon are whole new worlds in electric space heating, electronic food preparation and hundreds of other new developments still in the planning stage.

Last year, the nation celebrated the Diamond Jubilee of Light and with it the 75th birthday of the electrical industry. In those 75 years, that industry has grown into a vast complex, serving 50 million customers, employing 300,000 persons and valued at over 25 billions of dollars. That fantastic growth was made possible by faith and confidence in the American business system and the economic climate in which it flourished. With that proud record, the industry is looking forward, not only with confidence, but with eager hope to the future American business can and will provide.

JOHN L. McCAFFREY

President, International Harvester Company

As in the past, the outlook for the farm equipment industry during the present year will be determined by three basic factors: (1) The farmer's need for farm equipment, (2) his desire to fill this need, and (3) the availability of either cash or credit with which the farmer can purchase equipment. In my opinion, the farmer has the need for new farm equipment, he has the desire for it, and his cash or credit position is such as to allow him to purchase it.


John L. McCaffrey

If these conclusions are translated into retail sales during the coming year, I believe that the farm equipment business in 1955 will be somewhat better than in 1954. Yet, there is no indication of any "boom" in our industry during 1955.

I can substantiate the forecast in this way:

First, today's farm owner or operator is working considerably more acres today than he was ten, five, or even three years ago. He is doing this with much less help, help that either is not available or available only at a prohibitive cost. To carry on his expanded operations and to offset the present lack of manpower, the farmer needs modern farm equipment which is designed to do more work easier, faster, and at less cost. The farm equipment industry has made available this type of equipment to the farmer.

Second, surveys show that the average age of farm operators has increased considerably since 1940. The technological change in farm equipment, with its emphasis on more power, easier handling, and built-in comfort features, has contributed largely to this extended working life of farmers. This technological improvement in farm equipment will continue and, in fact, accelerate to the point that tomorrow's farmer cannot afford to be without new machines.

Third, our studies and those of the industry indicate that the farmer's economic position is healthy. In general, his cash or credit position is good. The downward trend in farm commodity prices has been retarded to the point that confidence in the future has been restored with the farmer. Those who have held off buying needed equipment are no longer fearful and are now ready to buy.

These, then, are the reasons why I think farmers will buy more new farm equipment in 1955 than they did in 1954. It is combination of need and desire for labor-saving and economical equipment, the availability of such equipment, the farmer's ability to buy it, and his confidence in the future, during which time such equipment can and will pay for itself in use.

Finally, I hope that the price of farm equipment during 1955 will continue at about the same level as in 1954. However, manufacturers' costs continue to increase, and only a part of this increase can be offset by economies within our business. Should the cost of materials, labor, and transportation continue to climb upward, our industry, in my opinion, will eventually be forced to increase its prices.

To a large extent the farm equipment dealer holds the real key to our success during 1955. It is his responsibility to sell our products locally, to prove the usefulnes of our equipment with the farmer. I am confident that the best line of product ever produced by the farm equipment industry will be sold in large numbers by our dealer organization during 1955.

THOMAS F. McCARTHY

President, Austin, Nichols & Co., Inc.

Generally speaking, the liquor industry did not share in the increased prosperity in the year just passed. It is my belief that 1955 will be little or no better than 1954 unless Federal excise taxes are reduced as stipulated by the Congress. The exception to this general rule in our industry would be the importer who fared well in 1954 and the indications are will do better in 1955 if the country continues to enjoy general prosperity.


Thomas F. McCarthy

Many of the retail businesses that were adversely affected by the 20% excise tax enjoyed improved business when it was dropped to 10% in April 1954; and these businesses enjoyed a strong upsurge in fall and Christmas trade of 1954. Whether this buying was a psychological effect of this reduction or caused by the actual decrease in price is hard to say but the increase in sales was very substantial.

Excise taxes on distilled liquor, Federal and state, are so high now that legal liquor is out of the reach of a very large portion of our population. We now have a form of prohibition by taxation. Bootlegging is becoming an ever more important menace to our business. In the year ending June 30, 1954, 11,263 illegal stills were seized. This exceeded the 1953 seizures by 5.3%. Neither the government nor the industry has any way of knowing how many illegal stills exist that defy detection.

It might be pointed out that the latest official figures on tax payments on imported whiskey (Scotch, Canadian and Irish) show an increase of about 2% while the tax payments on all domestic spirits for the same period show a decrease of over 5%. It could well be that this difference was caused by the increase in bootlegging as imported whiskies are not usually imitated by bootleggers.

We do not believe that the great middle and lower income bracket of our population should be deprived of legal liquor by taxation. Let it be understood that this industry champions moderation and since Repeal has spent millions of dollars to encourage it. We know our worst enemy is the excessive drinker but we also know the "noble experiment" did not work. We believe that moderation can best be attained by the proper education of youth in the use and abuse of alcohol so when they become of age, if they choose to use intoxicating beverages that they will do so in moderation.

HON. JOHN L. McCLELLAN

U. S. Senator from Arkansas

Certainly there can be little, if any, criticism of the philosophical statement of the purposes of the Federal Government as reiterated by the President in his initial address to the joint session of the Congress on Jan. 6: To maintain justice and freedom so that we may work effectively for enduring peace; to help keep our economy vigorous and expanding; and to concern ourselves with the human problems of our people so that every American may have the opportunity to lead a healthy, productive and rewarding life.


John L. McClellan

However, there will be differences of opinion even among the members of the President's own party as to how the Federal Government can best meet its responsibilities in furthering these purposes. Some of the objections or exceptions to specific proposals by him may be motivated by political considerations, but most of them, in so far as the Democrats are concerned, will be prompted by a sincere desire on the part of the Democratic members of both Houses to make the most constructive public-service contribution possible under the circumstances.

The President will, in my opinion, have the support and cooperation of a large majority of the members of the Congress in performing his constitutional responsibilities with respect to foreign policy. A corollary to that responsibility is that of maintaining continuously a sound national defense program and adequate and balanced armed forces and equipment. The Chief Executive's training and experience are of inestimable value in this connection, and his recommendations in connection with this responsibility may be controlling.

Wide differences of opinion will unquestionably develop over the President's recommendations in the economics and human problems categories. However, his repeated declaration of conservatism in dealing with fiscal problems, together with his assertions of liberalism insofar as the "human problems of our people" are concerned, has a bipartisan appeal.

As Chairman of the Senate Committee on Government Operations and of its Permanent Investigating Subcommittee, and as a member of the Subcommittee on Internal Security, I was particularly interested in his references to and recommendations concerning the continuing problems of government administration and reorganization and Communist infiltration.

His recommendations designed to improve and facilitate administrative procedures in the Executive departments appear, from a cursory study of them, to be constructive, and will receive prompt consideration by the Committee on Government Operations.

The President will have my cooperation and support in his public declaration of intention to continue "to ferret out and to destroy Communist subversion." This declaration on his part was prefaced by a brief review of the progress made in this field during the past two years, in which Democratic members of the Congress have made notable contributions. This progress includes "legal weapons forged by the 83rd Congress;" the setting up of a new Internal Security Division in the Department of Justice; revitalization of security activities in the Immigration and Naturalization Service; and improved security systems in the Executive departments.

The respective committees of the Congress having jurisdiction should and will be continuously vigilant in meeting their legislative responsibilities in dealing with this problem, and seeing that the tools at the disposal of the Executive Branch of the government are effectively and fairly used.

Also, the committees having primary investigative responsibility in this field should and will be unrelenting in the use of their powers and facilities in ferreting out Communist infiltration and subversion.

L. F. McCOLLUM

President, Continental Oil Company

The past year has been one of readjustment for most of the industries in the United States, with activity at generally lower levels than in 1953. Primarily as a result of the decline in business activity, the "normal" growth in demand for petroleum products was retarded. During the first nine months of the year, domestic demand was only 0.5% above the corresponding period of 1953. Because of an upturn commencing in November, results for the year will probably show a gain on the order of 1% to 2% in domestic demand. The increase in total demand, including exports, will be somewhat less because of the sharp decline in foreign shipments.


L. F. McCollum

The three major problems that faced the oil industry during 1954, which still exist, were only indirectly, if at all, related to the recession in general business. Early in the year, the most pressing problem was that posed by the excessive level of gasoline stocks. These stocks, which were already too high at the end of the 1953 summer driving period, were pyramided during the winter. No progress was made in reducing the excess stocks until July; by early December, stocks stood at the same level as a year earlier. The only way that gasoline inventories can be brought into balance with demand will be for each refiner to appraise his stocks in relation to realistic sales forecasts and govern his refinery operations accordingly.

The importance to the oil industry of the problem created by the oversupply of gasoline cannot be minimized, but that problem is currently overshadowed by the two other continuing problems:

(1) The issue of Federal control over the production of natural gas. This matter is of vital concern to the oil industry, to business in general, and to all the natural gas consumers in the United States, because of the threat to the finding and developing of the necessary future supplies of gas.

(2) The attainment of a proper balance between supply and demand for all oils. The rapid increases in foreign crude oil production and refining operations have reduced exports from the United States, and are now responsible for the increasing pressure of foreign crude oil and products on the domestic industry. This is reflected in a 1954 decrease of about 2% from the 1953 level of United States crude and condensate production, in the face of a moderate increase in demand.

The year ahead will require the utmost effort on the part of all segments of the petroleum industry to secure satisfactory solutions to these problems.

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pay the government's bills in that period without exceeding the $275 billion limit.

We recognize that the statutory debt limit is valuable as an expression of firm intent to maintain fiscal soundness. With present requirements for national security we have not yet been able to achieve a balanced budget, even though we have made substantial progress toward it. Therefore, I have no alternative but to ask the Congress to again increase the debt limit.

During the past two years, we have proved that a free, democratic system can make the adjustment from war to peace without serious economic disturbances. A major factor in this achievement has been the confidence of the people in the ability of the government to bring its financial affairs under control and to conduct them in a responsible manner.

Our objective of being provident in financial matters has paid and is still paying dividends in general well-being. We have reduced expenditures and eased the crushing load of taxation. We have improved the structure of the public debt and provided a favorable environment for sound monetary policy. We have encouraged private initiative by starting to take the government out of competition with private enterprise. We have made progress in housing and in protection against personal catastrophe. We are developing our natural resources in partnership with the state and local governments and with private initiative. These steps are designed to assure high and rising employment, a growing prosperity, and a stable dollar.

This administration will continue to exercise the utmost care in the manner in which it uses the taxpayers' money. It will continue to purchase what we must have for our security, well-being, and prosperity with the fewest possible number of dollars. And it will continue to administer the huge government organization more efficiently. It will put first things first and restrain spending to items of high priority. Our success thus far in reducing taxes, expenditures, and the deficit is the best evidence of the earnestness of our efforts.

With an indestructible faith in the destiny of this country, a faith equal to that of the founders who held that all men are Divinely endowed with inalienable rights; with full confidence that in the intelligent cooperation of free men is to be found the most effective way of solving group and national problems; with unshaken dedication to the pursuit of peace and justice at home and in the world, we shall continue to sustain our liberties and we shall meet and far surpass the objectives we now set for ourselves in promoting human welfare, happiness, and prosperity.

DWIGHT D. EISENHOWER
January 17, 1955.

SPECIAL CLASSIFICATION OF NET BUDGET EXPENDITURES
(Fiscal years. In billions)

	1951 actual	1952 actual	1953 actual	1954 actual	1955 estimated	1956 estimated Amount	1956 estimated Percent
Current expenses for civil operations and administ.	$1.9	$2.2	$2.3	$1.9	$1.9	$2.3	4
Interest	5.7	5.9	6.6	6.5	6.6	6.4	10
Civil benefits	11.5	12.2	13.4	11.6	13.3	12.0	19
Protection	25.6	46.0	52.0	47.9	41.7	41.5	67
Undistributed (reserves and adjustments)	—.7	—.9			.1	.3	
Total	44.1	65.4	74.3	67.8	63.5	62.4	100

RESUME OF THE BUDGET
(Fiscal years. In billions)

	1953 actual	1954 Budget document estimate*	1954 Actual	1955 estimate	1956 estimate
New obligational authority:					
Under existing legislation	$80.3	$72.2	$62.8	$57.2	$53.1
Under proposed legislation				.1	5.5
Total new obligational authority	80.3	72.2	62.8	57.3	58.6
Budget receipts:					
Under existing legislation	64.8	68.0	64.7	58.8	57.7
Under proposed legislation				.2	2.3
Total budget receipts	64.8	68.0	64.7	59.0	60.0
Net budget expenditures:					
Under existing legislation	74.3	75.6	67.8	63.5	60.5
Under proposed legislation		2.3			1.9
Net budget expenditures	74.3	77.9	67.8	63.5	62.4
Budget deficit	9.4	9.9	3.1	4.5	2.4
Public debt at end of year	266.1	269.8	271.3	274.3	276.0
Balances of appropriations carried forward at end of year	78.4	67.4	68.0	53.9	49.6

*These estimates refer to the 1954 budget as presented to the Congress on Jan. 9, 1953.

Savard & Hart Open Providence Branch

PROVIDENCE, R. I.—Savard & Hart of Montreal, members of the Toronto, Montreal and Canadian Stock Exchanges, have opened a branch office at 188 Benefit Street, under the management of Lloyd B. Averill. The firm specializes in Canadian securities and in U. S. unlisted securities.

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A. KING McCORD

President, The Oliver Corporation

During 1955 the farm and industrial machinery industry will enjoy a modestly better year, sales and profit-wise, than the industry experienced during 1954.

Public and private construction expenditures during 1955 will be greater by 5% than the high level of such expenditures reached in 1954. There will be only an insignificant withdrawal of farm acreage from cultivation.


A. King McCord

Cash farm income in 1955 is estimated to be about the same as cash farm income realized in 1954. This estimate is predicted on the belief that price stability has been achieved in agricultural commodity prices, and that domestic consumption will increase slightly. This forecast takes into account the large accumulated surplus of certain farm commodities and the downward adjustments in U. S. Government farm commodity support prices.

Last year this country experienced its most widespread drought. The area affected spread in a large arc from the Southwest, north to southern Illinois, and up into parts of New England, registering, in certain sections, three years of insufficient moisture. A substantial increase in farm equipment sales is anticipated from this area of the country, if the drought is relieved as is now indicated.

Farm equipment sales throughout the balance of the nation will continue through 1955 the same as 1954. Export sales should be maintained on the 1954 level, but could increase if more long-term credit is made available to export customers.

The conservative conclusion is that sales of farm equipment at the retail level will be maintained at the 1954 rate.

However, the reductions in inventories made by manufacturers and dealers since 1953 is of greater significance to the manufacturers of farm equipment.

Action to correct abnormally high inventories was begun by manufacturers and dealers in 1953 and continued through 1954. During that period of time, although retail volume was down from the 1952 rate, wholesale selling by manufacturers was off considerably more and production schedules were set at a substantially lower rate. Consequently, with retail sales of farm equipment during 1955 approximating retail sales in 1954, the manufacturer can look forward to a year of slightly higher sales, at wholesale, and a substantial increase in production.

Without the burden of excessive inventories in the hands of manufacturers and dealers, prices for farm equipment become more firm, and increased plant production will combine to improve profit possibilities.

1955 presents a reasonaly good market year for the products of farm and industrial equipment manufacturers, with the optimum in competition, and reasonable rewards for the successful enterpriser.

LYLE McDONALD

Chairman of the Board,
Public Service Electric & Gas Company

Public Service Electric and Gas Company serves an area which includes approximately 80% of the population of the State of New Jersey. The company supplies electricity and gas to a great variety of industries and a large number of commercial enterprises. The continuing growth in demand for service by residential, commercial and industrial customers is an indication of the economic health of the territory served and the surrounding area.


Lyle McDonald

The outlook for the economy of the country at the beginning of the year 1954 was not too favorable, and a decline was generally predicted. Yet the company, during 1954, experienced month by month gains over the corresponding months of the prior year in sales of electricity and gas for residential and commercial purposes. Although industrial sales of electricity declined moderately in the early months of 1954, the increases later in the year were substantial enough to offset the earlier declines and to bring about a net gain for the entire year 1954 as compared with 1953.

In addition to these indications of an improvement in business, there are the new records achieved by the company in December, 1954. On Dec. 21 a record peak electric load of 1,850,100 kilowatts occurred, which was 137,500 kilowatts, or 8% greater than the record peak load in 1953. On Dec. 6 a record day's sendout of gas occurred, which amounted to 544,908,000 cubic feet (525 Btu equivalent gas), or an increase of 26% over the 1953 record day's sendout.

For 1955, Public Service Electric and Gas Company is anticipating that even higher records will be established. While the duration of the current boom in residential construction is uncertain, there is every indication that a large number of new customers will be added during 1955, based on the number of homes already under construction and the prevailing optimism that exists among builders in this area. This factor and an expected increase in consumer expenditures for home appliances point to an improvement in the residential demand for electric and gas services.

The outlook for commercial and industrial sales is equally encouraging and is substantiated by the existence of a backlog of applications for service, both for new customers and for increases to existing installations.

During 1954, over $80,000,000 was spent for additions and improvements to utility plant, and in 1955 it is estimated that similar expenditures will reach an all-time one-year high of over $90,000,000.

The construction of a new 185,000-kilowatt turbine-generator unit at Burlington Generating Station is nearing completion and work has started on the construction of a new 450,000-kilowatt generating station at Linden, N. J. Gas plant facilities are being enlarged and additional natural gas supplies have been obtained beginning with the 1955-56 heating season. The Federal Power Commission has approved the delivery to the company of an additional 25,000,000 cubic feet of natural gas per day from each of two natural gas suppliers.

By reason of extensions and additions to facilities completed or in progress, Public Service Electric and Gas Company will have adequate plant available to meet the expected increases in demands for its services.

WILLIAM A. McDONNELL

President, First National Bank in St. Louis, Mo.

The outlook for a continuation of a high level of business activity during the coming year is encouraging. The readjustment that took place in 1954, while substantial in some parts of the economy, was in the overall picture relatively moderate and amounted to less than a 3% decline from the previous year so far as the value of all goods and services produced in the country was concerned. The inventory adjustment of the past year appears to have about run its course. Indications are that business inventories are again in a healthy ratio to sales. In other words, the 1954 recession, as it has sometimes been termed, occurred during a period of general prosperity.


Wm. A. McDonnell

In recent months it has been particularly encouraging to note the rise in consumer expenditures. Demand for new homes has also remained at a high and satisfactory level and this has maintained a good market for most types of household appliances. Demand for manufactured goods has been improving and this promises to be an added stimulus for the coming year. Overall economic activity gives every promise of reaching higher levels in the coming year than at any time since the peak production year of 1953.

We can view the future with considerable encouragement when we take into consideration the benefits which should flow from the rapid scientific and technological developments that are likely to dominate our economy over the next decade. These new developments are not only a challenge, but should provide a mainstay of support to our entire economy. Whenever rapid changes and new developments are taking place, they lay the foundation for an expanding economy. While technological changes often produce temporary maladjustments in some sectors, the end results for the entire economy is invariably favorable on the basis of past experience.

In the financial field there is every prospect of a sound and healthy condition. Capital accumulation has been proceeding at a satisfactory rate, and the banking situation is such that ample funds should be available for all sound business requirements. Accordingly, we can face 1955 with confidence.

RALPH T. McELVENNY

President, American Natural Gas Company

We believe 1955 will be a year of real accomplishment for the American Natural Gas system. Industrial activity and prosperity are running at a high level in the Michigan and Wisconsin areas served by our two distributing subsidiaries, Michigan Consolidated Gas Company and Milwaukee Gas Light Company. Indications are that these prosperous economic conditions may continue well into 1955 or longer.


Ralph T. McElvenny

In addition, a most favorable development has been the recent action by the Federal Power Commission issuing a certificate of public convenience and necessity to our new subsidiary, American Louisiana Pipe Line Company, for a 30-inch pipe line to be built from southern Louisiana to Detroit, our largest service area. American Louisiana, which will be constructed from an area rich in proven and potential gas reserves, will provide the long-range solution to the gas shortages which have affected our service areas for many years.

The new line, which will make available a large increase in gas supply to all of our markets in Michigan, Wisconsin, Iowa and Missouri, will have an initial capacity of 300,000,000 cubic feet a day and can readily be expanded by the addition of compressor capacity to 500,000,000 cubic feet a day. The new supply will enable our distributing companies to lift the restrictions in effect during the past several years on new gas heating customers and provide heating service to more than 375,000 additional consumers, including 125,000 applicants who, without solicitation, have requested gas for househeating.

It will also provide large additional supplies of gas for the continued growth of industries which are essential to the prosperity of the country and vital to the nation in event of national emergency.

Due to extensive underground storage reservoirs in our service territory, we are able to store during the warm seasons of the year many billion cubic feet of natural gas to meet the winter heating load. This makes it feasible for us to devote a large proportion of our supply to the stable and remunerative house heating load as with our extensive storage fields we can readily meet the heavy winter peak demands occasioned by this service.

In all, our new facilities will enable our companies and the 14 other customer companies served by our present pipe line almost to double their supply and will assure adequate gas for the continuing growth of the 150 cities and communities served by our System.

The American Louisiana line will cost an estimated $130 million and, together with the cost of expanding the facilities of Michigan Consolidated Gas Company and Michigan Wisconsin Pipe Line Company to tie in with the additional gas supply, will total about $154 million. The principal senior money to finance American Louisiana will be raised through the sale of $97.5 million of first mortgage bonds to the Metropolitan Life Insurance Company and the Mutual Life Insurance Company of New York.

The beneficial effects of our new pipe line will not be limited to expansion of the gas supply in our markets, as desirable as that is, but will extend to the entire national economy. The construction of American Louisiana will result in the expenditure of approximately $400 million within the next two years and an additional $100 million will be spent in the following three years. This total expenditure includes the money which will be spent by gas producers, distributing companies and gas consumers who will purchase new gas burning equipment and appliances. The construction of the line and all of its related expansion will provide 150 million man hours of employment. The entire program will require 500,000 tons of steel pipe and an additional 100,000 tons of steel will be used in the manufacture of home furnaces and other gas equipment. Thus the economic benefits of the expansion will extend from the producers of raw material through the steel mills to the construction worker, the appliance manufacturer, the salesman and the installer.

Court proceedings to review the action of the Federal Power Commission in granting American Louisiana its certificate have been brought by a minority pipe line supplier, which unsuccessfully sought to block the new pipe line before the Federal Power Commission. At the same time this supplier is actively seeking to partially abandon its service to us at Detroit and to terminate service at Ann Arbor. American Louisiana expects that compliance will shortly be completed with certain conditions specified by the Federal Power Commismsion in its certificate and which must be met before construction can begin.

When the American Louisiana line goes into operation, the American Natural Gas Company system for the first time in its history will be in the very desirable position of controlling the major portion of its gas supply and transmission facilities.

These developments, in my opinion, will be very helpful to our System as it enters upon another year in its more than half a century of successful operation.

PATRICK B. McGINNIS

President, The New York, New Haven & Hartford Railroad Company

The outlook for the railroad industry as 1955 gets underway has never been more promising. This encouragement does not stem from recent past performance, for the rails with few exceptions in 1954 experienced sharp declines in revenues and even more severe losses in earnings. The industry as a whole achieved earnings of barely 3% during the best peacetime business year in the nation's history.


Patrick B. McGinnis

The optimism in railroad circles is based instead upon faith in its ability to regain its proper place in the transportation field. The industry has undergone a revolution of sorts in past months. The short-sighted and backward managerial factions in the industry have lost voice to the progressive element. Some railroads, including the New Haven, have had a clean sweep in management. There are new ideas, progressive action, and the will to succeed. The flame of competitive spirit has spread from a few sources throughout the industry.

The transportation pie in 1955 promises to be a big one. Steel production is climbing, with experts predicting gains of up to 20% over 1954's output. The public's enthusiastic response to the new automobile models has this industry in forced draft operation. The construction industry, fresh from the record activities of 1954, is plunging into what promises to be an even better year. With all industries searching for ways to cut costs while boosting production, the market for capital goods remains strong.

Transportation is the key which will tie this productive effort together. Lumber grown on the West Coast

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Attacking the Farm Price Squeeze

cept with the consent of the individual farmer.

The reason for this order is obvious. It is not the function of the Department of Agriculture to recruit farmers, directly or indirectly, as involuntary members of any organization. I am pleased to report that most cooperatives and farm organizations are apparently in agreement with this philosophy.

As we move into this new year, the Agricultural Act of 1954, with its flexible price supports for basic commodities, will get its first test. It marks a change of direction, rather than any revolutionary unheaval. Adjustments in the level of support will be gradual, in line with President Eisenhower's recommendations.

Tobacco will continue to be supported at 90% of parity and it seems probable that will also be the level for peanuts and cotton in 1955. Current estimates are that corn will be supported at 88% of parity. Rice may be supported at about the same level as last year if marketing quotas are approved. Only in the case of wheat will price supports be at the minimum of 82½%.

These figures strongly indicate that if farm income from some of the basic crops is lower this year than last, it will not be because of flexible price supuports. The reduction will come, if it comes at all, from the curtailment of acreage and production made necessary by suprluses accumulated under the earlier program.

In the case of such feed grains as oats, barley, grain sorghums and rye—which have been under a system of discretionary flexible price supports for many years—the level for 1955 will be at 70% of parity. This represents a reduction from the 85% supports prevailing during the last year.

It is apparent that large acreages diverted from wheat, corn and cotton will go into feed grains—more even than in 1954, which saw a sizable shift in this direction. Continued supports at 85% of parity could only mean that the government would wind up as the owner of a considerable portion of the increased feed grain production.

At the same time, the serious and protracted drought which still grips more than 900 counties in 18 states has created severe local feed shortages. Drought-hit farmers must be given every opportunity to produce as much feed as possible when rains do come. If drought continues, lower price supports will make feed grains available to farmers at less cost than if the government were bidding a higher price. This will encourage the movement of these grains into channels of consumption, rather than into storage.

Defends New Farm Program

I am convinced that our new program of flexible price supports for the basic commodities will work toward better balanced production in the years ahead. And I should like to see this balance restored primarily through an increase in consumption both here and abroad, rather than through continued strict production controls. Flexible supports will help restore the function of price in our marketing system.

We can best insure a continuation of our great progress as a nation by maintaining a free and fluid economy. Government policy must not be permitted to freeze our agricultural production in uneconomic patterns. Neither should we freeze people in farming or in any other occupation. It is the basic freedom of the individual to shift to new pursuits with the changing times that has helped to make us the most productive country on earth.

All Americans share in the benefits which spring from a free society. The rapid advances brought about through the application of agricultural research and education and improved marketing methods have permitted millions of people to leave the land in recent decades for other productive enterprises in the cities and towns. They are making the automobiles, the radios,

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must be shipped to the East to fill housing needs. Machine tools made in New England must be carried to Detroit to assist in the production of automobiles. Automobiles themselves will be shipped to all parts of the United States. Almost everything used or consumed in this country in 1955 will have been handled by one or all of our transportation systems.

It is no secret that the railroads have lost ground in the competitive game of transportation during the past quarter century or more. At one time, rails held a virtual monopoly. Today, they are but another transport agency. Where they used to have all, they now have only half of the intercity commercial travellers. Their share of freight ton-miles has declined from almost 100% to less than two-thirds.

A part of the railroad's woes has stemmed from the tangle of government restrictions and regulations which have tended to promote other transport media at the expense of the railroads and the taxpayer. There regulations, imposed during monopolistic days, have lingered, as regulations are wont to do, beyond their need. There is good reason to believe that the government, when presented with all the facts, will be amenable to the revision of regulations to point more in keeping with today's conditions.

While the rails would be helped considerably by a fairer set of rules under which to operate, they have much to do to set their own house in order. The industry for years has been known as among the most backward of businesses. Managerial qualifications have too often been decided upon the basis of experience alone, rather than on ability. The urge to maintain the status quo, to do things the way they have always been done, was strong on railroads.

As a result, the railroads found themselves trying to compete in a 20th century economy with 19th century ideas and equipment. We have hundreds of thousands of freight cars, all with bearings little different from those use don Caeser's chariots. Our refrigeration cars are the only type of cold storage in the nation still dependent upon ice. Our coupling gear has not changed in 50 years. Passenger cars carry patrons five feet above the rails, and for every passenger seat there is two tons of steel and an investment of over $2,000.

There is every evidence that the American railroads, having recognized their shortcomings, are ready to do something about them. The rails realize that, at proper rated and with the proper equipment and service, they have tremendous inherent advantages. No other transport agency can carry 5,000 tons of anything, anywhere, at any time, with a single locomotive and a five man crew. No other trasport agency can move hundreds of thousands of commuters into and out of a metropolitan area like New York swiftly, with no strain, and with no delays. Rails alone can provide the mass transportation necessary to prevent the traffic strangulation now facing our major cities.

The New Haven Railroad intends to make every effort to promote and participate in the progressive activities now taking shape in the railroad industry. We expect that the fruits of these efforts will be fully evident in the fiscal results of 1955.

HON. DOUGLAS McKAY

Secretary of the Interior

In my opinion 1955 will be a good year. It should mark a continuance of the general business upturn which became evident in the last half of 1954. Certainly, in terms of the use and development of natural resources I think that 1955 will be a period of substantial progress.

Douglas McKay

As the result of the leasing of oil lands on the continental shelf off Louisiana and Texas the output of oil from this area is expected to increase. As it does, the nation will reap double benefits through the development of an important rsource and the return to the Federal Treasury of substantial royalty payments.

The output of minerals from many public land areas is also expected to move upward this year. New Leasing arrangements approved by Congress which make possible multiple use of the land will aid in this development.

The realistic analysis of the nation's minerals position, which was completed by a Cabinet committee last December, has already resulted in a healthy improvement in the status of several important mineral commodities.

The problems of the coal industry, which has not shared in the industrial upturn of recent years, are also now being studied by a top-level Cabinet committee as part of an overall appraisal of our energy resources. Coal has an important place in our economy and it is to be hoped that sound solutions can be found for its difficulties.

As President Eisenhower pointed out so clearly in his State of the Union message, our natural resources are a salient part of our national economy.

Our water resources, our lands and forests, and our minerals and fuels furnish the raw materials and energy essential to our industrial and agricultural strength.

In some areas of our country further development of hydro-electric resources is vital. I think that 1955 will witness active progress in this important resource area, largely as a result of the application of the partnership approach.

Adhering to the fundamental conservation policies of Theodore Roosevelt, President Eisenhower has emphasized the importance of participation by private citizens and state and local governments with the Federal Government in the development of natural resources.

Already this policy has resulted in renewed activity by local and private organizations in the development of natural resources.

Already Congress has approved the partnership development of undertakings such as Priest Rapids in Washington, Coosa River in Alabama, and Markham Ferry in Oklahoma. Local sponsors will bear all or part of the development costs. The Federal Government will not be called upon to carry the entire burden.

In supporting the partnership program, the President has made clear, however, that the Federal Government will not step aside from its responsibility to undertake projects too costly or too complex for local interests.

One such project is the development of the Upper Colorado River Basin. This is critically needed to conserve and properly utilize precious water which is the key to the economic future of a vast five state area.

Approval of this project ranks high among the Administration's legislative aims for this session.

In addition, the Administration will recommend substantial appropriations to underwrite new starts on several other important reclamation projects. The projects being supported have all been carefully analyzed to assure their importance not only to the economy of a particular area, but to the over-riding prosperity of the nation.

All in all, therefore, I feel confident that 1955 will be a banner year in the productive use of our natural resources for the continuing well-being and progress of our people.

PHILIP M. McKENNA

President, Kennametal Inc.

Opportunities in 1955 will be found on technical frontiers. Design and use of the very hard, stiff and wear-resisting carbide alloys will continue to permit alert managements to make profitable operations in the metalworking and mining fields. Oil well drilling, oil extraction and oil refining are already being handled with tungsten carbides performing in critical parts of petroleum equipment. As 1955 gets underway, the physical chemist and engineer is awakening to the increased scope of heat and pressure available to him by the use of modern tungsten carbide metals having Young's Modulus of Elasticity three times that of steel. Thus pressure of cylinders utilizing tungsten carbide alloy liners and pistons of the same material will permit commercial extension of the range of temperatures and pressures necessary for chemical syntheses and polymerizations of valuable products. Pressures of 40,000 pounds per square inch are economically attainable because of tungsten carbide alloy's high resistance to deformation.

Philip M. McKenna

As with tool steel and alloy steels — initially regarded by industry as the name "tool steel" implies, for the heavy duty as regards heat, pressure and abrasion at the point of a cutting tool, but later utilized for pinions, gears, axle shafts and component parts of machines—tungsten carbide alloys are coming into use wherever man wishes to impose his will upon obdurate nature, and resist, so much as he can, destructive forces, whether mechanical or a combination of both heat and mechanical forces. Wherever man wishes to hold a tool to its appointed task, a more rigid, less flexible metal is required. Boring bars of tungsten carbide alloys deflect only one-third as much as steel under the same pressures. That means an opportunity to turn out pieces of accuracy without so much flexing or flinching from the work.

Just as steel with a Young's Modulus of Elasticity of 30 million pounds per square inch is better than bronze with a Young's Modulus of Elasticity of 19 million pounds per square inch; so tungsten carbide alloys with Young's Modulus of Elasticity of 90 million pounds per square inch are better than steel. That is lifting us from the iron age to the tungsten carbide age as surely as the iron age lifted us from the bronze age. In 1955 the recognition of that situation will proceed insofar as freedom and incentive will permit innovation.

In 1955, protection of our country without undue cost in addition to the protection of our people's standards of living, will depend more upon the intelligence of our engineers than upon the machinations of politicians. But all that depends upon freedom from seizure of life and property by gangsters. For the flowering of the inventive genius of a people depends upon the maintenance of a logical world which includes the concept of a standard of value. Experience teaches us that the gold coin standard of money is the best mankind has been able to provide for a measure of uninfluenced by demagoguery. For risks to be undertaken, for long-term commitments to be made, the gold coin standard is a useful and necessary concept. Therefore in 1955 we may face the horrid experience of continued inflation, without end, or the tremendously encouraging experience of resumption of specie payments. **Resumptions generally succeed, while repudiations generally fail.**

S. C. McMEEKIN

President, South Carolina Electric & Gas Company

The number of industrial customers being served by the South Carolina Electric & Gas Company as of Sept. 30, 1954, totaled 1,270 as compared with 1,153 on the same date in 1953, an increase of 117 in the 12-month period. While most of these new industries were comparatively small operations, the new Bird & Sons, Incorporated roofing plant at Charleston, representing an investment of some $3 million, was among them.

S. C. McMeekin

During the first nine months of 1954, new and expanded industries in the company's service area represented an estimated total capital investment of some $6 million and additional employment totaling approximately 2,500.

A continuation of the industrial expansion in this area seems certain. The American Cyanamid Company has acquired a 1,100-acre tract near Columbia for the construction of a large new synthetic fibre plant. The Atlantic Coast Line Railroad is opening a huge tract of land on the outskirts of Columbia for industrial development and the Seaboard Airline Railroad has announced a similar project in connection with other private interests at a site adjacent to the city.

The development of the Bushy Park project in Charleston recently received approval from City Council and construction of dykes and canal is expected to begin early in 1955. This project received notable national publicity through a descriptive article in the "Saturday Evening Post" some months ago. Sites in this development will have a potential supply of one and one-half billions of fresh water daily for industrial and other uses. This is rated as the minimum. Under normal conditions on rivers involved, the supply will be substantially greater, according to engineering forecasts.

The Beaufort Marine Corps Air Station has been slated for reactivation in 1955, according to an announcement by military authorities.

The South Carolina Electric & Gas Company was one of three utilities in the country receiving final consideration from the Atomic Energy Commission for a location for the first nuclear power plant which was eventually awarded to the Duquesne Light Company at Pittsburgh. The company continues to be actively interested in locating such a plant in South Carolina.

The company is also aggressively seeking to secure the location in the state of chemical and other industrial firms interested in the by-products of nuclear fuel.

SCEGCO's Industrial Development Department has been instrumental in organizing Industrial Committees in the communities of the company serves with the objective of interesting the location of industries in the state and particularly in their respective communities. These committees have been working effectively and can count numerous plant placements through their efforts.

The South Carolina Development Board, the Industrial Bureau of the Columbia Chamber of Commerce, and the Charleston Development Board report a continuing flow of inquiries relative to industrial possibilities in the state and the respective metropolitan areas.

The continuing expansion of the company's steam electric generating facilities will amply provide for future industrial growth. Urquhart Station on the Savannah River in Aiken County, the company's newest and largest steam plant, recently brought two 75,000 kilowatt units "on the line," one late in 1953 and the second early in 1954. A third unit of 100,000 kilowatt capacity is under construction and is scheduled to be in operation near mid-1955. Total generating capability at that time will reach 621,000 kilowatts, of which 460,000 kilowatts will be in steam facilities.

The South Carolina Electric & Gas Company's construction budget for the three-year period 1954 through 1956 is estimated now at $62 million, which includes the third unit at Urquhart Station and a portion of the cost of a possible fourth unit of 120,000 kilowatt capacity.

EARL R. MELLEN

President, Weston Electrical Instrument Corporation

Over a period of years, our experience has indicated that we have a tendency to follow a declining trend in business and, similarly, on the upward trend our volume may follow some months after a relatively high level of prosperity has been reached in other industries.

Earl R. Mellen

1954 was a year of declining trend with, however, every indication at the present time of an upward movement which will be reflected in improved orders during the first six months of 1955 and probably continuing throughout the year.

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Attacking the Farm Price Squeeze

the television sets and a variety of other goods which add to our better living standards. The remarkable efficiency of agriculture has made possible this important contribution to our entire economy.

Select, if you will, any nation on the face of this globe where one-half or even one-fourth of the total labor force is producing food and fiber to meet domestic needs and you will also find a country barren of most luxury goods and even many of the things we regard as necessities. I have little sympathy for the anguished cries of those who insits that America will be ruined unless government somehow makes farming so attractive that no rural lad will ever again venture forth to the city. As a nation, we would never have come this far under such a philosophy. Under it, we wouldn't get where we are going, either.

Who shall say what the future limitations may be upon our national development? In agriculture, what new crops will tomorrow bring? What new uses for old crops? In a world just now entering the Atomic Age, some of the most exciting laboratories ever known to man may be right on our farms.

Back in 1924 American farmers harvested just under 5 million bushels of soybeans. In 1954 our soybean production was a record-breaking 343 million bushels, with a market value of nearly $1 billion. Thus in the short space of three decades we have seen the development of a new major crop in this country and with it a new major industry.

We may be approaching the day when it won't be possible to coax that one additional egg from our top laying hens. Sometime the top producing cow on one of our experimental farms will perhaps cock a disapproving eye at a scientist and say, "Look, this has gone far enough—you've got the last pint."

But future generations need fear no shortages of food or fiber if we succeed in bringing the average output of our farms up somewhere near the productive levels of our more efficient units. This, we know, can be done.

Outlook Good for 1955

For the year ahead. The outlook is generally good—for agriculture and the Nation as a whole. Business activity is at the highest peacetime level in history. In total we are consuming more food than ever before and our tastes are running more and more to the higher-priced protein diet items. This trend seems likely to continue and it emphasizes that the needs of tomorrow will be for more feed and forage to provide the livestock products which our population is demanding.

As I indicated earlier, the new Trade Development Act is helping us expand our foreign markets. To date we have concluded or are in the process of negotiating sales for foreign currency involving $453 million worth of surplus farm commodities owned by Commodity Credit Corporation. Wheat and cotton are the principal items involved, although tobacco, rice, barley and other commodities will also be included.

There is another comparatively recent development that holds tremendous promise for agriculture. Thanks to President Eisenhower's personal and official concern and the action of the 83rd Congress, the Department of Agriculture for the first time has the tools to deal effectively with the problems of small watersheds. We are now prepared to help technically and, to a limited extent, financially, in carrying out projects which the individual cannot complete on his own.

We may now bring the water element into balance with the soil element in our national soil and water program. We have new authorization for approaching soil and water problems on a watershed basis. This will accelerate and implement the soil and water program that has gained so much momentum over the past two decades. It offers new opportunities to work on problems that require community action.

No one can grow up on a southern Idaho farm, as I did, and be oblivious to the anxieties and heartaches surrounding the problems of water development and management. Still fresh in my memory are the disastrous floods that time and again wrought havoc with the canal systems and buried whole farms under sterile debris.

Nor am I unaware of the suffering and anguish which the last four years of continued drought have brought farmers and ranchers in the Southeast, parts of the Midwest and southern Great Plains.

These are reasons why I am firmly convinced that our water problem is welded to problems of land and people. Land and water are inseparable in planning and in use. It is the water which carries away so much of our soil. The water problem is not just one of shortages or floods affecting cities and industries. The problem has its beginning up on the farms and in the forests of our small watersheds.

In the Department of Agriculture we are determined to assist farmers to carry out a more effective program of soil and water development and wise utilization on a nation-wide basis. This naturally includes protection and development of soil and water resources on individual farms and ranches and also in the small watersheds or subwatersheds.

Everywhere farmers are interested in the efficient use of water. It is the lifeblood of the West, both for irrigated and dryland farming. And in the East, many farmers could use supplementary irrigation at some time during the growing season.

Farmer cooperatives have a vital stake in this whole problem which is tied so closely to the future welfare of agriculture. Currently there is broad interest in the new provision of the amended Water Facilities Act which authorizes direct or insured loans in all States for soil and water conservation practices — for irrigation, drainage, pasture improvement and reforestation on farms. We may now insure such loans up to a total of $25 million per year.

Farmers who participate in cooperative water developments may now borrow up to $250,000 through the Farmers Home Administration for a single joint project. The former limitation was $100,000. Private lending agencies are matching the interest of farmers and groups of farmers in this expanded program. Private funds for FHA-insured loans for soil and water development and farm ownership are now available in an amount four times that of a year ago.

I have sought to emphasize in these remarks today several, though by no means all, of the programs which are being directed toward assuring a stable, prosperous and free agriculture. In many of them, farmers are playing the major role. Trade development, market expansion, research, education, conservation and progress through cooperative efforts are continuing, day-in-and-out operations. They are seldom dramatic. Consequently they do not always receive the attention they deserve, even though they are responsible for most of the great gains of agriculture.

The future of American agriculture is bright. A kind Providence has blessed this nation with vast natural resources—with soils and climate which with American ingenuity and courage have provided the basis for a standard of living unmatched in any other land. My God guide us in the wise use and conservation of these resources for the benefit of posterity and, indeed, for all mankind.

Moore, Leonard & Lynch Partner

PITTSBURGH, Pa.—As of Jan. 20th, Albert G. Wells limited partner becomes a general partner in Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges.

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B. H. MERCER

President, Fidelity & Deposit Company of Maryland, Baltimore, Md.

In making a 1955 forecast for our principal lines—fidelity and surety—several factors must be considered.

As to fidelity, 1955 is what we term an "off year" in the three year premium cycle, so it would seem logical to predict decreased premium volume for that classification. On the other hand, top management in practically all fields of business is becoming more and more conscious of the need for fidelity bonds (insurance against employee dishonesty) and agents recognize as never before the necessity of providing such coverage for their clients. Indeed the agent to whom his client looks for guidance in insurance matters is in a tough spot when the client sustains a dishonesty loss and there is no insurance or not enough insurance. Our own records show that dishonesty losses are on the increase country-wide and this can be confirmed by a glance through at any daily newspaper. In brief, I feel that through our American agency system more fidelity bonds will be sold in 1955 than ever before.

B. H. Mercer

In the surety field our largest premium volume is produced by contract bonds. If the current unprecedented activity in building and engineering construction continues through the coming year, as most experts agree that it will, our surety volume for 1955 should at least equal the high level of 1954.

As to increased production and income for our agents, the average agent is today facing the keenest kind of competition from direct writers, particularly in the fire and automobile fields. Agents are alert, resourceful business men who will meet this competitive problem as they have others in the past and in some instances will direct more of their time and energy to the production of other lines, including fidelity and surety—a lucrative field from the agents' point of view.

Forecasts can be dangerous but all in all I look forward to 1955 with optimism.

CLIFFORD W. MICHEL

President, Dome Mines Limited

The Canadian Gold Mining industry has finished the year 1954 on a solemn note. Production for that year is expected to aggregate only little more than the $140,000,000 of precious metal produced in 1953, a year in which operations at many properties had been closed down by strikes. While the lack of a vigorous recovery was in itself disapppointing, the inability of the industry to keep pace with the growing economy of the country in which it is domiciled, is doubly discouraging to our trade. As an example, gold production in 1939, before the outbreak of war, was $184,000,000 or some 13% greater than 1954 production; in that same year, the value of base metals produced in Canada was only about $136,000,000. In 1954, it will probably exceed $475,000,000. Both units of production and price received per unit have worked in favor of our mining neighbors just as they have worked against the gold producer. Not only is ounce production of gold lower, but from a peak price of $38.50 per oz., which was received when the Canadian dollar was at a 10% discount against the U. S. dollar, there has been a steady decline to below $34 per oz., which is the approximate selling price today, as the Canadian dollar stands at a 3% premium.

Clifford W. Michel

Prospects for a higher price of gold in terms of U. S. dollars are no brighter than a year ago. With industrial recovery brought about by an "easy money" policy in the U. S., there is little reason to believe that the authorities would consider an increase in the price of gold as necessary to stimulate an already active economy. In the field of price, the International Monetary Fund, during the year, eased its restrictions on the form in which sales of gold could be made but the premium markets on the continent for all practical purposes disappeared with the industrial recovery of Western Europe and the more active employment of formerly hoarded capital. In London a restricted form of free gold market was restored, but no immediate benefits were obtainable from this source for the Canadian gold producer. It does, however, represent a small step forward in the direction of convertibility, which in the long run should be advantageous for gold.

The Canadian Government to date has recognized the price-cost squeeze on the gold producer's operating profit margins by extending a subsidy predicated upon each individual mine's cost of producing an ounce of gold. This assistance has gone a long way to keeping many mines in Canada open which would otherwise have been closed as the cost of their production exceeded the selling price. To date there has been no extension of this aid for the year 1955 by Order-in-Council as heretofore, and the item will be debated in Parliament in the very near future. It is the general consensus of opinion, however, that Cost Aid will be extended although it may not take the exact form as in prior years. The Canadian Government, in instituting a subsidy to the industry, was not prompted by charitable motives. There have been many times in the past when the Canadian dollar was at a discount, and gold was vital to its foreign exchange position. As such times could return, should the balance of trade and current capital movement reverse its recent course, it would appear in the interest of Canadian welfare as a whole to maintain this industry.

As the miner of gold cannot influence the price of the article he produces, he can only hope that the government will continue to aid him with his costs as he, himself, struggles to devise new methods to reduce his own costs and make more efficient his operating practices. This, I believe, the industry will do in the year ahead, and as I anticipate that Cost Aid will be extended by the Canadian Parliament, I believe the profits will be stabilized at a level approximating that of 1954 but still too low in relation to the efforts expended.

DON G. MITCHELL

Chairman of the Board, Sylvania Electric Products Inc.

Economic activity during 1955 not only will surpass last year but there is a strong possibility it may even exceed the previous record set in 1953.

The steadily climbing Gross National Product—the sum of the nation's goods and services—already shows signs of exceeding the previous records. Sylvania's economists foresee an average annual rate of $367 billion during the 1955 first quarter, in contrast to the 1954 year average of $358 billion, and nearly $365 billion in 1953. The present quarterly record of $369.9 billion was set in the 1953 second quarter, and this will be surpassed by the 1955 third quarter.

Don G. Mitchell

Activity in the electrical-electronics industry is extremely strong, and 1955 will see the industry take a major step toward doubling its volume over the next 9 or 10 years. There is every indication that the electronics business alone will reach at least the $13 billion level within five years, in contrast to the approximately $8 billion level in 1954.

The electronics industry of today is only a fragment of what it will be in 10 or 15 years. By 1960 the industry may have an annual volume of even more than $13 billion, if commercial and industrial electronics come along faster than now anticipated, and they very well may. The future in commercial and industrial applications, especially in computers for automatic production and data processing, is so limitless that it is really impossible to forecast even a reasonably accurate guesstimate. Thirteen billion dollars by 1960 in many ways seems to be on the conservative side.

During the past eight years, the kilowatt-hour consumption of electricity has more than doubled and the current annual rate is nearly 400 billion kilowatt hours. There is every possibility that this will double in the next 10 years, and may well reach a trillion kilowatt hours by 1970. Here again is a case of which comes first, the hen or the egg? Before the consumption of electric power can double, there must be the equipment to generate it and carry it to the consumer. By the same token, the consumer—whether it be the home or industry—must have the equipment and devices demanding that additional generating capacity. So when I predict that the consumption of electric power will double in the next decade, I also mean that the electrical-electronics manufacturing industry will also double its output. The doubling in consumption of electric power and the production of electrical and electronic equipment will be a concurrent development, each climbing with the other.

The television industry is again back in high gear, with 1954 total factory production expected to reach 7.5 million sets and sales to the public more than 7.2 million, both of which will be new records. Current estimates for 1955 are 6.4 million black and white sets and 100,000 to 300,000 color sets. The wide variance in the color estimates indicates that color is still a very big question, with many design and production problems yet to be solved, before color receivers can be sold at prices low enough to bring mass consumer buying.

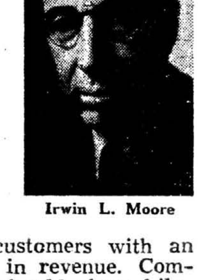
All in all, the outlook is extremely favorable, and 1955 may well set new records.

IRWIN L. MOORE

President, New England Electric System

Sometimes in making predictions about the coming year's business there is often a ring of synthetic optimism, tinged more with hope than factual analysis. In this instance, I shall try to hold to the facts that are the basis of our optimism in New England Electric System for 1955.

In a System such as ours — so sensitive to so many forces—we do, of course, have to gear ourselves to any quick adjustments in the economic pattern. In fact, forecasting is an essential part of our business as we must plan many months, even years, ahead in order to meet indicated demands for our services. So our forecasts are based on close scrutiny of industrial activity indices, population trends, use of gas and electricity forecasts by customer groups, and similar factors.



Irwin L. Moore

On the basis of these studies, we expect an increase of about 10% in kilowatthour sales to residential customers with an accompanying increase of some 7% in revenue. Commercial sales and industrial sales should show kilowatthour increase of about 7% in each category with a 6% increase in commercial revenue and slightly under 4% increase in industrial. On a total sales basis, we expect the kilowatthour improvement to be somewhere around 7% while the dollar revenue increase will be somewhere between 5 and 6%. We are also looking for a further increase in our gas revenue as promotional rates now in effect make this fuel competitive with other fuels for house heating.

In connection with our long-range expansion program, work is progressing on schedule. The new topper unit has been completed in Providence, adding some 77,000 kilowatts to our capacity as well as modernizing an additional 33,000 kilowatts. Thus we now have in Rhode Island a quarter of a million kilowatts of modern, high-efficiency steam equipment.

On the upper Connecticut River, construction reached the half-way mark on the 150,000-kilowatt Samuel C. Moore hydro-electric station. It is expected that the first unit of this plant will be in operation in the spring of 1956.

Total expenditures for new plant in 1954 will approximate $43,000,000. In 1955, we expect to spend about $50,000,000 in expansion of plant to keep pace with the steady growth in the demand for our services in New England's expanding economy.

Another development of interest during the past year was the formation of the Yankee Atomic Electric Company. YAEC was formed by the System and other New England utilities for the purpose of keeping in the development forefront of atomic energy for power production. Discussions are in progress with the Atomic Energy Commission looking toward the early construction of an atomic plant in New England, designed to give us first-hand experience in the possibilities of the use of atomic plants in our future expansion.

To sum it up, we are optimistic about our 1955 System business mainly because the industries in this area are showing definite improvement and we expect this improvement to continue through the year.

We look for a higher net income for the System in 1955. With normal water conditions it is our expectation that consolidated net income per share in 1955 on the present common shares outstanding (10,019,707) will exceed the $1.24 a share that we expect to earn in 1954 on the average shares outstanding (9,298,592) in that year.

Continued improvement in our System earnings rests, in the long run, on the continued healthy growth of the area we serve. We have complete confidence in the ability of New England to grow and prosper, a confidence born of long experience in seeing all of the prophets of doom confounded by the fact that the skill of New England workmen, the diversity of New England industry, and the ingenuity and courage of New England business leadership, have steadily kept New England sound, strong and growing.

ADMIRAL BEN MOREELL

Chairman of the Board, Jones & Laughlin Steel Corp.

We at Jones & Laughlin have "laid our money on the line" as evidence of our faith in the stability of the steel industry and our economy generally, not only in 1955, but in future years as well.

We recently announced our intention to spend $51 million in 1955 on plant improvements and new facilities.

This program is designed to diversify our production of finished steel products, so that we may utilize the capacity of our steel-making facilities to a greater degree under varying market conditions.

The 1955 expediture will bring to over a half billion dollars the total spent by J&L since the end of World War II on capital improvements and expansions.

Ben Moreell

While there are uncertainties that might invalidate predictions as to future activity of the steel industry, I believe that in 1955 the industry might well operate at 90% of its rated capacity of 124,330,410 tons if we can avoid war or a "police action" and enjoy industrial peace at home.

Barring serious disruptions to any important segment of industry, the steel industry should be able to achieve a large measure of stability in 1955. Our industry is basic to practicaly all other industries. A serious disturbance in some other industry inevitably has an effect on us.

Our resolve to go ahead with our capital improvements at this time is based on our estimate of the future needs of this country and of the world markets for steel and products made of steel.

In 1954, the nation built about 55,000 school classrooms, a record number. In 1955, probably 65,000 new classrooms will be built. The United States Office of Education reports that a total of 720,000 new classrooms will be needed by September, 1959. This calls for double the rate of building in this field, and would cost from $4.5 billion to $5 billion a year.

Estimates from state highway departments call for an annual program for new highways and streets of at least $5 billion for 10 years. To this "normal" program of $5 billion, a special committee appointed by President Eisenhower recommends adding another $50 billion to meet all anticipated road needs through 1974.

In 1955 we will build about 1,400,000 new homes; buildings to accommodate 40,000 new hospital beds; and

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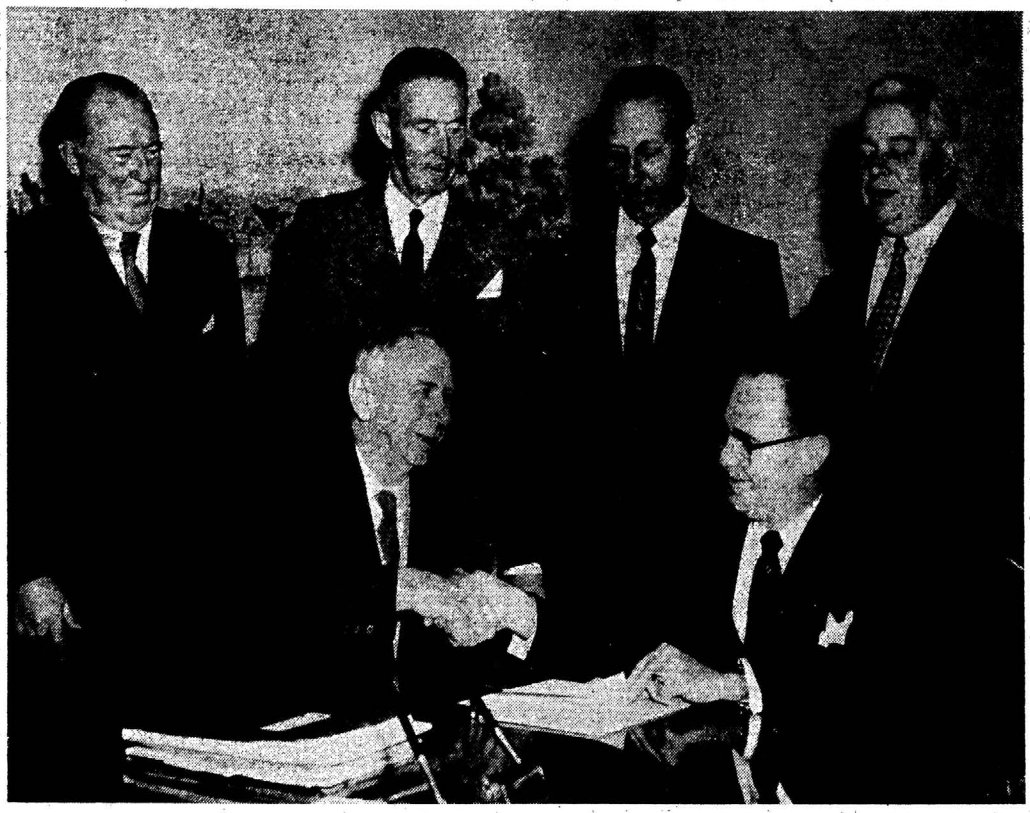
Complete Puerto Rico Water Resources Authority Bond Financing



Formal completion of the recent marketing of $12,500,000 of Puerto Rico Water Resources Authority electric revenue bonds occurred Jan. 12 when officials of the Puerto Rico Water Resources Authority accepted from representatives of the investment banking group which underwrote the issue, a check representing proceeds from the sale of the bonds. Ira Haupt & Co. and Allen and Company were joint managers of the banking group which purchased the bonds and reoffered them to the public.

Shown above standing left to right are: Victor F. Schroeter, Assistant Cashier, National City Bank; Louis Naetzker, Vice-President, Caribbean District, National City Bank; Fernando Torrent, Secretary of Puerto Rico Water Resources Authority; and James S. Abrams of Allen & Company. Seated left to right are: Carl A. Bockk, Executive Director of the Puerto Rico Water Resources Authority and William G. Carrington, Jr., of Ira Haupt & Co.

Railroad Securities

Chicago and Northwestern

The first, but perhaps not the only, income bond interest casualty stemming from the 1954 business recession and decline in railroad earnings has been reported. Chicago & North Western, which had earlier announced that no dividends would be paid this year on either the common or preferred stocks, recently stated that no interest would be paid on the income 4½s. This interest accumulates to a maximum of three years (13½%) and if business continues on the upgrade as is now anticipated, the arrears might well be paid off in the spring of 1956 along with the current interest then due. The preferred dividend, however, is cumulative only to the extent earned and nothing was earned on the stock last year. Now with arrears to be made up on the bonds there is obviously the prospect of a fairly long dividend drought for the stocks. There was considerable surprise in financial circles that neither the bonds nor the stocks reacted particularly to the announcement that the interest would not be paid.

Chicago & North Western has long traditionally been a high cost operation and a strictly marginal property. The high cost factor was temporarily obscured during the war years but since the end of hostilities the record has been generally disappointing. Also, for the most part the trend has been a deteriorating one. During the six years 1949-1954 there was only one year (1950) in which the company was able to earn and pay its full preferred dividend and that was the only year of the period in which any dividend ($1.50) was paid on the common stock. Counting this year there will be three years out of seven in which no preferred dividend will have been paid and the average distribution for the period will come to only $2.03. It is felt by most analysts that this record hardly warrants any enthisiasm for the company's stocks even at recent deflated prices and even though considerable year-to-year improvement in earnings seems almost certain in 1955.

There are a number of reasons for the consistently disappointing results reported by Chicago & North Western. It has a large passenger business, and is particularly burdened with an expansive commutation service. Considerable of the mileage has a low density of freight traffic and the average haul on freight is among the shortest for any of the major railroads in the country. This latter consideration has been a serious drain on operations because of the heavy, and rapidly mounting, terminal costs involved. Abandonments, curtailment of passenger service, and attempts to stress the development of longer haul traffic have all been pursued aggressively by the present management. Prior to the business readjustment that got under way in the fall of 1953 there had been some signs that these management efforts along with dieselization were bearing some fruit but even then the progress being made was painfully slow.

Last year the road made a particularly sorry earnings showing. For the 11 months through November there was a net deficit of $4,402,000 before sinking funds contrasted with a net profit of $2,785,000 on a similar basis for the like 1953 period. Moreover, even in November, when the industry as a whole, and most roads individually, had turned the corner, North Western's net operating income declined 60% from November 1953. The transportation ratio, which traditionally is one of the highest in the industry, continued to mount. For the 11 months it came to 46.4%, up more than two points from a year earlier. The company is now in its seasonally low period. Thus, even if there is to be some improvement over year-earlier results it may be taken for granted that sizable net monthly deficits will be reported in coming months, and probably until the iron ore shipping season opens in the late spring.

Four With Tschirn Inv.

(Special to The Financial Chronicle)

NEW ORLEANS, La. — Mrs. Mildred G. Carter, L. J. Champagne, Wilson W. Mills and Edward R. Tschirn are associated with Tschirn Investment Co., Delta Building.

Whitlock V.-P. of Marine Trust Co.

Daniel P. Whitlock, who has served since 1952 as Assistant Manager of the New York City office of the municipal securities department of the Marine Trust Company of Western New York, has been elected Assistant Vice-President of the bank, according to an announcement by Charles H. Diefendorf, President.

Prior to his association with the bank, Mr. Whitlock was connected with Shields & Co. from 1939 to 1942 and after discharge from the U. S. Air Force in 1945 was with the bond department of Lazard Freres & Co. of New York City.

2 With FIF Management

(Special to The Financial Chronicle)

DENVER, Colo. — Herbert M. Barton and Robert E. Hollowell have been added to the staff of FIF Management Corporation, 444 Sherman Street.

With Founders Mutual

(Special to The Financial Chronicle)

DENVER, Colo. — Kenneth E. Daane is now with Founders Mutual Depositor Corporation, First National Bank Building.

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13,000 miles of oil and gas pipelines.

Why all this demand for construction? It comes from our fast-increasing population, from an expanding technology, and from the urge of the American people to improve their living standards.

Our population has grown by 20,000,000 since 1944. In a recent speech, President Eisenhower said that there are five new Americans coming into being every minute, and that by 1970 our population may reach 200,000,000.

Besides new homes, schools and hospitals, the growing population demands new churches, parish houses, community houses, recreation facilities, and water supply, sewerage, gas and electric utilities.

With new highways and streets, there comes a demand for garages, service stations, roadside restaurants and stores.

When you add to these construction needs all of the related needs for construction and earth-moving equipment, for heating and air conditioning, for appliances, for autos and trucks, you begin to get a rounded picture of our country's economic future.

And we have not mentioned the potential new markets that may arise from our American genius for research and development.

As part of our planning to meet these demands, we at J&L have completed these projects during 1954:

(1) The new Tubular Products Specialties Department in the Seamless Tube Mill at the Aliquippa, Pa., Works. This provides new finishing facilities to make high-strength pipe for the oil and gas industries.

(2) A new Tin Mill Warehouse at Aliquippa, for the stockpiling of tinplate for can manufacturers.

(3) A combination Warehouse-Container Division Plant at Lancaster, Pa.

During 1955, we expect to proceed with construction and installation of:

(1) A new Research Center at Pittsburgh.

(2) A new continuous line for producing galvanized sheets at Pittsburgh.

(3) Additional equipment for producing new joist sections at the 14-inch Bar Mill at Aliquippa.

(4) Additional facilities at Aliquippa for producing high-strength and special seamless products for the oil industry.

(5) Improved and additional wire and wire specialty manufacturing facilities at Aliquippa.

(6) A new Container Division plant at Port Arthur, Texas, to replace former facilities there.

A famous philosopher has stated, "Man's needs are insatiable." It is evident from what has been said above that the needs of the American public as a whole can, for all practical purposes, be considered insatiable.

In order to move toward meeting those needs we will have to increase the productivity of our people. History has shown that we can do this best by equipping our workers with the finest in tools and machinery of production.

These must be paid for by the savings of investors. To encourage savings the investors must be relieved of the onerous burdens of taxation and they must receive a fair return on their savings, *after taxes*. To permit the widest play for the ingenuity of our producers they must be freed of government controls and restraints, including the hazards of an unsound currency.

Americans can fill America's needs if they will return to the fundamental principles of maximum individual freedom and narrowly limited government powers which guided our founding fathers.

Mere increases in population do not of themselves guarantee greater economic activity, as witness the low levels in countries like China and India. We must have the will and the ability to meet the needs of the increased population.

I am sure we can do this job if we are not loaded down with the restrictions and heavy financial burdens of bureaucratic and wasteful government.

CLYDE B. MORGAN

President, Rayonier Incorporated

During the past year the position of chemical cellulose as a world commodity has been further strengthened. For example, the first 10 months of 1954 show that Rayonier's overseas shipments increased 138% over the similar 1953 period.

Clyde B. Morgan

The world demand for chemical cellulose has been steadily increasing, and Rayonier still foresees a continued growth of the cellulosics—rayon, acetate, cellophane, tire cord, several important plastics, etc.—for many years to come.

This is based largely on our firm belief that the standard of living of the peoples of the free world outside North America is rising and will continue to rise. As these two billion people raise their standards of living, one of the first steps will be increased consumption of textile fibers, as clothing represents a basic human need, ranking only after food and shelter. Chemical cellulose, as the lowest cost and most economical raw material for such manufacture, has an even greater future in most industrialized countries which are continuing to enlarge their cellulosic fiber production.

Importation of chemical cellulose represents a savings of scarce dollar exchange and provides for domestic employment and generally sounder economy. Thus, Rayonier finds that the governments of most nations favor the continued development of such cellulosic industries as rayon. This, in turn, favors the importation of chemical cellulose.

It is also interesting to observe at this time that the North American continent is among the few areas in the free world where expansion of chemical cellulose production can economically take place to meet these new world demands.

Rayonier's overall program to attain greater utilization of wood was climaxed during the past year with the introduction of a new product extracted from heretofore unused bark. It is finding promising recognition as a chemical additive to muds used in oil well drilling. This is the first of a new class of products in the field we describe as "silvichemicals," and for which we have high hopes. The new chemical field of silvichemistry can be likened to petrochemistry as it is utilizing once-wasted materials.

E. W. MOREHOUSE

Vice-President, General Public Utilities Corporation

E. W. Morehouse

The outlook for 1955 for the General Public Utilities System, based upon reports from our subsidiaries in Pennsylvania and New Jersey, is for a moderate to good improvement in business conditions compared with 1954. We therefore expect the long-term rate of growth to be resumed after the slight falling off last year. Past experience leads us to believe that the trends of business activity in the service area of the GPU System pretty well mirror the averages for the economy as a whole.

GEORGE L. MORRISON

President, General Baking Company

Economic developments and the business trend as best we are able to interpret them combine to forecast a good year ahead for the baking industry. I think we all can look forward to 1955 with confidence providing we use our know-how wisely and do not permit our enthusiasm to warp the proved common sense approach. I do not mean to indicate here that we should be overly-cautious; but alertness is the best guarantee to secure a continuing prosperity.

George L. Morrison

The United States today is experiencing the effects of many stimuli. No nation in history ever was better able to stand more erect and flex the sinews of its economic structure than is the United States at the present time.

We are a confident, prosperous country. Our economy is forward-moving. The all powerful consumer is spending more; even in some cases saving more. Our production is up and we still have untapped vast human and material resources.

New products have added a very favorable impact to spending. Circulation of money probably will remain high in 1955. Research in many lines is being continued and will have its accelerator effect coupled to our present prosperity.

It is more usual than otherwise in such an expanding economy as ours to find that the wants of the consumers are torn between many new and interesting durable products. But while this occurs, competition between the manufacturers of non-durable goods becomes keener.

The baking industry is one in which competition is felt more acutely in direct proportion to the increase in the overall business potential. The population increase places upon the manufacturer the responsibility of doing more than just servicing the increased population with its product, but in fact places a demand upon him to develop the new market, created by the expansion, to its greatest potential.

In the bread industry there is a special need for constant expression of the fundamental truth that the Staff of Life is a must in the daily food requirements of every consumer. Our industry faces not only the normal competitive strains from within the industry, but the constant energetic attacks against our product by the uninformed purveyors of fancy and worthless substitutes for this basic food.

The industry may view the 1955 horizon as one crowded with new markets. General Baking has prepared for added sales and for the distribution of our products more quickly to new areas by expansion of our production capacity. In this sense, our new plant at Spartanburg, S. C., may be termed our newest monument to a strong belief in the future.

Doubtless, 1955 will be a year in which the industry will repeat its vows for more efficiency. Also, I believe it will be a year in which the efficiency created in 1954 and earlier will come into full bloom for not only the industry but for the consumer as well.

I believe 1955 will be another year in which we should watch the trend toward more cosmopolitan tastes. Consumer research can be of great aid in this vital facet of our industry. We must also, of course, maintain quality control not only for the industry but to keep our good reputations.

The industry costs situation is a serious one. For many companies, costs have risen more than prices and some firms have found their break-even reached or surpassed.

A year of expanding economy, climbing graphs and general optimism creates a condition similar to the boxing ring during a championship fight. The contestants must be in top condition, alert, aggressive and shrewd, knowing that neither would be in the battle if they did not have all the requisites of survival.

And typical of the ring champion, the baking industry has survived good times and bad, and is equipped to adjust itself to every changing condition which it might face.

J. D. A. MORROW

President, Joy Manufacturing Company

J. D. A. Morrow

Mining machinery sales are picking up. The prospects for 1955 indicate an accelerating demand for the latest high production types of machines. Prices in the metal markets have improved, exploratory work in locating new mineral deposits is expanding, and coal demand is better than a year ago, particularly in response to increased demands from the steel and electrical power industries. Under these conditions the market for the latest types of mining equipment is becoming more active.

Foreign demand likewise continues good. In consequence, manufacturers of mining equipment are confidently anticipating better business in 1955 than in the year just closed.

HON. KARL E. MUNDT

U. S. Senator from South Dakota

January of 1955 marks the beginning of my second Senate term which followed 10 years as South Dakota's First District Congressman in the U. S. House of Representatives.

Hon. Karl Mundt

In looking back over the 16 years on Capitol Hill, I would say that our national affairs at the beginning of 1955 are distinguished by the calm confidence which the American people have in the course of their Government.

Unavoidable pressures from without and from within have had a tendency, in the past, to cause Capitol Hill to legislate from one crisis to the next. Now, however, it appears we will have the opportunity to thoroughly study the national and world situation and then legislate for the long-term betterment of American welfare.

The new Congress has opened with an unusual display of bi-partisanship in both public pledges and personal actions on the part of members of the Executive and Legislative branches from both political parties. To be sure, this does not rival the famed "Era of Good Feeling" in the Administration of President James Monroe, but most assuredly this Capitol Hill atmosphere is a trend in that direction.

I think that all considerations for the future should very definitely be measured against this calm confidence of the American people as reflected in the prevailing mood of comparative harmony on Capitol Hill.

Strangely enough, all of this has developed in spite of the continuing threat of peril from the Soviet Union, and the actual sounds of gunfire from the South China coast and from sporadic outbreaks in Central America. Apparently the American people are placing their faith in a national Administration which is developing a mature outlook toward these ever-present dangers.

Readers of the *Commercial and Financial Chronicle* are among the first to realize that the prevailing mood of America has extended into nearly all phases of our present day living.

The activity of the New York Stock Market is ample indication of the continuing confidence of the American people in the growth and development of American business.

Of late years, Wall Street has had a personal interest on my part since Keith Funston, the President of the Stock Exchange, is a South Dakotan who was born and raised at Ramona, a small town 15 miles away from my own home town of Madison, S. D. It is evident that his leadership is proving of great value in directing the ever-growing and ever-widening circles of stock investment activities throughout the nation.

One is always intrigued by an invitation to project any detailed statements about the future, but prudence makes him hesitant. Yet, from this Capitol Hill vantage point, a few remarks are perhaps pertinent.

National legislation will be enacted without any jarring changes from present laws. The direction of our Government is almost at dead center with the Executive and Legislative branches controlled by opposite parties.

Thus we can expect much "middle-of-the-road" type of lawmaking, bearing in mind that the dominant influence in Congress is conservative since the same Western Republican-Southern Democrat group will no doubt cooperate much the same as during the 81st and 82nd Congresses under the Truman Administration.

Barring an unforeseen explosive situation, foreign affairs will no doubt be confined to a continuation of Secretary of State John Foster Dulles' excellent work

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Next Ten Years in Retailing

mental and fiscal policies introduced by the Eisenhower Administration created an environment of confidence and incentive which greatly eased the transition process. After a downward adjustment which was less severe than many had feared, we have had gratifying indications of business improvement in recent months which bode very well for the period ahead.

We are not, of course, satisfied with merely maintaining a constant rate of economic activity. Even though business last year was at near-record levels, we want to see the economy expand as it has in the past; we want to see continued improvement in our standard of living.

In a recent comment on the present economic situation and the outlook for the future, President Eisenhower envisioned an increase in national production to $500 billion within the next decade. In the course of this statement, the President said:

"But we must not rest. In our economy to stand still is to fall behind. Our labor force is growing. Productivity is rising. We must do more than simply to plan against trouble or accept unemployment at its present level. Rather we must advance toward and beyond the goal I mentioned earlier—within ten years, a national production of $500 billion."

This is a breadth-taking prospect. What are our chances of being able to achieve it? And what are its implications for the retail industry?

I believe our chances of achieving a $500 billion economy within the next ten years are excellent. We have, for example, the record of the past.

Our economy has withstood many drastic changes over the years—in its political climate, in its relations with other nations, and in the structure of business and industry. While the rate of progress has not been even, the cumulative growth has been great indeed. Despite prolonged depression and the most destructive war in history, the physical volume of the nation's output in 1954 was about twice as great as in 1929.

Astounding Achievements of the American Economy

The achievements of the American economy over the past 25 years are truly astounding. . . .

The fact that the physical volume of the nation's output has increased about 100% since 1929 means that the rate of expansion has averaged about 3% a year. The implications of this statement are enormous. The number of persons producing this output increased by only about 1% a year, whereas real product per man-hour showed an annual average increase of about 2%.

Much of the expansion, therefore, came from increased productivity, in both manufacturing and distribution. Increased productivity, in turn, was made possible chiefly by a high and increasing rate of capital investment, by rapid and accelerating technological improvement, and by continuous improvements in organization and management. Other contributing factors were advances in the education and skills of the working population, shifts of workers to industries where output is larger per unit of labor input, and improvements in health and working conditions.

Are these factors still in existence and continuing to operate? They are—all of them, some at a stepped-up rate. Let us examine more closely some of the factors which are involved in continued expansion.

I preface these remarks by the assumption of a continuation of relative world peace. That, of course, is this nation's goal, and government policies are directed to that end. If the ambition and self-seeking of others make it necessary to devote more of our resources to military preparedness, then, of course, less of our productive potential can be devoted to satisfying the demands of our private economy for consumer goods and capital expansion. If, despite all our efforts, including preparedness, a general war should develop, the destructive power of modern weapons would leave those fortunate enough to survive in a state of utmost poverty. But we have increasing hope that such a holocaust can be avoided. As businessmen, I think you can proceed on the assumption that the efforts of the President and his advisers will help the world find its way to more peaceful pursuits and thus make possible the attainment of our economic potentials.

Let us now proceed to a consideration of some of the basic market factors:

First, is the dynamic influence of a continuing high rate of population growth. Barring war, there can be no question on the fulfillment of this condition. The birth-rate has been at a high level since the end of the war. At that time, the population of the United States was approximately 140 million. This morning, at 8 a.m., the estimate of the Census Bureau as shown by the "Population Clock" in the Department of Commerce lobby was 164,001,723.

This represents an average net growth since 1947 of about 2.5 million a year, compared with an average annual increase during the thirties of less than 1 million. It now seems quite probable that the low birthrate of the thirties was the exceptional and the current high rate are more nearly normal. During the past year the population increased by about 2¾ million persons. The Bureau of the Census estimates that if recent fertility rates continue, the total population in 1965 will be about 190 million (which, incidentally, is well over twice the population of this country the year I was born).

Second, technical research has been greatly expanded and intensified in recent years, and is currently backed by expenditures amounting to some $4 billion annually. While much of this is directed along military lines, we can expect it to produce important results both in the way of new products and improved techniques of production. Here again the prospects are good.

Third, is the volume of capital investment. It is essential for the maintenance of a vigorous and prosperous economy to minimize fluctuations in investment and to provide incentives for the maintenance of capital outlays at high levels consistent with the growth of the population and the economy.

An important forward step in this direction was taken last year with the passage of a tax bill which contained provisions designed to stimulate business capital outlays.

The primary requisite for a high level of business investment is confidence in the future. The roots of the present-day confidence in the sound future of the American economy are many and deep. We have faith in free, private enterprise, and belief in the soundness of the President's economic program and government policies for the years ahead. I believe that this confidence will continue to justify and stimulate the sustained and increasing level of business investment which is essential to economic progress.

Fourth, are the requirements of traditional Federal, State and local government expenditures for such major public investments as highways, schools, etc. The expanded population, the decentralization of industry, and the rapid growth of suburbanization have stepped up tremendously our needs for highways, schools, hospitals, sanitary and water systems, and other basic facilities for modern living. The provision of these facilities represents an important part of the over-all investment process and is as essential for economic growth and stability as a continued high and increasing rate of private investment.

Fifth, are the opportunities for increased foreign trade and foreign investments. An increase in the flow of goods among the free countries of the world, continued efforts toward equitable adjustments in tariffs simplification of tariff structures and safeguarding and encouraging foreign investments—these can greatly aid the sustained and healthy growth of our domestic economy, while fostering the conditions of economic growth and political stability abroad. On all these counts, the present Administration is moving forward with a constructive and realistic program, about which you will undoubtedly hear a great deal in the months ahead.

In this connection, I should like to add a parenthetical statement. Any significant modification of our international trade policies will require some degree of adjustment on the part of certain segments of American business and industry. In assessing the impact of proposed modifications, it is important to bear in mind that the resulting adjustments can be made much more readily in an expanding economy than in a static or retrogressing economy. The American economy is so basically sound, so inherently flexible, and expanding at so rapid a rate that any internal adjustments which might be necessary as a result of the modest and realistic proposals relating to foreign trade which the Administration will put forward can be absorbed with a minimum of difficulty, and the higher national prosperity which the proposals will make possible will far more

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in smoothing out the "trouble spots" of international diplomacy. His policy of "friendly firmness" appears to be getting global results of a gratifying nature.

On the economic front we can expect the Government to make every effort in providing for an expanding economy. With the forthcoming Presidential election of 1956 well in mind, both political parties will invoke no slowdown of the present revitalizing trend of business. In fact, some searching can be expected to continue for measures guaranteed to keep our economy on a rising basis. Disciples of gloom are rapidly taking to their caves.

One could go further—but the forthcoming months of 1955 will tell their own story.

CHARLES G. MORTIMER

President, General Foods Corporation

Men who know a great deal more about economics than I do are predicting a good year in 1955, and I have no reason or wish not to accept their forecasts. Certainly all signs on our horizon indicate that the year will be one of continued steady growth for the packaged food business. And "steady" to me means substantial but not spectacular.


Charles G. Mortimer

In addition to the prospect of general economic strength, there is the central fact that there are 7,500 more mouths to feed each day in these United States. For a food manufacturer, that augurs well.

There is a further encouraging factor in today's situation that too often we in the food industry lose sight of—possibly because we are so close to it. That is the significance, for us, of the two sweeping revolutions that are going on in this country—on the farm and in the kitchen.

The dramatic changes in the kind of meal preparation consumers prefer today add up to real opportunity for able food processors. And the vast improvement in American farm productivity in the last two decades is one of the factors that make its attainment possible.

Our job, it seems to me, is to adjust our sights and our thinking to the facts of these two benign revolutions. For a glimpse of what lies ahead for the whole food industry, we must step back for a moment and take a look at what has been happening in America's kitchens and on America's farms. Then we'll see what this means in terms of increased markets for farm crops, increased jobs for people in processing plants, increased opportunity for distributors, and better meals for all of us as consumers. These results are more important, I think, to farmers, manufacturers, grocers, and consumers than any statistics on averages and percentages might be.

One elementary economic fact, it seems to me, is that the composition of the so-called "food dollar" has changed drastically since the 19th century. Then it went mostly to pay the man who laboriously tilled the soil to give us fairly crude, unprepared food. Today it pays as well for the services of semi-preparation, for scientific packaging, and for the added values of convenience and better living. And, in the process, it also makes a big contribution to better income for more Americans generally. This is all good and very sound and promising for the future—as I'm sure people will agree if we in the food industry help make it better understood.

VICTOR MUCHER

President, Clarostat Mfg. Co., Inc.

No fortune-telling is required to foresee what is coming in radio-electronics. Rather the major trends, increasingly evident year by year, provide far safer guidance. By simply projecting what happened in 1954 into the present year and thereafter, we have the basic blueprint for our continuing activities.


Victor Mucher

First and foremost, 1954 launched popular-priced TV. Brand new "lows" were established with 17- and 21-inch table models. The bulk of TV sales is now in such stripped sets, as against consoles or "furniture" of previous years. Whatever fears of saturation may have been entertained a year or two ago, have evaporated as these popular-priced sets have extended not only into the lowest-income-group homes, but even more as second and third sets in homes already enjoying TV.

Engineers and designers have led the way in simplifying chassis layouts and cutting corners still sharper. Purchasing agents have also done their part in paring down costs. Parts and materials suppliers have had to resharpen their pencils, recheck costs, introduce further mechanization, and even come up with brand new ideas whereby to slash assembly time and labor. During 1954 automation began to take hold in a big way, with printed wiring, automatic placement of parts, dip soldering and mechanized testing.

Although color TV did not make an appreciable dent in 1954 set sales, it did score marked technical gains notably with larger screen sizes. Relatively few sets were produced and even less actually sold. Nevertheless, telecasters have taken the initiative in the chicken-and-the-egg cycle by scheduling elaborate color programs which, although seen in color by just a handful, nevertheless stir up growing anticipation on the part of the still color-blind audience. Price remains the big deterrent. But again, engineers, designers, purchasing agents, production experts and suppliers are hard at work paring down color-TV costs. I foresee a more sizable production in 1955, with geometrically progressing sales year by year until color-TV is commonplace.

Meanwhile, the uncertainties of color-TV have been reflected in our parts business. Late in 1954, the ordering of parts was too often for smaller quantities wanted in a still bigger hurry. Such spotty ordering is not conducive to full-scale production-line operations. The price structure can be seriously endangered. This is a serious problem which set manufacturers and their parts suppliers will have to work out if prices are to be kept at present low levels.

Non-radio electronics continues to expand and diversify. We are now supplying components for applications undreamed of a couple of years ago. Much of this new business has a seasonal cycle fitting in between that of radio-TV, thereby providing a more uniform activity throughout the year. This is a welcome development.

Lastly, the tremendous number of radio-TV and other electronic equipment in everyday use is reflected by steadily rising parts volume. Our industry is fortunate in having a distribution setup second to none, catering to servicemen who have progressed from mere handymen to skilled technicians and more recently to hard-headed businessmen.

Projecting the major trends as delineated in 1954, I foresee another year of good business and further expansion.

W. K. MUNNIKHUYSEN

Executive Vice-President, Koppers Co., Inc.

Koppers Company, Inc. will spend in excess of $20,000,000 during 1955 for new plant and equipment, and in enlarging and improving present production facilities. Of this amount, sizable portions will go into the completion of a large plant at Port Arthur, Texas, to make the popular "squeeze-bottle" plastic, polyethylene, and to completion of a plant at Salem, Va., for the company's Wood Preserving Division. The Virginia plant is expected to get into operation late in March while the Texas plant is expected to start production in the third quarter of the year.


W. Munnikhuysen

In addition, Koppers will continue its program of improving and enlarging its present facilities and will place greater emphasis on development of new and improved products for the future.

Koppers has established a definite policy of growth in the chemical field and this policy is a continuing one. Among our six divisions, the Chemical Division, which was started only in 1946, now ranks second in sales.

Our company made substantial progress during 1954 in its programs of expansion and development. A major acquisition was the purchase of the 10 wood-preserving plants of the American Lumber & Treating Company. These plants now have been consolidated with the company's Wood Preserving Division, giving that Division a total of 34 plants throughout the nation. Three of the acquired plants are on the West Coast, extending the Division's activities for the first time into that area. The Division also built a new wood preserving plant at Horseheads, N. Y., during the year and started construction of a similar plant at Salem, Va.

Highlights of 1954

Some highlights of the year 1954 in Koppers operation were:

The company's Engineering and Construction Division designed, and its Metal Products Division built, the first full-scale machine for the continuous casting of steel in North America. This machine now is in successful operation at the plant of Atlas Steels, Ltd., Welland, Ont.

Koppers Research Department and Chemical Division developed and introduced a new type of polystyrene plastic which expands under heat and can be molded to make a great variety of useful shapes for insulation, toys, decorations, packaging and other applications.

Preliminary to operation during 1955 of its new polyethylene plant, the company started production of this plastic on pilot plant scale at its Verona, Pa., Research Center.

Acquisition of American Lumber & Treating Company also gave Koppers rights as exclusive manufacturer and supplier of the widely-used water-borne preservative for wood treatment, Wolman Salts. Wolmanized lumber enjoys architectural acceptance in the light construction field.

Two New Laboratories

The year also brought a substantial increase in industry's interest in Koppers Electrostatic Precipitators, manufactured by its Metal Products Division at Baltimore. These large precipitators recover materials which otherwise would be lost through industrial exhausts, and also collect nuisance material, such a flyash, which pollutes air when tossed from industrial smokestacks.

A new laboratory for mechanical research was completed and put into use at Baltimore, Md., and the company's Tar Products Division opened a new development laboratory adjacent to Koppers Research Center.

Acquisition of the business of American Ore & Reclamation Company late in 1953 resulted in Koppers becoming a major supplier of sintering machines for the steel industry. That industry is showing rapidly-increasing interest in sintering processes as high-grade iron ore supplies of the United States are being depleted.

Improvements and additions in 1954 have prepared the company to take the best advantage of all opportunities that may be presented in 1955.

W. C. MULLENDORE

Chairman of the Board, Southern California Edison Co.

The year 1954 was another in the much too long series of degenerative years. Politics continued to dominate American life, particularly in the field of economic policy. The once free market is now completely controlled by government, and, of course, government is controlled by politics. The money and credit supply for private as well as public expenditures is determined with a view to the "needs and demands and desires" of the moment. It is the vote of the people now, rather than the longer-range effect upon the strength and integrity of the nation, which governs the politician seeking to gain or hold office. Hence, the floodgates of money and credit were opened wider in 1954, and the inflationary and utterly unsound, "no down payment and lifetime of installments" policy of financing new homes was approved and underwritten by the public credit, through the agency of the U. S. Government.


Wm. C. Mullendore

Not only was overspending and overexpansion by the private citizen urged almost to the point of making incurring of further debt a test of patriotism; but Federal, State and local government spending of more billions was hailed as another bulwark of "prosperity." Thus we have plunged ahead in the wild orgy of debt-creation until both private and public debt (more than $600 billion) has far exceeded any and all limits of safety or common sense. The integrity of our people, of our institutions, and the last vital reserves of credit are being undermined and exhausted.

Leaders in business, government, and other areas of wide-spread influence, close their eyes to these facts. Those few who dare to criticize, are ridiculed as reactionary and as spreaders of doom and gloom. And yet most of these sincere advocates of bigger debt, more spending, larger families and ever-increasing consumer debt, are not only patriotic citizens, but they are also good parents. As good parents, they would not intentionally spoil their children and deprive them of their rightful heritage of integrity and strength by urging them to self-indulgence, or helping them to cultivate habits and debts which would deprive them of their chance to develop into healthy, sensible, self-reliant, independent, honest and able citizens.

Free and easy spending of money we have not yet earned, abuse of credit, unbalanced budgets—all these contribute to unbalanced lives, and unbalanced lives lead to unbalanced nations which may tip over under the stress and strain of another international (or even a domestic) "emergency."

The road to prosperity is not down this highway which leads through Big Government, unlimited consumer debt, price-fixing, wage-fixing, business dependence on government spending, and the morass of money and credit inflation. The road leads to adversity, and loss of freedom. Yet this road to adversity is the one we are continuing to travel in 1955, recklessly and at increasing speed.

ROBERT E. MURPHY

President, California Western States Life Insurance Co.

Our outlook for business in 1955 is optimistic and confident. Although our company operates regionally in the 12 Western States, also Hawaii and Alaska, a territory that is experiencing a rapid increase in population and a dynamic business development, we feel good about the possibilities for business in the country as a whole because: We are in complete accord with the President's desire to place upon private enterprise all of the responsibility it is willing to accept. Moreover, we are convinced that private enterprise has an obligation to not only accept this opportunity but also to actively cooperate in bringing about those social gains that will improve the health, security and economic status of all of our people.


Robert E. Murphy

These social objectives, it seems to me, can be reached without forcing our citizens to be dependent upon government to the extent that their private initiative is crippled. The increased facilities for civilian production which have accompanied the change from a "shooting war" economy, is providing a vast amount of goods for use and consmption. In order to utilize these goods, salaries and wages must be maintained to provide markets. This means that the sales departments of business are challenged as they have never been challenged in nearly two decades. Prosperity follows in the footsteps of successful salesmen. In my opinion, the most profitable investment that a company can make is in the intensive training of salesmen.

We believe that 1955 will reward those businesses who

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Next Ten Years in Retailing

than offset the temporary dislocations which may be involved.

Sixth, the reduction now underway in the proportion of the military take of total output will permit a rise in the proportion of output going into consumption. Already, with the lowering of taxes, both consumer disposable income and spending have increased to record totals.

Future expansion of the consumer market will be aided by trends clearly discernible at the present time. For example, the growing proportion of younger and older people in the population and the very great increases in various forms of social security will undoubtedly tend to lift the volume of consumption. I have no doubt that the merchandising genius of the American retailer will make its influence felt in this same direction.

The expectation that we can have an economy of some $500 billion—half a trillion, or $500,000 million—by 1965 is based on the extension of our past history. All things considered, I think it is an expectation we can look forward to with confidence.

What All This Means to the Retailer

I do not mean to imply that the increase to a $500 billion economy in the next decade will be automatic or inevitable; neither do I mean to suggest that growth will proceed at a regular pace. We all know the workings of the market place sufficiently well to recognize that pauses, spurts, and declines occur at varying intervals. Moreover, their effect is uneven; some lines of trade, some industries, some localities may be in the doldrums while others are enjoying increasing business. But these are merely some of the characteristics of a free economic system; a certain degree of instability is a requirement of growth. We accept the necessity for hard work, imagination, and enterprise: they will be needed in the future no less than in the past when such vast accomplishments were recorded.

But what does all this mean for the retailer? What will retailing be like in a $500 billion economy? What changes must take place in the structure and practices of retailing to meet the requirements of a $500 billion economy? What is retailing's responsibility for helping create a $500 billion economy? What are some of the problems retailers must anticipate as the economy continues to grow? And what will all this mean to your own individual retail organizations? These are some of the things that as responsible businessmen you need to be thinking about.

The task right now is one of preparation, not just for the next buying season or the next fiscal year, but for a greatly expanded market several years ahead. What the individual merchant can do depends largely on his own circumstances. And while no one can pinpoint for him the exact situation that will prevail in his particular community at any specific time in the future, we can call his attention to certain areas to which it is important that he give his attention now. A good place to start is with the customer — how many, where situated, what ages, and what kinds of buying preferences.

Reference has already been made to the fact that we may expect a net addition of some 25 million to the population during the next ten years. This total increase has tremendous significance in itself in terms of the over-all increase in consumer demand which it implies, but this is only part of the story.

Striking shifts are occurring in the age distribution of the population. These shifts have real meaning for merchandisers. As a result of the higher birthrates which have prevailed since the war, the proportion of people in the younger age groups has increased substantially. At the same time, because of the great strides this country has made in health and medical care, the proportion of those in the older age groups has also sharply increased. The number of people in both the younger and the older age groups will continue to increase both in numbers and in proportion to the general population in the years ahead. This changing age structure is of great importance to retailers.

Youngsters need special types of goods. Their demands change as they advance progressively from pre-school days, through elementary and secondary schools, and on into college or into the work force.

At the other end of the age-scale, as people pass to later maturity, the nature of their demand for goods and services changes markedly from that characteristic of their working years. We have a great deal to learn about the old-age market. An increasing number of older people live on social security and on insurance and pension benefits of various types. With this increasing independence, more of them are preferring to live in households of their own. With the broadening of social security coverage which the Administration recommended and the last session of Congress enacted, an enlarged flow of income is going to this particular group of your customers. This flow is being further increased by the growth of private industrial pension plans. Altogether, the older-age market promises to be of increasingly greater significance in the future.

Of even more importance in terms of impact on markets than the changing age-structure of the population is the growth in number and size of families and the pressure thus created for satisfying greatly increased housing needs. We now have in this country about 40 million non-farm dwelling units. Approximately one million non-farm dwelling units have been started in each of the past six years. If this rate of construction should continue, or increase as well it might, we will have some 50 million non-farm dwelling units by 1965. Increases in the number of families and in the average size of family are among the basic factors underlying the housing boom we are now experiencing; they will undoubtedly continue to be strong factors in the future.

In addition to the stimulating effect of high investment outlays for new housing on the construction and related industries, there will also be a powerfully stimulating effect on the industries producing the goods that go into these new homes. This includes, of course, such items as carpets, furniture, housewares, and many other lines of merchandise in which retailers have a direct interest.

In this connection it is important to bear in mind that a heavily preponderant and increasing proportion of new home construction is of the single-family type, located in outlying and suburban areas. The percentage of individual home ownership is likewise increasing. The character of consumer demand originating from personally-owned, individual-family, suburban-located homes is markedly different from that originating from rented, multiple-unit, urban homes.

Changes in Occupational and Income Structure in the Making

In broader perspective, this is merely one aspect of marked changes which are taking place in the occupational and income structure of this country. The proportion of unskilled manual workers in industry is decreasing steadily and the proportion of technical and white collar workers is growing. The number of people attending colleges and universities doubled in the last ten years, and will probably double again in the next 15. Leisure time activities are assuming greater importance. The population is becoming increasingly middle income in character and outlook and its whole way of life is changing accordingly. All of this has profound significance for the retailer who does not want to see his market gradually move out from under him but on the contrary wants to capitalize on the great market potentials which the dynamic forces at work in American society are constantly bringing into being.

This is not an easy economy in which to live. It puts a tremendous premium on resourcefulness and adaptability; it requires shrewd judgment, and courage of a high order. And it requires increasingly skillful management, by which I refer primarly to the highest levels of policy direction and control. Let us consider some of the managerial problems that will have to be faced.

Consider, for example, the task of handling the increase in sheer physical volume of merchandise that will have to flow through the distributive system. I asked our economists in the Department of Commerce to give me some idea of the approximate sixe of the consumer's part of the $500 billion total output we may expect in the next ten years. After manipulating their slide rules and making various calculations, they tell me that, allowing for the government and investment components of the national output, a reasonable calculation for consumer buying would be perhaps $340 billion. This is roughly two-fifths more than total consumer buying of all goods and services during the year 1954.

What does a 40% increase in total physical volume mean in terms of plant, fixtures, warehouses, personnel, organization, and the like? I leave it to you to make your own calculations for your own individual stores. Suffice it so say, present facilities will be largely unequal to the task, not only because of the far greater demands which will be placed upon them but because of normal and perhaps accelerated obsolescence. The capital requirements of retailing in the years ahead will be far greater than in the past and it is not too early to begin thinking about how they can be met.

Plant improvement and expansion programs will have to be planned with the greatest care. Here, long-term as opposed to

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believe and practice sound, aggressive selling and whose top managements keep as close to the problems of selling as they do to the problems of organization, production and financing.

JAMES J. NANCE

President, Studebaker-Packard Corporation

We are confident that our new Packard, Clipper and Studebaker cars will capture substantially greater shares of their respective markets. Manufacturing economies already realized, and anticipated, from a major facilities modernization program have enabled us to reduce Studebaker prices and to hold the line on our Packard pricing policy, and still put more performance and luxury features into these cars than in any previous model year.


James J. Nance

All economic barometers point to a greater volume of new car sales for the industry in 1955 than in 1954, and Packard and Studebaker dealers are in a stronger position to compete in every price class.

Even though our public announcement will not be until mid-January, we have already received more than 20,000 advance orders for Packards and Clippers. These orders were placed without benefit of sales folders or other product information beyond our field organization's general description of the new cars. According to the latest information I have, thousands of these cars are already sold by our dealers. This is very gratifying to see, personally, as evidence of the tremendous interest on the part of the public in the long awaited new Packard and the first new luxury car produced under the new Packard program.

The best economists tell us that 1955 should see the sale of about 5,600,000 cars, which will be an increase of approximately 400,000 units over the year just closed. Part of this increase is due to the narrowing of the gap, competitively speaking. Good examples are found in our corporation with Studebaker reducing its price of the Commander V-8 to be directly competitive to the lowest priced V-8's, and Packard with its new models, advanced in styling and increased in preformance, to be competitive to anything that is built.

The new Studebaker-Packard Corporation is going to carry over the philosophies of each of its predecessor units.

Studebaker-Packard will combine to offer cars of advanced and distinctive styling, but will not get too far advanced over induustry patterns and will combine to build and engineer for outstanding quality attainable through the combination of modern facilities and worker craftsmanship.

We are firmly convinced that in the automobile business there is still plenty of room for individuality. We believe this because a sizable segment of the American public doesn't want to live in a house that looks like the neighbor's, doesn't want to dress like the next fellow, eat in the same places or drive the same kind of car. If there is one thing that makes an American different from other people it is his belief in the importance of being an individual.

Therein we believe is the role that Studebaker-Packard Corporation will play in the automobile business. Today, more than ever before, people are demonstrating this desire to be themselves. And we believe that this trend is now beginning to show itself in the automobile industry. Up to now the industry has largely concentrated on achieving mechanical perfection and the advantages of mass production. But the pendulum is swinging; there is new emphasis on styling and comfort and drive to meet the desire of the customer, as an individual. As we enter this transition stage in the years ahead, we feel people will prefer a car of individuality —especially when it can be had at a competitive price.

ARTHUR J. NEUMARK

Partner, H. Hentz & Co., New York City

The economic outlook for 1955 is good. Gross National Product is expected to rise from 4% to 10%. Overall prospects for corporate earnings and dividends are favorable. The stock market in 1954 belatedly took cognizance of the true values of securities.


Arthur J. Neumark

It marked a year of a return to normal yardsticks. It may be best described as a year of returning confidence. There are good reasons to believe that this confidence will be maintained in 1955 and may very well carry to the more extreme emotion of enthusiasm. However, the prudent investor will scan new committments more carefully, recognizing that at current market levels the need for greater caution and discrimination exists.

The recent modest increase in margins by the Federal Reserve Board induced a heavy wave of selling for a few days. Actually a sizable technical correction in the market was overdue and more frequent corrections of this character should be expected as advances are resumed.

The Federal Reserve Board action was more in the nature of a mild warning than anything else, but it should be remembered that the power exists for more effective action as a brake against speculative excesses should they develop. It is my opinion that this present general level of stocks may be best characterized as a realistic one, but not as one that yet reflects the ebullient spirit that usually develops in the last stages of a bull market.

With respect to margin action, it is interesting to note that in the past an increase in margin requirements has not subdued an active rising market. In February and again in July of 1945 requirements were raised respectively to 50% and 75%, yet it was not until May, 1946 that the market reached its peak. In fact, in January of 1946 requirements were raised to 100% and the bull market of that period still had some four months more to run. Following subsequent cuts in margin requirements, bringing them back to 50% in March, 1949, there was an increase to 75% on January 6, 1951; yet that year and the following showed a consistently rising trend, interrupted by one important reaction. It is also interesting to note that reductions in margin requirements had on several occasions been followed by stock market declines of some consequence.

GEORGE A. NEWBURY

President, Manufacturers & Traders Trust Company, Buffalo, N. Y.

It may well be 1955 will mark the beginning of a new and brighter era of world history. Certainly the policies and accomplishments of the Administration and the tireless efforts of the Secretary of State to bring about peaceful co-existence and man's liberation from the oppressive burdens of war, fear and poverty, give hope for the years ahead. We should be profoundly grateful to the President and Mr. Dulles for their vision and statesmanship. They, with their counterparts abroad, are charting a new direction to world affairs in a noble endeavor to turn men's swords back into plowshares. There is at least cause for hope and I think it is in part this feeling of hope that gives buoyancy and substance to the prevailing optimism for the new year.


George A. Newbury

I share this optimism, and believe this highly industrialized area of Buffalo and the Niagara Frontier will have one of its busiest and most prosperous years. To its established business can be added the impact and cumulative benefits of the Thruway, and the start of construction of the Seaway and quite possibly the new power development at Niagara Falls.

In 1955 our business should be at least as good as the very satisfactory 1954. We should have some increase in deposits and anticipate our loans will continue around present levels. We do not expect any major change in money rates unless general conditions require some restrictive action by the Federal Reserve if inflationary trends appear. Our business is in a very sound position. We continue to expand our services and facilities to keep pace with the steady growth of this area.

ROBERT L. OARE

Chairman of the Board, Associates Investment Co. & Associate Discount Corp.

A year of challenge and opportunity faces Associates Investment Company and the automobile industry in 1955.

There is reason to be optimistic over the 1955 automobile outlook. The dealer has entered the year with no serious carryover problem. Behind him is the full weight of factory advertising and, quite generally, a new product. Sales promotion should assume record proportions. Sustaining all this will be credit facilities geared to finance on a sound basis the entire flow of both new and used car sales created by public demand.


Robert L. Oare

As we see it, national income in the first half of 1955 will approach an annual rate of $306 billion or about 2% greater than 1954. This should provide a continued expansion of consumer demand because the greater share of the expected increase in national income should accrue to the wage and salary earner rather than to business and industry.

Nineteen fifty-five will see one of the great competitive battles in American industry continue unabated as Ford and General Motors attempt to outstrip each other in production and registrations. Meanwhile Chrysler and the realigned independents are engaged in an all-out battle to recapture their share of the market. The ultimate arbiter, the consuming public, should have a disposable personal income of something like $260 billion and the usual share of this devoted to automobile purchases would substantiate the sale of at least 5.4 million new units. Without work stoppage in 1955, production could approach 5.8 million new units. Used car prices should probably experience no more than their usual seasonal fluctuations.

More than a year of challenge to the automobile makers themselves, 1955 is a pivotal year in automobile financing. We at Associates, maintaining as we do credit facilities in 168 United States and Canadian cities, must meet a stronger and more eager competition in the automobile sales finance industry. We are confronted with a battle of terms. It is our objective in 1955 to improve our position as one of the four major companies in this field while maintaining the stability of instalment credit which characterized the automobile financing industry down through the years.

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit, Mich.

It seems like yesterday that I was reminiscing a bit and looking ahead to 1954, and now we must look into 1955. None of us ever really know what the future will bring, but we can see a little ahead, and it is well to make plans.


H. P. Parshall

The year 1954 was a year of transition and I believe about as expected by most informed people. Over-all business was down from the banner year of 1953, but not down as much as one could reasonably expect. The corporate net income before taxes in 1954 declined an estimated 13%. From figures that I have seen for individuals, disposable income increased approximately $3 billion. The above figures are nation-wide. Some areas in our country showed increases over last year while others were below the national average. Here, in the Detroit Area, I believe that we were below the national average.

I have heard more optimistic prognostications for the year 1955 than I have heard for many years. Some people are saying that total production and income in 1955 will exceed the banner year of 1953. One of the favorable factors for 1955 is the fact that we have not as yet caught up with the needs of our growing economy in several directions. For instance, our highways are not nearly adequate, and the President is advocating a national highway program. Our schools, sanitation and other public facilities have fallen behind, and probably at least a good start will be made in catching up in this direction in 1955.

The automobile companies have expended huge sums of money for retooling and redesigning their 1955 models. The public acceptance, thus far, of these new models has been good, and most manufacturers are looking forward to a good year. We still are expending huge sums of money for the military and national defense—the estimate is approximately $39,000,000,000 for the fiscal year ending June 30, 1956. Federal taxes will be high—probably little or no change from 1954.

There is one factor on the plus side that I believe is too often overlooked. In fact, some people consider it on the minus side. What I am referring to is the technological progress of our economy; new and better ways to do things, new machinery, new labor saving devices. In my opinion, we are probably making more progress in this direction than in any other period of our history, and I think it is all on the plus side. These advances will furnish more employment, better jobs and better salaries. I think that the evidence of the past proves this conclusively. Of course, our population is increasing rapidly.

Our money needs attention. In the past, it has proved to be a good currency, but in the last ten years it has failed in one respect, and that is as a storehouse of wealth. We should maintain a sound dollar and at the same time one that acts favorably, and not as a deterent, as a medium of exchange. One thing that puzzles the writer is the fact that we have the knowledge, skills, labor and material to do almost anything that we need, but we do not have the money, except by going in debt and burdening future generations. I wish I had the answer of how to get around this obstacle; but I haven't. However, I firmly believe that new methods will be found.

A few days ago, one of our large nationwide corporations was considering and offering to purchase another corporation. The president of the purchasing corporation gave a very fine talk and I could not help but admire him for his faith in America. Here he was embarking upon a rather expensive acquisition, knowing full well that of every dollar his corporation earned, 52 cents of it would go to pay taxes. Faith like that built America—may we never lose it.

1955 should prove to be a good year.

HON. WRIGHT PATMAN

U. S. Congressman from Texas

In terms of the objectives of the Employment Act, I see little in the outlook for 1955 to warrant the kind of optimism that appears in official government predictions of "another good" year for the economy. Instead of recovering the "maximum" employment, purchasing power and production levels that prevailed until early 1953, before the advent of the "sound money" era, 1955 is likely to be another year in which the gap between actual and potential full employment demand will be widened. As a result we shall probably witness a further growth of unemployment and budget deficits.


Wright Patman

Growing deviation from the objectives of the Employment Act and the dangerous widening of the demand gap is a consequence of the monetary policy, which the Federal Reserve euphemistically refers to as "fostering orderly economic growth." It is also a result of the Treasury's tax policy, which is

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Next Ten Years in Retailing

short-term considerations are of particular importance. This is truer for the retailer than perhaps for most businessmen, for a retail store is much more closely tied to a specific location and a specific geographic market than is, for example, a manufacturer. Mistakes once made are hard to rectify. A store once located is hard to move; a plant once built is hard to expand unless it has been designed for expansion. Too much caution today can place iron bands about growth in the future; too little caution can lead straight to bankruptcy. The quality of decisions on capital investments depends largely on the extent to which they are informed decisions. Here the vast wealth of information compiled and analyzed by the Department of Commerce and available for nominal sums can be of great value to the alert, forward-looking retailer.

Personnel management and industrial relations likewise represen ta great present and future challenge to the retailer. There are approximately nine million persons engaged in retailing today; the indications are that this number will increase to about 11 million in 1965. I need not point out to this audience the implications of such an increase in terms of selection, training, supervision and morale. In the kind of high level economic activity we anticipate, competition for better qualified workers will be intense. I suggest that retailing could well improve its competitive position *vis-a-vis* other types of industry in this respect. I suggest that particular attention needs to be given to rates and methods of compensation, to hours of work, and to opportunities for training and advancement.

The organization of the retail enterprise is another important area of challenge. Growth in size and employment will create serious problems; organization structures and procedures which were entirely adequate for one level of activity may be seriously deficient for higher levels. More importantly, the never-ending need for efficiency and improved service will tax the organizing and administrative capacity of retail management.

Intense Competition in Retailing

Whatever else it may be, the future of retailing will be one of intense competition. This will require not only constant attention to internal operating efficiency but, above all, to continued revisualization of the role of retailing itself in the economic process. The American distributive system has been in a constant state of flux throughout its entire history. Its structure has undergone constant change, in response to changes in industry and society and above all in response to the pressures of competition. I have no doubt that change will continue to be a primary characteristic. I have no doubt that change will continue to be a primary characteristic.

Two types of consumer demand—and the competitive efforts to meet them—are constantly present. One is the demand for lower prices, the perennial quest of the consumer to make the best buy he can. The other is the demand for improved service and greater convenience, which equally with the goods themselves are part of our constantly improving standard of life. At the present, both types of demand are especially strong, and our flexible, dynamic distributive system is adjusting itself to meet them.

The growth of the so-called "discount house" represents one segment of a trend toward low-cost, high turnover distribution with sharply decreased emphasis on service, convenience, and "frills." Other segments of the same trend are represented in some of the changed merchandising policies of certain of the more traditional types of retail establishments. I suggest that this development be viewed against the background of gradually increasing costs which have been characteristic of retailing for some 15 or 20 years. Undoubtedly part and perhaps all of these increased costs were far better service and greater convenience, but what about the customer who is less interested in this kind of value and more interested in the merchandise itself?

The phenomenal growth of the discount house and discount selling should be the signal for a reappraisal of conventional merchandising policies for it is unquestionably a response to the consumer's desire for a wider degree of latitude in which to exercise his free choice as to how he wants to spend his money. As one with deep convictions about the American enterprise system, I would not deny him this freedom; neither would I deny the freedom of the alert entrepreneurs to serve what he sees as a real demand on the part of a substantial segment of the buying public.

Undoubtedly, abuses have occurred; undoubtedly, certain discount houses have engaged in unethical practices. But this sort of thing is likely to occur in the course of any important innovation. Moreover, such practices are not likely to prevail for long: we have too many built-in safeguards in our society of both a legal and an economic nature for there to be much to hear on this score. In any event, before we point the finger of "unethical practice" at the discount house, we had better be sure we mean something more than that we find the competition painful.

Concurrently with the increased demand for lower prices has gone an increased demand for greater service and convenience. Response to the one trend in demand is typified by the growth of the discount house; response to the other, by the marked tendency for the point of sale to shift from the store to the customer's home. Door-to-door selling is only one part of this tendency. Door-to-door selling has been traditional for certain lines of merchandise for a long time, but in recent years more and more lines of merchandise are being distributed in this manner. Much of this additional effort is still experimental, but early results have been encouraging and we can anticipate a considerable further growth.

Selling by telephone and by mail are becoming increasingly prevalent. The great mail order houses are finding a larger and larger share of their business coming from the metropolitan areas, and the catalog is by no means the chiefly rural phenomenon it once was. Big-city department stores are pushing telephone selling with vigor, and the use of mail-in coupons in their daily advertising is becoming much more general. Also, many department stores put out catalogs, usually seasonal in nature but tending to become both more frequent in issuance and more general in coverage.

This shift of the point of sale from the store to the customer's home is one of the as yet little noted but increasingly important characteristics of present-day retailing. It represents both a response to customer demand and an adaptation to changing social conditions. The convenience of shopping from one's own home holds great attractions for many people. Not only does it permit them to avoid traffic congestion and parking difficulties, but the increasing size of families makes conventional shopping a real chore for many housewives. While shopping by telephone and by mail represents a very great increase in convenience for customers, it does not necessarily represent any increase in cost of selling—usually quite the contrary.

I have introduced the subject of discount houses and the tendency to transfer the point of sale from the store to the customer's home not so much to explore the merits or the rationale of these particular innovations as to illustrate the constantly changing nature of the retail business and the vital importance for the retailer to be keenly alert to shifts in the nature of his competition and to opportunities which may be created by the constant flux and flow of American life.

What I have sketched up to now is a picture of expanding and fluid markets. The fact that expansion is in the cards gives reason for confidence and hope. The prospect of fluid growth makes it clear that the businessman will have to be on his toes pretty constantly. I think that you—and all businessmen—will respond to this challenge.

Our very awareness of economic events nowadays is a great asset. In dealing with business fluctuations, the possession of accurate facts is an enormous asset. These facts are being provided to you regularly, and both private and government agencies are constantly engaged in their analysis.

The Secretary of Commerce recently remarked, in summing up the year 1954:

"The year drawing to a close has been one of adjustment from war to peace. Everyone realized that such a shift had to come after the rapid build-up of military production required for the Korean fighting."

I call your attention to the two words, "Everyone realized." I believe that everyone *did* realize that a readjustment was in order, and during its process close tabs were kept on the extent of that readjustment; the most recent business fluctuation was probably the best advertised and most closely watched in our history. . . .

Let us all continue to be aware of both the grand opportunities and possible pitfalls that our economic structure presents to us. As Americans we are aware of our good fortune in living in this free land. We have a two-fold stake in its future—in our business concerns and in our lives as citizens. We know for certain that the future is going to put a high premium on good management. With this we can keep open the opportunities for achievement, and reap rich rewards.

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as mistaken as the Brooklyn cowboy's notion that feeding the bull is the best way to fatten a herd.

I see nothing in the present picture that either warrants exultation over the state of our economy or its prospects in the period ahead. Mismanagement by the Federal Reserve officials of margin requirements provided the basis for stimulation of margin trading. Speculative psychology was triggered by the Treasury when they reduced taxes on dividends and generalized accelerated amortization of new investment. A speculative fever was created, which subsequently resulted in a sharp inflation of stock prices, thereby injecting a new element of instability in our economy. A relatively moderate readjustment in production, employment, income and earnings may now be complicated by financial repercussions in the stock market.

This new unstable element has been superimposed upon other unfavorable economic developments, which make the outlook foreboding. The trend in small business is particularly disheartening. Small firms are generally more pessimistic than ever before. Many are selling out to their larger competitors; others are simply folding up; and still others are going into bankruptcy. According to Dun and Bradstreet, 1954 was the third year in which business failures rose sharply. The 1954 rate was 35% higher than 1952. The 1953-54 merger movement has led the Federal Trade Commission to launch a study of its causes. The causes are not hard to find. One need only look at the sharp declines in the profit rates for small business since 1952 compared with the increase for the largest-size firms.

Another depressed area is agriculture. The year, 1954, marks the fourth year of contraction in agricultural net income. Farm proprietors' income totaled $16 billion in 1951, when the new "accord" in monetary policies was established. In the latter part of 1954, the seasonally adjusted annual rate was slightly over $10 billion. Secretary Benson's flexible price supports, coupled with rigid acreage controls, is expected to reduce 1955 average farm income below the average level for 1954. The prevalencee of a widely depresed low income area—24% of all farm operators receive less than $1.000 cash income a year—substantially limits the market for farm equipment and consumers' goods sales to farm families.

Finally, aggregate wages and salaries, which provide the support for mass consumption, were no higher at the end of 1954 than they were at the start of 1953 when when the Eisenhower Administration assumed office. We cannot have an expanding economy without an expansion of mass purchasing. This truism has not escaped the attention of businessmen themselves. The first quarter of 1955, for example, marks the sixth successive quarter since mid-1953 that U. S. business firms have curtailed their outlays on new plant and equipment.

Indications are that the rise in output and employment that got under way last October may not be sustained. The threat to expansion in 1955 comes from two quarters. First, an early setback in business may be provoked by the evolving shift to a new era of "hard money." Secretary of Treasury Humphrey is giving evidence that his inflation neurosis, which he never fully threw off even in early 1954, is working overtime these days. Over at the Federal Reserve, they seem to have broken out into a full-fledged case of "meddlers' itch." Ever since they believed they had achieved their "independence" from the "politicians," the Reserve has been darting in and out of the market with little rhyme or reason.

If through some fortuitous event the monetary and debt-management authorities happily do not upset the economic applecart, a second threat to sustained expansion may arise after the leveling off of the auto production race. Some new expansionary element in the economy not now foreseeable will have to supplant the stimulative effect that is now coming from the auto race. There is little likelihood that this will emanate from the construction industry as was the case in 1954. In 1954, housing rose rapidly to support the decline in inventory, government defense spending and the leveling off of business spending on plant and equipment. But there is no basis for expecting a repetition of the sharp expansion in housing activity we experienced last year. It is more likely that housing starts could contract a bit under the impact of a restrictive credit policy.

It would appear that preparations should be made along two fronts. First, we ought to consider whether an increase in individual tax exemptions should not be authorized on a standby basis, to be effective when unemployment reaches five million. Second, plans should be stepped up to release a flow of public works projects as soon as the Council of Economic Advisers observes a waning of expansionary forces. Beyond these two specific actions, I would recommend abandonment of the "new look" in monetary and debt-management policies. Thee pre-accord policy of caution and the avoidance of disruption and disorder in the financial markets are the best antidotes to the distractive effects upon businessmen of the so-called "flexible" policies pursued since early 1953.

EDWIN W. PAULEY

Los Angeles, Calif.

The ease with which the economy shook off the very real and very foreboding business decline of last year with proper encouragement from the Administration, is the best evidence of the present good health of American business as we enter 1955. But there can be no divorcement of government and business, hence no comparison between today's prosperity and the historic periods of prosperity in the days of a free and unrestricted economy, can be valid. Those in charge of, say, defense and foreign aid experience perhaps more influence over the outlook of a given industry than those who run the industry itself. Certainly that is true in my field of oil discovery and production.

Edwin W. Pauley

I feel confident that the President and Congress will have no real difficulty in working together, and that they will keep in mind their responsibility to our economic future on which must ultimately rest the real strength of the nation. Unless they fail us, 1955 will be our finest year. We have already started to put the atom to work, we will witness more and more miracles of electronics, we have the capacity to produce and out of production payrolls we have a vast capacity to consume. Professional worriers might better devote their attention to 1956.

T. S. PETERSEN

President, Standard Oil Co. of California

The year 1954 was one of adjustment by the petroleum industry. Business as a whole slowed down somewhat during the year, and the high postwar demand for petroleum products tapered off. Added to this condition was the unusually mild winter of 1953-54 which was reflected in less-than-normal sales of petroleum products for heating purposes.

T. S. Petersen

On the whole, however, the petroleum industry both in the United States and abroad finds itself in a healthy position. Total domestic inventories of crude oil, and of all petroleum products except fuel oil, are lower than they were a year ago. In the Pacific Coast region this is also the situation, except for fuel oil stocks on hand which continue to be above what is considered desirable.

The general nation-wide industrial recovery should stimulate increased petroleum demand and crude oil production in the coming year, and being improved over that of a year ago should result in refinery operations at a higher rate consistent with the increased demand.

The outlook for 1955 seems to be quite favorable when viewed from an industry-wide position, and we are planning operations in expectation of a 3 to 4% increase in West Coast and national demands. The nation's general economy, we feel, should advance throughout 1955; weather conditions may be more favorable to petroleum consumption; and, on the whole, earnings of the petroleum industry should hold up well.

The confidence of our industry in the future is well illustrated by the fact that oil companies have continued to invest heavily in capital expenditures of all sorts, including development of new crude oil resources. These expenditures, which contributed to the priming of the nation's economy, should be maintained in the form of additional capital investments during the coming year.

Abroad, the general prosperity of many European nations, as well as increasing industrialization of other areas, is an encouraging factor when viewed in the light of their probable demands for more petroleum products. It is expected that these demands, in 1955, will increase by 6% or more over the requirements of foreign markets in the past year.

F. RAYMOND PETERSON

Chairman of the Board, First National Bank & Trust Company of Paterson, N. J.

The dire predictions which were made in the middle of 1953 about an impending decline in business activity in this country accompanied by large-scale unemployment were overly pessimistic. The year 1954, on the whole, was a good year. Business began to decline in August 1953, reached its low point in April 1954 and then levelled off until the fall. Business activity, as measured by the Federal Reserve Board adjusted index of industrial activity, picked up considerably in the last quarter and is now at a higher level than at any time during the past twelve months. Throughout the entire year the level of wholesale commodity prices remained stable and, in spite of the moderate increase in unemployment, wages in many industries were increased. The disposable personal income in the hands of the people, i.e., total income of individuals after taxes, was somewhat higher in 1954 than in 1953; and this in turn had a favorable effect on business activity in general. However, business became very competitive, and competition is still increasing.

F. Raymond Peterson

What about 1955? Obviously, in these uncertain days, when nobody really can tell what may happen in the sphere of international politics, it is extremely difficult to make any predictions. At the same time, a bank comes in contact with every phase of business and finance and is, therefore, in a position to assess the various forces that will operate in the economy in the new year. Unless something unforeseen happens, business activity in 1955 will witness a continuation of the improvement which set in toward the end of 1954. However, I do not envisage any boom or any return to inflationary conditions. The productive capacity of the country is great and is still increasing. Efficiency in production is steadily rising, and competition from abroad is likely to play perhaps a more important role in the future than in the immediate past.

The factors that will exercise a favorable influence on business activity in 1955, as far as can be ascertained at present, briefly are these:

(1) Building activity throughout 1954 has been on a high level. The number of new construction contracts awarded is large, and official estimates are to the effect that home starts in 1955 may be even higher than in 1954. The building industry will continue to generate a strong demand for labor and materials and expanded purchasing power.

(2) Public works expenditures by states, municipalities and public authorities are bound to be very large. In 1954 more than $6 billion of new tax-exempt securities were offered in the market. The proceeds of these issues are being used to build highways, roads, schools, hospitals, etc. The population of the United States is increasing at a rapid rate. The standard of living is rising, and the trend of decentralization from congested cities to suburbs continues unabated. These developments create a constant demand for new public works to which should be added the great pent-up demand created during the war.

(3) Employment and wages during 1955 ought to be somewhat higher than in 1954. This will enable people to increase their purchases of all kinds of durable consumers' goods as well as soft goods. The demand for food and services will continue to be great.

(4) Expenditures by the Federal Government for defense purposes may be somewhat less in 1955 than in 1954. However, they will still be substantial and continue to exercise a considerable influence on business activity.

(5) The liquidation of inventories which played an important role in the decline in business activity in 1954 has come to an end. All the indications are to the effect that in 1955 inventories, instead of being reduced, will be moderately increased. This naturally will have a favorable impact on business activity.

(6) The automobile industry expects to produce more cars in 1955 than was the case in 1954. Whether these expectations will materialize still remains to be seen. It is, however, quite certain that the output of automobiles at least in the first half of 1955 will be at a higher level than was the case a year ago.

(7) Expenditures by corporations for new plant and equipment in 1955 are estimated to be a little lower than in 1954. What the actual expenditures will be is, of course, impossible to state, but even if they are not larger than now estimated, they will still be substantial.

All the above factors, taken together, clearly indicate that the forces operating in the economy are sound and that we may look forward with great confidence toward the future. We should, moreover, bear in mind certain basic factor affecting the future of our country, namely, that population is increasing at a much greater rate than was thought possible a few years ago; that the standard of living of the people is steadily increasing; that the economy is dynamic and that huge sums of money are being spent on research which creates new goods and methods of production. Moreover, when to these factors are added the high volume of liquid assets held by individuals and unincorporated business firms, and the confidence of the people in the maintenance of a continued high volume of employment, the future prospects for a steadily expanding economy are indeed bright.

B. F. PITMAN, Jr.

President, Pitman & Co., San Antonio, Texas

In the 26 years in which I have been in the investment banking business, I do not recall a time when so many people in our industry have been so unanimously and unrestrainedly optimistic over the general business outlook.

For anyone with a perverse streak in his disposition, which I have, the unanimity of thought—or lack of it—causes some skepticism. There are so many imponderables in the immediate and near term outlook that predictions seem largely guesswork.

Benj. F. Pitman, Jr.

Admittedly, the boom, feeding on cheap money, is going full blast, at least in the securities market. The major basic sustaining factors seem to be construction, and defense spending inducing chronic deficits. A roaring stock market has a way of feeding on itself, and since more and more people, with increasing frequency, buy stocks, not for income or long term appreciation but "because they are

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Securities Salesman's Corner

By JOHN DUTTON

Key Your Advertising

(Second article in a series on developing new accounts)

Some years ago a very well written advertisement was made available to securities dealers by one of the Mutual Funds that offered a booklet that scanned the future outlook for business for the coming year. This advertisement pulled some excellent results as far as the quantity of inquiries goes. However, when used in a city where there was a large floating population of traders, who were more interested in buying a few hundred shares of stock for a quick turn than in investing for income and long term growth, the actual results in terms of profitable sales of Mutual Funds that developed from the ad were practically nil. The sales organization had more than enough inquiries that they could follow, but the type of prospect that answered would not buy investment securities—they wanted "tips" on the market. The advertisement pulled the wrong kind of leads. Used in some other city, where there were people who might be interested in more stable investments, this ad could have been productive. *You should know your market when you write an advertisement.*

You Should Know Your Own Organization

If you are primarily an investment firm, dealing in municipals, mutual funds, local securities, and unlisted special situations, you certainly are going to seek out a different type of investor, than if you are members of a stock exchange and you depend upon trading accounts as well as new issues, etc., etc.

If you have only a few salesmen who are tied to their desks then you must bring people in to see you at your office. If you have the sales organization that can follow leads, make telephone appointments, and go to see prospects at their homes and places of business then you can write your advertising so that it will bring you leads that can be followed in this manner.

My point is that good advertising must produce leads that you can interest in the securities that *you sell*, and also, that you are equipped to follow. The quantity of inquiries is no indication of an effective advertisement. The leads must fit your organizational set-up. I once got more business out of an ad that pulled five replies than one that pulled over a hundred. The five prospects that replied were interested in my proposition, and they could be seen at a favorable time and place.

Here's A Sample of Effective Advertising

Atwill & Co., Miami Beach, Fla., are located in a city where there is a constant influx of new residents. Many of these people own securities and other investments. This firm decided that it would be much less difficult for their salesmen to meet new people who did not have established connections in their city, and eventually turn these prospects into customers than to attempt to cultivate the business of those who already were established, and who had satisfactory relationships with other firms. The following ad was used to offer the firm's services. Notice that six offers were made to give information that would be of value to any new resident, as well as information that could be of interest to other members of the community. This ad has pulled a very high percentage of qualified good prospects. If you are located in a community where there are many new residents arriving constantly it might pay you to investigate some of the particular tax laws, or information on establishing a domicile as was done here, and offer this service. But by all means be sure you have the manpower to follow the leads developed by your advertising. It takes salesmen to sell securities—this is a personal business—and a lead is only a name unless you follow it.

Are You A New Florida Resident?

Every year many people move to South Florida. They own stocks and bonds and would like to have a local investment firm render them personal service.

If you are a new, or an old resident, and would like to become acquainted with us and our willingness to assist you—

Check below, sign, and mail this advertisement to us.

I would like—

- ☐ Investment suggestions for generous income.
- ☐ Quotations — my list is enclosed.
- ☐ Information on establishing a Florida domicile.
- ☐ Information on the Florida intangible tax.
- ☐ Suggestions for tax free investments.
- ☐ Statistical reports — list enclosed.

Name ....

Address ....

.... Tel. ....

Established 1940

ATWILL AND COMPANY

NOT INC.

Investment Securities

605 Lincoln Road, Miami Beach, Florida Phone 5-5816

Lloyd B. Brown V.-P. of Arthur L. Wright

PHILADELPHIA, Pa. — Arthur L. Wright & Co., Inc., 225 South 15th Street, announce the election of Lloyd B. Brown as Vice-President of the firm. Mr. Brown has been associated with Arthur L. Wright & Co., Inc. for some time as cashier.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Roger D. Fraley is with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building.

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"going up," the speculative fever may be only in its infancy.

If the public, with the aid of cheap long term credit, will buy all the automobiles that are being produced and new houses that are being constructed, there would seem to be a reasonably solid foundation for a continuation of the high level prosperity we are now enjoying.

In the final analysis, the prospects for business, and as a corollary the investment banking outlook, seem to me to be not in the lap of the gods, but in the uncalloused hands of the Federal Reserve. A tightening of credit, which the huge amount of projected public and private construction suggests, would put a damper on this important factor in our economy. Such a reversal, or even modification, of Federal Reserve policy would appear to be politically inexpedient. Moreover, once the urge to speculate in securities has gathered momentum, even high interest rates or increased margin requirements might fail to restrain it. The fantastic call money rate in 1929 is a case in point.

As a wild, and only a wild, guess, I go along with the overwhelming majority and say that stocks will blithely soar ever higher, despite the fact that general business, strongly impelled by politically conceived economic narcotics, can hardly be expected to improve sufficiently to justify the discounting of uninterrupted prosperity for years ahead.

While many stock buyers commit funds into equities because they have an abiding faith in the permanence of our high level prosperity, there are others who think an undisciplined inflation is inevitable, and, denied the inalienable right to hoard gold, they consider equities the "least worst" haven of refuge for their capital. The upward pressure on the market is, of course, the same. So long as low yields and high prices for seasoned securities persist, new issues should find plenty of eager buyers.

W. B. POLLARD

President, National Bank of Commerce, Memphis, Tenn.

The purchasing power of the dollar was very stable in 1954, and on Dec. 31, 1954, was about the same as a year earlier. Some prices have declined, but declines in prices have been about offset by advances in other prices. The best indication available at this time show about the same situation for 1955.

W. B. Pollard

The population of the U. S. has increased about one-third in the past 25 years. Recent studies indicate a probable population of about 190 million people by 1965, or an increase of almost 30 million people in the next ten years. This increase is equal to twice the population of Canada. During the next ten years, there is expected to be a large increase in the number of children and in the number of people 65 years and older. the labor force will increase about 1 million per year as children already born become old enough to work. These changes in population will have a marked effect upon business.

We have been building over 1 million homes per year for five years. We may have a temporary dip in the number of homes required, but a still larger number should be required around 1970.

Industry has increased invested capital per production worker by about two-thirds since 1939. This large capital investment in efficient machinery enables many manufacturing industries in the U. S. to produce better products, and on a competitive basis with such products produced in any country. During the past 25 years, output per manhour in industry has increased 75% and almost 100% in agriculture. We now have about the same number of people on farms as in 1875, but their efficiency has increased to the extent that they can produce food and fiber for the increased population, and, in addition, substantial surpluses.

Commercial building is expected to be lower in 1955 than in 1954, but residential building is expected to be up. Public building of schools, roads, churches, etc., will continue to increase. Government spending for defense will probably be a little lower, but defense expenditures will still be a very large item. Estimates on automobile production for 1955 vary from a little less than the 5,400,000 cars produced in 1954 to about 400,000 more. Mortgage debt on residences has increased about 380% in the past 13 years, during which time we built some nine million homes, and this does raise a question as to whether we may temporarily be over building. This building of large numbers of residences may place some pressure on older residences, rental residences and some apartments. Consumer debt has increased about 350% since 1940, and this suggests that each aplication for consumer credit should be scrutinized carefully as to the permanency of employment and whom the applicant already owes.

The mid-south area has made tremendous strides in electric power production and utilization. The following table shows power production in millions of kilowatt hours in 1940 and in 1953:

State—	1940	1953	Increase
Tennessee	2,453	14,467	Almost 600%
Arkansas	222	3,746	Almost 1,700
Missouri	1,605	5,107	Almost 320
Mississippi	67	2,476	Almost 3,700
Louisiana	2,035	6,274	Almost 380

Power sales both to residential and industrial users have increased by about the same amount.

The principal industries developed in this area are the following in the order named: Textile mill products; chemicals and allied products; apparel and finished products; lumber and wood products; primary metal industries; food and kindred products; fabricated metal products; leather and leather products; furniture; stone, clay and glass products. Manufacturing employment has increased more than 35% in the area between 1940 and 1950.

The agricultural income was lower in the mid-south area in 1954 than in 1953, due to drouth and acreage restrictions. Cotton acreage will be further reduced by 16% in the Memphis area in 1955. Rice acreage will be reduced 24.7% nationally if producers approve marketing quotas, and above 30% in the Memphis area.

Price supports for 1955 for commodities grown in this area will be about as follows: Cotton, peanuts and tobacco 90% of parity; corn 88%; wheat 82½%; rice 85%. The present prospects are that, with normal weather, agricultural income will be some smaller in 1955 as compared with 1954.

Competition will likely be keen in most lines of business in 1955, but energy, efficiency and intelligent effort will continue to reap rewards.

DONALD C. POWER

President, General Telephone Corporation

Business for the telephone industry, in my opinion, will again be good during 1955. Some leveling-off in the demand for primary telephones is to be expected; this results from the fact that we have pretty generally caught up with "back" orders. During 1954 the telephone industry demonstrated considerable sales vigor. Forgotten selling philosophies were revived and new methods introduced. The market for installing more than one telephone in a home was found to be tremendous. Subscribers were made aware of the low cost of long distance calling and sales of long distance climbed steadily after falling during the first quarter. I believe that 1955 will see an even greater increase in the sale of extension telephones, color telephones and wider use of long distance as we continue our aggressive sales campaigns. Perhaps the best prospect for the continued growth of the telephone industry lies in America's ever-growing population. More people mean more families and homes, and more homes mean more telephones. Businesses and services, too, must expand to serve a greater number of people, which in turn requires more telephones. As far as General Telephone System is concerned, the movement from metropolitan centers to less densely populated areas has helped to stimulate the growth of our operating companies.

Donald C. Power

The telephone industry will invest more than $1.5 billion for expansion and improvements during 1955, which is above the record amount spent in 1954. Long range investment such as this is clear evidence of the telephone industry's confidence in the American economy.

Regulation of telephone rates by Public Service Commissions has, I believe, assumed a more business-like attitude toward the telephone industry based upon experiences since the close of World War II. Telephone companies will have to ask for further repricing of telephone service during 1955. It is my opinion that with better information and preparation of rate cases by telephone companies, the regulatory commissions will be able to decide such requests more promptly and with benefit to the communities served as well as to the telephone companies.

The most exciting technical development on the immediate horizon is the further expansion of nationwide customer toll dialing. In several communities customer toll dialing is already a reality on an experimental basis. As more equipment is installed each year, the day draws closer when a businessman from his office, or a housewife from her home, can dial directly to another subscriber in another city.

The excitement of telephone development does not by any means end with customer toll dialing. Constantly we are planning better methods of communication by conventional practices, by radio, by television. Our industry, I believe, has been alert to changes and is ready to furnish the best telephone service to all who want it at the most economical cost.

These are items of statistics, of money and of engineering. My outlook for the telephone industry in 1955 would indeed be dim if I did not have unbounded confidence in the depth of management and in the "esprit de corps" of the industry's entire personnel. In the telephone business much of our success or failure depends upon our people. Perhaps that is why 1955 looks so promising to me.

GWILYM A. PRICE

President, Westinghouse Electric Corp.

The steadily increasing demand for electrical products —ranging from the large machines and equipment for the generation and transmission of electrical power to the increasing number of "magic servants" performing myriad tasks in the American home —promises an excellent year for the electrical industry in 1955.

Gwilym A. Price

Beyond the new year, the future looks even brighter. The all-time peaks of production, consumption and employment which were reached during the first five years of this decade seem certain to be surpassed within the next two years.

During 1954 an average of 61 million people were employed and the nation's Gross National Product was down but 2% from the 1953 peak. The outlook for 1955 indicates that both employment and Gross National Product will move upward an estimated 2%.

For Westinghouse, 1954 saw more than $1,600,000,000 worth of products shipped, setting a new all-time company sales record for the fifth consecutive year. A year ago it appeared that 1955 would see a noticeable decline in the sales billed curve. The upswing in business during the last few months, however, now leads us to expect that 1955 sales billed will approach or equal the 1954 record.

Equally significant is our expectation of an increase in orders in 1955 of approximately 10% over 1954 when orders, excluding defense business, were off some 5%.

In support of this optimism are expectations that some 428,000,000 electrical appliances are expected to be built in the next five years—an increase of 27% over the past five record breaking years. For many of these appliances, such as the electric dishwasher, the market scarcely has been scratched. Fifty-four different home appliances now are on the market compared with only 19 in 1930.

The growing market is not limited, of course, to these products for the home. The nation's demand for electric power is doubling every 10 years and this means growing demand for power generating and distribution apparatus.

The horizons are unlimited for the atomic power and automatic machinery industries. The problem is to keep up with the needs of a new industrial revolution. We are moving into an era in which the techniques of production and many of the machines of propulsion and power will be remarkably improved. It is an exciting prospect and one promising great benefits for mankind.

Whether the full potential of the future will be realized depends, of course, on our ability to skillfully meet the test of keen competition. The pattern of rising costs and little change in prices of products manufactured has made all industry extremely conscious of the continual need for eliminating waste and carefully controlling costs. At the same time, rugged competition has reemphasized the necessity of vigorous sales efforts.

We think that Westinghouse and American industry generally can and will successfully meet these challenges in 1955.

MILTON R. RACKMIL

President, Decca Records Inc.
President, Universal Pictures Co., Inc.

It is my opinion that the year 1955 will be another very good one for the entertainment business.

Although no one has the prescience to anticipate all contingencies, it seems to me that the optimism reflected by the record and motion picture business is based upon facts rather than hopeful thinking. We are fortunate in having a great new audience developing. Statistics show that 3.5 million children reached their 12th year in 1954, with this number rising to four million in 1955. The entertainment business benefits substantially by the new audience.

Milton R. Rackmil

Leaders of the entertainment industries are quite mindful of the fact that it is the quality of the entertainment that matters. As long as quality is maintained, the motion picture business will be able to enjoy its present prosperous level. The same applies to the record business. The public simply has to have entertainment regardless of the form in which it is presented. Technological advances in both the record and motion picture business are important factors but the public is more stimulated by the inherent nature of the entertainment.

With the American buying public having more and more time for recreation, all branches of the entertainment business will benefit accordingly.

The motion picture industry has substantially benefited by the increase in foreign income. All indications are that this upserge in the world market will continue in 1955, particularly in view of the fact that American films are still the number one choice.

ROBERT RAE

President, The Dominion Bank, Toronto, Canada

Canadian businessmen, like their counterparts in the United States, are moderately optimistic about the economic outlook for 1955. As you might expect, there are many similarities and some differences in the position of the two economies. Canada, like the United States, had in 1954 the second best year in its history. Gross National Product was down about 2% from the 1953 level, largely as a result of poor grain crops. National output, exclusive of grain, was about the same as in the previous year, though the pattern of activity was by no means even as between industries.


Robert Rae

Most Canadian businessmen look for a level of business activity in 1955 at least as good, if not better, than in 1954. Thus, the outlook is for stability, rather than for resumption of the high rate of economic growth experienced in earlier post-war years. As is well known, the Canadian economy is much more dependent on export trade than is that of the U. S. and the trend of exports may well be the key factor in the 1955 level of business activity. Here, there appears to be reasonable ground for confidence. The outlook for wheat exports is more favorable than a year ago and the upturn in business in the U. S. may well bring a reversal of the 1954 downward trend in exports to the U. S. Then, again, the more prosperous conditions prevailing in the United Kingdom and Western Europe should mean an enlarged market for Canadian products.

The upturn in business activity and business confidence so evident in the U. S. at the turn of the year is not so apparent in Canada. One reason for this is that the Canadian economy experienced a smaller decline than did the U. S. Another factor may well be that inventory liquidation has not been as great as in our neighbor to the South.

For Canadian banks, 1954 was a prosperous year, profits being at or near a record level. Demand for commercial bank loans eased slightly, but deposits increased and the banks generally closed their fiscal year with record assets. Another satisfactory year is in prospect.

A significant change in the Canadian banking field last year was the entry of the chartered banks into the mortgage lending field. In their first nine months of making loans to assist new residential construction under The National Housing Act, the banks advanced $55 million. Since they have now gained some experience in this field, an expansion in their mortgage lending activity can be expected.

A major development now pending is an amalgamation of The Dominion Bank and The Bank of Toronto. The amalgamation proposal has been approved by shareholders of both banks. Only Government approval is required in order to make the amalgamation effective. The amalgamated bank will be known as The Toronto-Dominion Bank. It will have assets in excess of $1.1 billion and more than 450 branches across Canada, as well as offices in New York and London, England.

FRANCIS F. RANDOLPH

Chairman of the Board & President, Tri-Continental Corporation

In retrospect, 1954 was a good business year compared even with 1953, which was the most prosperous year the nation has ever experienced. For those who shared the pessimism in vogue at the outset, it was a surprising year. To businessmen it was notable for the fundamental strength shown by our economy; to investors it provided a reminder that the trend of business activity is not necessarily the deciding factor in the course of security prices.


Francis F. Randolph

The recession of late 1953 and early 1954, though well-defined, was relatively mild. In terms of production, the area most severely affected, it was about equal to the recession of 1949. Reduced Federal expenditures, lower production in many industries as inventories were liquidated, and depressed conditions in some areas of agriculture were restricting influences. These influences were moderated by another year of high-level construction activity, better-than-expected output in some industries, such as the automobile industry, and continued availability of funds under easy money conditions. Consumers' incomes displayed great stability and the public continued to buy goods at a favorable rate. There were no sharp changes in commodity prices over-all, but rather a downward drift which probably contributed to business equilibrium. Further recovery in business abroad also helped to maintain business here.

Maintenance of a pervasive feeling of confidence was a prime factor in business activity and security markets in 1954. The recession was well heralded and businessmen and investors were prepared for it. The Federal Government not only created a favorable atmosphere for business but its action directed toward stabilizing the economy brought the intended results. Depression was not in prospect. At the same time, continued peace in a troubled world seemed increasingly likely. Insofar as security prices are concerned, the absence of depression psychology, improving prospects for peace and an ample supply of money with sustained pressure on institutions and other investors to keep their funds profitably employed, were major influences in the 1954 advance.

As the year 1955 gets under way, business recovery is in progress, Optimism is widespread, confidence is rising. As we view the developing business recovery, perhaps the most conspicuous difference from past recoveries is the undoubtedly high level from which this one starts. This suggests that our economy may be more limited in potential improvement than is usual in an expansion period, but there is nothing limiting the buoyancy of this improvement.

Business recovery and good prospects no doubt have been important forces behind the post-election advance in security prices. Confidence seemingly is rising and bringing with it breadth of public interest in the stock market not in evidence for a good many years. Thus it may be well to point out at this time that regardless of how high the swell of confidence runs, there will be no change in one basic characteristic of common stocks—prices will continue to fluctuate both up and down. Perhaps now more than at any time in recent years, sound investment principles and objectives should be observed and securities purchased should be selected with care and watched over continuously. The prudent investor will recognize these facts.

FRANK C. RATHJE

President, Chicago City Bank & Trust Co., Chicago, Ill.

In keeping with brighter prospects for economic activity in general during the year 1955, the outlook in banking and finance also appers promising.

Some inventory replacement following the recent period of inventory reduction by industry and somewhat higher levels of total industrial activity and employment should result in satisfactory levels of commercial and industrial lending activity in the banks. This, added to existing demands in the way of mortgage credit, consumer instalment credit and municipal financing, should provide ample opportunities for banks to maintain earning assets at a high level.


Frank C. Rathje

Coupled with this prospect of opportunities to profitably employ funds, however, comes the sobering thought that during recent years the debt structure in our economy has already been substantially expanded. With net public and private debt standing at approximately $600 billion, total corporate debt double its prewar level and mortgage debt on small residential units three to four times the prewar level, we begin to wonder how heavily our economy today is leaning on the national income of the next decade.

If we are to escape the consequences of outright inflation or a difficult period of debt liquidation, we cannot much longer borrow next year's income to buy today. How much should our present economic upswing be underpinned by liberal, or in the mortgage field, excessive credit extensions? This, it seems to us, will be the most important question to be answered this year by men in the banking profession and by the credit authorities in Washington.

It is to be hoped that we in the profession of banking and finance will not be unduly influenced in our credit policies by the need or desire for operating earnings derived from a too-liberal extension of credit. The year 1955 will also it seems to us, require the ablest, non-political administration of Federal credit policies to avoid the excesses in the credit structure which in the past have always resulted in severe problems of retrenchment and debt liquidation.

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E. G. Brouse Co. Formed

SNYDER, N. Y. — Edward G. Brouse is engaging in a securities business from offices at 44 Harwood Drive, under the firm name of E. G. Brouse & Co.

H. H. Higginson Opens

M. M. Higginson is engaging in a securities business from offices at 129 East 36th Street, New York City.

M-G-M Securities Co.

SALT LAKE CITY, Utah — M-G-M Securities Company has been formed with offices in the Utah Savings & Trust Building to engage in a securities business. Richard Moench is a principal of the firm.

Mickle & Co. Formed

HOUSTON, Tex. — John C. Mickle, Jr. has formed Mickle & Company with offices in the electric building to conduct a securities business.

W. H. Gaskins Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—W. H. Gaskins is engaging in a securities business from offices in the Railway Exchange Building.

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R. S. REYNOLDS, Jr.

President, Reynolds Metals Company

Civilian aluminum markets are reaching new all-time highs and are growing more rapidly than most major industrial markets. In 1955, regular aluminum markets will be still larger and should set new records for the industry.

Shipments of aluminum mill products towards the end of 1954 are about 23% higher than they were at the beginning of the year, while the general business index shows a 5% rise over the same period. In addition, substantial tonnages of primary aluminum went into Government stockpiles.


R. S. Reynolds, Jr.

Primary aluminum production is also setting a new record with an expected output of 1,450,000 tons for 1954, 16% higher than in 1953. This is the third successive year that new primary production records have been set by the domestic producers. This year, with a fourth producer commencing operations, domestic primary aluminum production is expected to go still higher, to 1.5 million tons.

During 1954, Reynolds Metals Company completed the expansion of primary capacity it had undertaken under the Korean emergency program and its output for the year will reach a new high, about 20% above its record output of 1953. Full capacity output of 414,500 tons is expected in 1955. With the new producing facilities completed, attention is now being centered on further development of the company's fabricating facilities. Rod capacity has been increased during the past year and new plate facilities will be in operation in 1955.

The aluminum industry's success in making record shipments to civilian markets during 1954, in the face of the soft markets which had developed throughout the economy in the second half of 1953, reflects its basic strength. With aluminum in adequate supply throughout 1954, it was possible to make further progress in such major markets as construction, transportation, appliances, electrical equipment and packaging.

Widespread recognition of aluminum's maintenance-free, light-to-handle qualities, plus its permanence, has increased its use for windows, wall construction and varied architectural applications. The emphasis on air conditioning has also brought increased preference for rustproof aluminum duct. New headquarters for Reynolds Metals Company executive offices in Richmond, Va., are now being planned, incorporating the latest developments in aluminum design and finishes for exterior and interior use in office buildings.

The use of aluminum in transportation continued to increase during the recent year, averaging about 35 pounds per passenger automobile, or more than four times as much as was used right after World War II. Renewed interest is being shown by railroads in lightweight passenger trains, such as the aluminum Talgo unit which has operated successfully and economically in Spain for many years.

Aluminum irrigation pipe sales reached a new high in 1954. Its use is no longer confined to arid areas or to dry seasons. Instead it is being utilized all over the country to provide stability of water supply for cash crops, enabling the farmer to achieve a much higher yield per acre and to control his output better. The year 1955 is expected to bring further expansion of this market.

Foil packaging has also enjoyed a record market during 1954. The use of color printed foil labels and packaging as silent salesmen on supermarket shelves is more widespread among food packing and beverage bottling companies than ever before. In the home too, aluminum foil is being consumed in unprecedented quantities for cooking, wrapping and a multitude of other household purposes.

The 1955 outlook is bright for the aluminum industry in view of the ample supply available to meet the growing market demand and the continued upturn expected in general business conditions.

EDWARD A. RICHARDS

President, The East New York Savings Bank, Brooklyn, N. Y.

Mutual savings banks, during 1955, I believe will continue to experience large deposit gains and invest them safely and well enough to pay their depositors interest dividends at least equivalent to that paid in 1954, and still build sufficient surpluses.

Last year savings banks nationwide showed deposit gains of $1.9 billion—just under $2 billion. About half of this sum was attributable to New York State savings banks.

The improvement in general business conditions during the second half of last year saw The East New York Savings Bank make its largest deposit gains. November and December were its best months.

Every sign indicates favorable economic conditions in the immediate future — and very likely for the entire year. Inventories have been liquidated and production is being increased to meet the demands of a public with a record amount of earnings, a great fund of savings and great confidence in a powerful government which it believes has the will and the means of preventing any adverse turn in the nation's economic future. A stabilization of defense spending and large public works program are among the other factors pointing to a happy and prosperous economic year.

There have been some predictions that increased consumer spending will result in a slight decline in savings during the ensuing year. The experience of The East New York Savings Bank, among others, during the previous stages of the upswing would seem to throw doubt upon any such decline.

The only discordant element in the general economic picture is the possibility of labor strife during the second half of the year. Should the automobile workers persist in their demand for a guaranteed annual wage on the expiration of their present contracts in April, a strike might ensue. We believe that any such condition will be avoided by agreement arrived at over the table.

By every sign, the building industry should be at least as active as it was during the previous calendar year, if not more active. It has been estimated that between 1.2 million and 1.6 million units will be started in 1955. The savings banks will find opportunity to invest abundant funds in mortgages to help finance this activity.

It is not expected that there will be a decline in interest rates. The government has been following an easy money policy and has been encouraging the demand for money by easy mortgage terms, low down-payments and longer maturities. Undoubtedly the appropriate Federal agencies will keep close watch on the situation, but at this point it does not appear that they will be too quick to change the prevailing policies in view of the experience with "tight money" in 1953.

The earnings of savings banks should be as good in 1955 as they were in 1954.

R. G. RINCLIFFE

President, Philadelphia Electric Company

Great industrial news is being made in Delaware Valley, an area highly developed industrially, with greater diversification than most metropolitan centers. Nearly 90% of all basic industries found in this country operate here. In addition, the area has a fast-growing seaport; a concentrated market; a home-owning working force; excellent rail and highway facilities; a modern international airport; choice industrial sites; available raw materials, and adequate electric power geared to present and future demands. These many advantages explain why Delaware Valley is a land of opportunity.


R. G. Rincliffe

The growth and prosperity of any area is reflected in the operations and expansion of the electric company which serves it. Without plenty of power the great optimism which pervades this section could not have caught the imagination and vision of industrial and commercial leaders. A significant measure of the region's growth is found in the expansion which Philadelphia Electric has undergone and is continuing to experience. To meet ever-increasing demands, the Company is investing an average of $1 million each week for new facilities. This has been going on since World War II and totals $460 million to date. There is still nothing on the horizon to indicate a slackening in the demand for electric power in this section. The Company's construction program has been keyed to the growth of the area it serves, which is the very heart of Delaware Valley. During the next five years, with the present growth continuing, estimates call for an additional expenditure of some $304 million, bringing the total to more than $760,000,000!

Philadelphia Electric shares the bright outlook for all industry in the Valley. Actually, considering only large industrial construction projects, close to the Delaware River, involving a capital outlay of $5 million or more, a total of nearly $3 billion has been spent or is committed to be spent here for the period 1946 through 1955.

Throughout its postwar expansion, Philadelphia Electric has made every effort to secure modern and efficient means to serve its customers. It has inaugurated many ideas new to the electric industry. Last year the Company made plans to construct one of the most efficient electric generating stations so far designed. It will be located at Eddystone, Pa., just below Philadelphia. It will introduce advancement which will open a new field for greater economy in the production of electric power.

The turbine-generator, to be housed in this new station, will be of 275,000 kilowatts capacity. It will be operated in the "super-critical" zone at a steam pressure of 5,000 pounds per square inch and a temperature of 1,150 degrees Fahrenheit, the highest pressure and temperature so far planned by the electric utility industry. This single unit will add more than 10% to the generating capacity of Philadelphia Electric. Its fuel requirements are expected to be about 6% less than in the most efficient existing power station.

With Philadelphia Electric revenues from the sale of electric, gas, and steam services reaching new records each year, and with even further growth anticipated in the coming decade, it is clear why the Company holds an optimistic view for the future of Delaware Valley.

JOSEPH F. RINGLAND

President, Northwestern National Bank of Minneapolis

In my opinion, 1955 should be a good year for business—moderately better than in 1954. One of the most favorable factors in the business picture is that, despite some unemployment, disposable personal income has been at the highest level in our history and should be at least as good or possibly better in 1955. This makes probable a high level of personal expenditures and we may expect that this will be one of the basic factors for good business in 1955. This should bring good results for the retail stores. The automobile business, which has been brisk with new models at the end of the year, should be good at least during the first half of 1955. Government expenditures will continue at a high level. We may expect the construction industry in 1955 to be again an important factor in the economy of the country.


J. F. Ringland

In our part of the country—the Ninth Federal Reserve District—our business generally held up better in 1954 than in many sections. The farm situation accounted in part for this—the severe drop in prices of livestock and agricultural products in earlier years had prior to the beginning of 1954 produced a measure of readjustment here, and our farm marketings in 1954 were again at a very high level. Because our business here in 1954 held close to the level of 1953, the measure of improvement which we may expect in 1955 may be quite modest. Manufacturing and mining in our area which suffered some in the past year should operate at a better level within a few months. In the construction industry, we may expect as many homes to be built in our area in the new year as in the old—probably more in the larger centers—less in the small communities. The building of roads and schools will continue at a very high level and the development of shopping centers will remain important. The production and marketing of oil in the Williston Basin and the taconite program in northeastern Minnesota will be plus factors to the economy in our section of the country.

We believe that to have prosperity in ouru area, the farmer must be prosperous. Farm conditions at this time of the year are better than they were a year ago. There is more moisture in the subsoil and we anticipate that most of the decline in farm prices is behind us. If we have good crops, we may expect the farmers in this area to prosper in 1955.

Banking is so dependent upon business and agriculture that when they prosper banks should prosper. There has been disappointment among banks generally that loans have not risen more during the latter part of 1954 and the loan trend may continue unfavorable during the early months of the new year. It would be our expectation that loans would rise later in the year with interest rates at banks to continue about as they are. Bank deposits should increase before the end of the year. All in all, it is my opinion that, if we have continuing favorable crop conditions, business, agriculture and banking in this area should enjoy a good year in 1955.

HENRY G. RITER, 3rd

President, National Association of Manufacturers, and President, Thomas A. Edison, Inc., West Orange, N. J.

I am optimistic about the future and particularly about the year immediately ahead. In recent weeks I have talked with many people from all parts of the country and I've found they share the view that 1955 should be a good year. Competition will be keen for the customer's dollar, but competition is a vitalizing force and will help to steer our economy toward better satisfying people's wants.


Henry G. Riter, 3rd

Predictions always are hazardous and are especially so when developments abroad can have so profound an effect on our domestic economy. Nevertheless, I think most businessmen will not quarrel with this forecast: American industry will produce more goods than last year, more people will be employed, business conditions will be generally better, and the average employee will have more money to spend.

In my own company, which is a diversified electric and electronic manufacturing company selling a variety of products to many segments of American industry, I look forward to 1955 being a better year than 1954.

There are many indicators which point toward a continued expansion of our economy. Business spending for new or more efficient plants, equipment and machinery is at an exceptionally high level. Consumer spending is at an all-time high. People are confident of the future, and this in itself helps to assure a prosperous economy.

We are a growing nation—growing at the rate of 7,000 a day, 2½ million a year. The market for goods and services thus is increasing, affording opportunities for new enterprises to be launched and established businesses to expand.

Our government has stabilized the dollar and has sought to create conditions which would favor business expansion, recognizing that high employment, good wages and rising living standards for the whole population all depend on ever-increasing business and industrial growth.

There are, of course, certain forces and trends which act as a brake on the economy. Taxes—unwisely levied taxes—are one such force. I believe the day is coming when political expediency will call for a system of tax rates which clearly encourages, instead of hobbling, business expansion. The old "soak the rich" approach to tax levying is losing its appeal as more and more people become aware that too high tax rates produce very little revenue for the government and do take money which otherwise would go into goods-producing, job-making enterprises.

The earliest possible roll-back of the 52% rate on corporation income and of the even higher rates on individual income would be a strong stimulant to business and to the creation of the new jobs which will be needed annually.

We need to create nearly 1,000,000 new jobs each year to assure employment opportunities to our growing population. It takes a $12,000 investment, on the average, to create a new job. Simple arithmetic shows we will need a $12,000,000,000 investment each year, over and above the funds necessary to replace worn-out buildings and equipment, if we provide the number of jobs needed to maintain our high employment.

A lessening of the tax drag would greatly stimulate business and help to make 1955 one of the best years—perhaps the very best year—our nation ever had.

HON. EDITH NOURSE ROGERS

U. S. Congresswoman from Massachusetts


Edith Nourse Rogers

Based upon many reports and early indicative indices, this year of 1955 should be one of the best in American history. Early indications seem to suggest most of the great American industrial enterprises will experience increased operations over that of the year just ended. Heavy industry, automobile production, airplane construction, railroad equipment, pharmaceuticals and specialty manufacturing all appear to promise an excellent 1955. In all parts of the nation building construction, including commercial and apartment structures, public and private housing, is expected to increase over the volume of last year. The same holds for public utility expansion and transportation enterprises. The legislative program outlined by President Eisenhower in his State of the Union Message to Congress, if enacted into law in its entirety, certainly will prove beneficial to business in general and provides promise for a very bright general economic outlook for this year of 1955.

A major feature of this legislative program which can affect the industrial process is the President's request for a three-year extension of the Trade Agreements Act, providing the President with authority to negotiate tariff reductions with other nations on a reciprocal basis. If this extension of the trade agreements authority is granted by the Congress, it will be extremely important for those exercising and executing this authority to balance all of the economic problems involved relating to proposed reductions of tariff rates now protecting specific American industries in the normal processes of international trade and trade by reciprocity.

In America a high standard of living has been developed. Everyone associated with our industrial processes, including labor of all types, enjoys a quality of living and freedom unequaled anywhere in the world. This has resulted from a combination of the genius of American industry in cooperation with the skill and intelligence of American labor working together in a land of freedom. Foreign countries trying to gain a larger and larger share of the American market in competition with American industry and labor do not possess these industrial relationships or these qualities of life and living.

International trade must, of course, flow at all times. America cannot make its market prohibitive to the business of other nations. Likewise, American industry desires to maintain a business welcome among the nations of the world. In view of this fact, the international trade negotiations based upon reciprocal considerations and schedules must be not only very carefully decided but must be scrupulously executed. It is easy to recommend a course of action but quite another thing to comprehend all of the economic effects such a course of action might cause. A small percentage reduction in the tariff relating to certain specific importations might prove very beneficial to the foreign manufacturers involved but very detrimental to the industries affected in the United States. As a result, unemployment in these American industries could take place, which could have a detrimental effect upon the general economy of the nation.

In view of the quality of life and living we have tried to develop in America, it has been an unwritten policy of our Government to protect and constantly improve this standard of living. It seems to me our Government would be inconsistent with the bipartisan national effort or policy if in the process of reciprocal trade negotiation the constant progress of the high type of living we enjoy in America should be interrupted or lowered or permanently injured. It does not seem right for our Government to enter into any agreement with any other nation which might improve industrial profits in that nation to the detriment of the American industry involved, causing unemployment and a marked depreciation of the economic level of the community.

It is well to keep in mind that increased business flowing to foreign industry from the American market will increase production and profits of those associated with that industry but not necessarily improve the general economic conditions of the country in which the industry is located. This fact exists because of entirely different national laws and industrial organizational and operational methods. Because of these fundamental industrial differences and relationships it does not necessarily follow that the standard of living in a certain foreign country may be improved by an increase in the volume of business in the American market. Intention on the part of the American Government to improve the general economic level in these countries through the medium of increased trade does not always follow because of entirely different national laws and employer-employee conditions.

Trade negotiation, therefore, based upon reciprocity, is a very serious undertaking. Unless very carefully executed injury could result in the depreciation of the general economic level and standard of living in America. This we certainly do not approve of and we certainly do not want to take place. It is due to the necessity of balance of the economic elements involved that in any negotiated trade agreement, regardless of whether on a multi-lateral or reciprocal basis, great care must be taken. Because of this fact, the requested legislation for a three-year extension of the Trade Agreements Act providing for executive authority to negotiate tariff reductions with foreign nations on a reciprocal basis represents most important legislation for the nation as a whole in this session of the Congress.

Another important consideration in the legislative program for this session of Congress is the proposed reduction in our Armed Forces. In this proposal, there are two very serious considerations.

In view of the cold war with the Communist nations and the great responsibility to the Free World of the United States of America, any reduction in our Armed Forces at this time must be examined, not from the viewpoint of politics, but from the effect upon our national defense, our military obligations, and our international respect.

Although I cannot speak for them, I know the Members of Congress are completely opposed to war as a national policy for the settlement of international controversy. Because of the impossibility of making any honorable agreement with Communist China or Communist Russia and the strained relationships as they exist at this time, however, it is the opinion of many

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in the Congress that actual war can only be averted if the United States, the very citadel of freedom, maintains its military strength to the point that the Communist enemies do not dare to challenge its power. This might be considered peace by armed might but regardless how it is considered, it is the sober view of many of the leaders in Congress, this is the only way at this time to prevent an atomic catastrophy of world-wide proportions. In view of this thinking in Congress, it is believed that the proposal to reduce our Armed Forces will meet with considerable difficulty.

Another serious element involved in this proposal is the effect, if enacted into law, upon the general business conditions within the country. The requirements of national defense and American military responsibility must not be gauged primarily upon how these might affect business in general. On the contrary, they must be based upon reality and upon necessity. The fact does remain, however, that any reduction in national defense spending certainly is reflected directly in those industries devoted largely to national defense contracts and indirectly in the general economic level. In other words, a reduction in Government spending, if of sufficient amount, will be noticeable in the general business conditions not only in those communities dependent upon national defense industries but also eventually in all communities throughout the nation.

In view of this great conflict involving the very future of freedom and the American way of life, it seems to be almost dangerous for our Government at this time to entertain any proposal to reduce the military power of America. Of course, because of the genius of American science and American military strategy, the elements of our military strength may be constantly shifting, however, in this shifting from one concept or use of power to another, our Government must be extremely careful there is no reduction in our strength. Weakness invites catastrophy. A bully never picks on one his own size. If we as a nation are to survive and if our principles of life and living are to be maintained, then our Government has no other choice than the duty of keeping America's power greater than that of any combination of enemies planning our defeat and annihilation.

In any consideration of the Federal legislative outlook for 1955, it seems to me the proposals I have discussed so briefly are extremely important not only to every American but to every citizen of the free world. Emphasized from other viewpoints, the way the Congress finally enacts these proposals also is extreme important to our Communist enemies. In legislation of such extreme importance to everyone the Congress must make the correct conclusions and decisions. Congress cannot afford the luxury of error.

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Co.

This is the perennial season of optimism. Few publications omit the annual review and forecast and the columns are filled with honeyed words whereby the brighter facets of business and industry are published.

E. A. Roberts

I think this is a good thing to do. After 365 days of peering ahead for road blocks—of constant weighing and appraising the implications of every little cloud on the horizon—it is well to "count our blessings instead of sheep"—black sheep, that is. If mistake is made, it is that our seers sometimes reach beyond the areas of their field to do a Mother Shipton act. I shall not make that mistake, but confine myself to the life insurance outlook where visibility is high.

The graph of new life insurance purchased since World War II shows an outline rather similar to the Dow-Jones Index of Industrials; in 1954 taking the same sharp upturn. More than $8 billion of such new life insurance were registered on the books of our companies. That was a gain over 1953 of 21% and, added to insurance already in force, brings the total of life protection in this country to about $339 billion.

The most significant thing about this record of the past is the fact that some 31 million people bought their first life insurance policy or added to their life insurance holdings in 1954. In a substantial way this is a measure of understanding and acceptance which bodes well for the future.

To buttress my own optimism of the outlook, the temptation is great to quote from those who have spoken for steel, automobiles, utilities, chemicals, rails, electronics and construction projects—all bullish. If they are right, I know I am right and if they are wrong, I could still be right with this new appreciation of insurance evident among the public.

Turning to our investment outlook: We can see it rather well spelled out in the figures of advance commitments. Never were the life companies so heavily committed. These commitments have been totaled at the end of the third quarter of 1954 at more than $4 billion—about $1½ billion for securities and $2½ billion for mortgage loans. This represents almost 70% of the cash available for investment and reinvestment in 1955. It seems certain commitments of the last quarter kept pace. The figures quoted represent the returns from but 66 of the larger companies—and there are nearly 800 life insurance companies in the country.

Liberalization of the Federal Housing Act seems to assure another year of near-record housing construction, and expansion of the GI market. This should provide a substantial outlet for life company investment funds, with FHA loans at similar yields and conventional loans at slightly higher yields continuing in favor.

Corporate demand for new money, as well as municipal demands, should provide ample outlets to round out our portfolios, and list 1955 finally as one of the better years in the last 15 for life insurance investments.

DANIEL T. ROWE

President, Kings Highway Savings Bank, Brooklyn, New York

It is significant that the "Chronicle's" Annual Review and Outlook Issue will be published during the 38th Annual Celebration of National Thrift Week. Jan. 17, the opening day of National Thrift Week is the birthday of Benjamin Franklin, the best known American exponent of Thrift. The Proclamation of National Thrift Week states in part; "The ability of our economy to grow and prosper is rooted in the savings of individuals who practice thrift, whether these savings be invested in the financial institutions of this country or in the securities of our free private industry and business, or in the savings bonds of our government." President Eisenhower expresses it this way, "If, during this week, you are able to stimulate in large numbers of fellow citizens, the desire to save regularly or the will to save even greater amounts, you will be adding to their personal security and contributing solidly to strengthening the national basis of our society."

Daniel T. Rowe

During the past year, mutual savings banks increased deposits by $1.9 billion—approximately 8% of total deposits. There is every indication that the mutual savings banks will, during 1955, increase deposits by at least the same percentage as during the past year. This is expected in spite of the strong influence which will be brought to bear to channel the liquid savings of our people elsewhere, e.g., intensified advertising and selling campaigns by retailers who hope for a free spending year; the strong belief on the part of most people that the government will not permit a recession or depression which may influence some to purchase homes and may influence others to invest in stocks on prospect of another good business year.

We are, of course, continually faced with the problem of investing these funds at yields that will enable us to compete with other types of savings institutions. Our banks are better equipped to meet the challenge this year due to an increased investment in higher yielding first mortgage loans. However, competition for the family savings dollar between our savings banks and other thrift institutions will cause some shifting of deposits, and competition between ourselves will also cause some deposit shifts by persons to whom rate and method means more than convenience. These shifts do not affect the overall savings picture, which for 1955 appears better than ever.

Mutual savings banks' assets are at an all-time high. Their investments were never more sound and with each passing year they continue to win the confidence of a greater number of depositors. In the year ahead, the areas they serve in this state may be broadened so that their services may be available to more people. Presently, Mutual Savings Banks serve only 17 states. In the more distant future, we hope to see Mutual Savings Banks in every state of the Union so that we may really be, to again borrow from President Eisenhower, "able to stimulate in large numbers of fellow citizens, the desire to save regularly. . . ."

D. J. RUSSELL

President, Southern Pacific Lines

Investment of approximately $60,000,000 in capital improvements on Southern Pacific in 1954 raised the railroad's operating efficiency to a new high. The measure of the railroad's operating efficiency, gross ton-miles per freight train hour, was over 57,000 in 1954, compared with about 53,000 in 1953, which was the previous all-time high.

Donald J. Russell

Among the major improvements completed in 1954 were 95 miles of Centralized Traffic Control between Eugene and Crescent Lake, Oregon, substantially increasing the train-carrying capacity of the line; enlargement of switching yards at Indio, Colton, Yuma, and El Paso; completion of a by-pass line around the crowded Los Angeles area to serve the port with greater ease; placing in service of 98 more new diesel units, 1,707 new freight cars, 26 new streamlined passenger cars, a new type dome lounge car, and a new type of car in dining service—the "Hamburger Grill." The Company's highway trucking subsidiaries placed a total of 121 additional highway automotive units and 232 more highway trailer units in service in 1954.

Well under way in 1954 was a new push-button gravity switching yard at Houston, Texas, where the first 16 bowl classification tracks have recently been placed in operation. Completed jointly with Union Pacific were modernized and enlarged exchange facilities at Ogden, Utah.

The railroad has invested more than $400,000,000 in transportation property in the past five years to keep up with growth of the territory it serves, and the expectation is that heavy investments will continue in 1955. Already ordered for delivery by the end of May, 1955 are 163 new diesel locomotive units to help handle the growing traffic volume.

In addition to its wholly-owned investments, Southern Pacific shares in investment in new equipment for Pacific Fruit Express Company which is jointly owned with Union Pacific, including 100 super-giant ice refrigerator cars and 112 mechanically refrigerated super-giant refrigerator cars placed in service in 1954 to handle frozen foods. Two hundred additional mechanically refrigerated cars of the same type are on order for delivery in the summer of 1955.

Since 1940 there has been a 50% population growth in what the railroad terms its "Golden Empire"—California, Oregon, Nevada, Utah, Arizona, New Mexico, Texas and Louisiana—while the population of the nation as a whole has risen only 20%. Rising population is, of course, bringing with it new industries and an expansion of established industrial plants, so that a great industrial development is taking place in the area along our rail lines. For the past 25 years, Southern Pacific has had an average net gain of one new spur track industry a day along its lines.

Southern Pacific made outstanding strides in the application of developments in the electronics fields in 1954, including the first experimental use of television for viewing the operations in a switching yard; and further expansion of radio installations on trains, in yards, and at wayside stations.

During the year Southern Pacific's trailer-flatcar "piggy-back" service was extended to handle traffic moving between the San Farncisco Bay area and points in Nevada, Utah, Idaho, Wyoming and eastern Oregon, and also between Houston and San Antonio and points in the lower Rio Grande Valley. Existing service into other areas was also substantially increased. In its expanding trailer-flatcar "piggy-back" service, the railroad was moving about 155 loaded vans on an average day toward the year's end. By the end of January, 1955, the service will be further extended to include movement between points in the San Francisco-Los Angeles territory and points in Oregon and Washington in connection with Union Pacific, Northern Pacific, and Great Northern.

With respect to the railroad industry as a whole, I feel that in spite of huge improvement programs, and increased operating efficiencies, current earnings of the railroads are inadequate by any standard. The return on invested capital is considerably less than that of other regulated business and is greatly below the average return of manufacturing companies. Means of lessening this disparity, which is so prejudicial to the railroads, should have the serious consideration of the American people.

GEORGE P. RUTHERFORD

President, The Dominion Securities Corp., N. Y. City

Ever since February, 1952, the Canadian dollar has consistently sold at a premium over the U. S. dollar, a premium which for the past six months has seldom been less than 3%. This trend of strength in the Canadian dollar has been apparent ever since Oct. 2, 1950 when for the first time in 11 years Canada permitted unrestricted trading in its currency. This steady increase from 90½¢ on the day when the dollar was set free to $1.03½ at the present time is the direct result of course of Canada's expanding economy.

G. P. Rutherford

The early postwar expansion while impressive was far less comprehensive and diversified than the accelerated activity of the past four years. The Gross National Product in 1949 was $16.5 billion, while today it is at an annual rate of approximately $24 billion. Capital expenditures for new plant and equipment for 1954 are estimated at $5.8 billion, about $2.3 billion more than the 1949 level. Many of the major developments which in 1949 were only in the planning stages today are completed or nearing completion.

The flow of capital from the United States, for investment in Canada, has not only been sufficient to balance trade and other deficits on current account, but also to increase Canada's holdings of gold and U. S. dollars by almost $800 million. While expenditures for new plant and equipment may not continue at the same level as in the past, there is no indication that there will be any great decrease in spending for capital purposes.

The capital expenditures of recent years should have a stabilizing effect upon Canada's merchandise trade balance. Imports from the United States of crude oil coal, iron ore and certain machinery should steadily decrease and, in some instances, eventually disappear Canada's exports, on the other hand, particularly of iron ore, aluminum, nickel and other strategic metals should increase substantially. The net result should be a very much smaller adverse trade balance with the United

States. The favorable balance with all other countries very likely may be large enough to balance dividend payments abroad as well as tourists' expenditures and other unfavorable current items.

The short term outlook for the Canadian dollar would indicate no great change from the present level. The trade deficit, particularly with the United States is smaller than a year ago, and the flow of new capital into Canada continues to be substantial. If the dollar should decline closer to parity it would stimulate the sale of new Canadian bond issues in the United States, a fact which would again strengthen the currency. While it is extremely difficult to predict the long term outlook, it is reasonably safe to assume that Canadian currency in the future will be far more stable than in the past.

T. CLAUDE RYAN

President, Ryan Aeronautical Company

Our company looks forward during the year ahead to a stabilization of employment based on a well-balanced development and production program in all three of the major fields in which we are engaged—aircraft, power plants, and electronics as applied to planes and missiles. Although it is indicated that the military aircraft total production volume will be at a lowering level from 1954's rates, this actually involves an orderly approach to a long-range sustaining level of output that will flatten out the peaks and valleys of work load that have plagued the industry in the past.

T. Claude Ryan

We anticipate at Ryan that our employment during 1955 will be relatively stable at or near present levels of around 3,700 employees and an annual payroll of about $20 million.

The company's research program in certain classified aircraft and electronic fields has reached an advanced stage. Also of major importance is the fact that Ryan has been selected as a major contributor to America's new jet tanker-transport program, with the prospect for several years' production of components for the new Boeing KC-135.

As one of the nation's pioneers in production of the "hot parts" for jet and piston engines, Ryan will continue during 1955 to produce large quantities of such units, including complete afterburners for jets, and rocket motors for missiles.

In prospect, is expanding use of the Ryan Firebee jet drone missile as a remote controlled pilotless target plane by the Air Force, Army and the Navy, with other possible future applications.

The overall prospect for the coming year is one of steady progress, with particular emphasis on development of new concepts to be adaptable to future quantity production.

BRIG. GENERAL DAVID SARNOFF

Chairman of the Board, Radio Corporation of America

Sales of products and services by RCA in 1954 will amount to approximately $930 million representing the largest volume of business in its 35-year history. Net profits before Federal income taxes will be approximately $84 million and after taxes approximately $40 million. Total dividends to stockholders, declared during the year, amounted to $22,-051,000. ($18,898,000 on common stock and $3,153,000 on preferred stock.)

David Sarnoff

Major Developments

Major developments in 1954 were as follows:

(1) **Compatible Color Television:** NBC's "Introductory Year" during which it broadcast many types of programs in color and featured "Spectacular" shows, dramatically revealed the potential scope of color TV.

(2) **Color TV Tube and New Set:** The RCA 21-inch color tube and a new TV color receiver using this tube were placed on the market and production will be increased in 1955.

(3) **RCA's Magnetic TV Tape Recorder:** Brought to commercial design stage. NBC will commence, early in 1955, field tests in both black-and-white and color television tape recording.

(4) **Electronic Light:** This new development by RCA was advanced to a point where it promises important applications in many fields. It makes possible new forms of illumination and "cold light."

(5) **Electronic Light Amplified:** When further developed, this will have important applications in television, X-ray, radar and other fields. In television, for example, techniques used in the light amplifier will eventually make it possible to see a TV picture in black-and-white or in color on a thin, flat TV screen that can be framed and hung on the wall like a picture.

(6) **Transistors:** Designs for commercial use were substantially advanced. Extended use of transistors in 1955 seems certain.

(7) **High Fidelity, or "Hi-Fi":** Increased popular interest in record players and in records was stimulated by these new instruments. They will advance the growth of the phonograph industry in 1955.

During 1954, basic progress was made in carrying all these developments forward. New knowledge was gained through research and experimentation in these fields at RCA Laboratories. These efforts will have a profound effect on further progress during 1955.

Television

Television in 1954—its eighth year as one of the country's fastest growing industries—established new records in retail sales of TV receivers and widened the scope of programming, especially in color. These accomplishments and advances in related fields once again mark the electronics industry as a leader in advancing the nation's economy and welfare.

Sales by the electronics industry as a whole for 1954 are estimated at more than $10 billion; and the volume for 1955 is expected to be about 10% higher.

Looking ahead, industry production of television receivers in 1955 is currently estimated around 6,000,000 sets, which will lift the total number of TV sets in the United States to approximately 38,000,000 by the end of the year.

Television is destined for new advances, both in technical design and in programming. An outstanding development in 1954, the RCA 21-inch color tube, operating with the magnetic equalizer which maintains color purity to the very edges of the picture, is now in production. It is certain to stimulate production of color sets by others in the industry as well and will lift color TV "off the ground" and into the market.

At the opening of 1955 there will be more than 420 television stations in operation in the United States, 140 of which will be equipped to handle network color programs. More than 90 new TV stations began operation in this country during 1954. In Canada, 26 TV stations are expected to be on the air by early 1955.

The NBC nation-wide television network now comprises 200 stations. Five of these are owned by the NBC, and the others are independently owned stations affiliated with our network.

Television on an international scale is not too far away. It is bound to be achieved in television as it was in radio.

Magnetic TV Tape Recording

Magnetic tape recording for black-and-while and color television, demonstrated by RCA at the end of 1953, was developed further during 1954 and will make its debut during the coming year as a new tool for the broadcasting industry. An RCA television tape recording unit will soon be installed by the National Broadcasting Company for field-testing as a simple, rapid and economical means of storing complete TV programs for rebroadcast. Ultimately, television tape recorders for home use will be developed, making it possible for the TV set owner to accumulate a library of favorite television programs which can be seen whenever desired, in the same way as the library of phonograph records now makes it possible to hear the favorite record at will.

Electronic Light Amplifier

The electronic light amplifier, which uses the principle of electronic light, under development in RCA Laboratories during 1954, will glow more brightly during 1955. Light amplification by this means has been achieved experimentally in ratios of more than 20 to 1; when that figure reaches 100 to 1, a practical amplifier

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A. G. Edwards Admits

ST. LOUIS, Mo.—A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges, on Jan. 27th will admit William G. Marbury to limited partnership.

John Muir Admits Two

On Feb. 1st William J. Charlton and Benjamin Grobman will be admitted to partnership in John Muir & Co. 39 Broadway, New York City, members of the New York Stock Exchange.

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of light will mark a significant step forward in the science of illumination and television.

Practical applications for the electronic light amplifier are foreseen in a wide range of technical uses where increased brightness is desired, as in television, X-ray, fluoroscopy and radar. In television, this new form of light amplification will bring bigger and brighter pictures; it will revolutionize television as we know it today.

Transistors

Transistor research and development activities were intensified by RCA during the past year, and important progress was made in achieving a new level of product uniformity and reliability. It is anticipated that 1955 will witness greater utilization of transistors, printed circuitry, and other advanced engineering and production techniques to improve the efficiency and decrease the size and weight of commercial as well as military electronic equipment.

Radio

It is estimated that more than 10,000,000 new radio sets, including auto radios, will be sold at retail during the coming year, increasing the total of radios in the United States to more than 125,000,000.

During 1954 the competitive impact of telvision upon network radio became increasingly apparent. The management of NBC early recognized the symptoms of economic dangers that threatened network radio and resolved to cope affirmatively with them. NBC has been leading the way in developing the patterns of audience and advertiser service for the purpose of building a new base for successful and continuing network radio operation, which is an instrument of national service and national defense.

Phonographs and Records

Since the introduction of the 33⅓-rpm and 45-rpm records in 1948-49, the number of record players in use has greatly increased. Today there are more than 25 million turntables—many of them equipped to handle the three phonograph speeds—compared with only 16 million phonographs at the end of World War II.

About 20 million record players of all types are expected to be produced and sold in the next five years. Renewed popularity of the phonograph is expected to continue to increase the number of machines in use and this, of course, will mean greater sales of records. One of the major engineering accomplishments in the record field during the year was RCA Victor's introduction of Gruve-Gard—a novel combination of raised rims and centers that protects the playing surfaces of long-playing discs.

In the high fidelity instrument field, sales for the industry as a whole during 1954 increased about 50% over 1953. Popular interest in Hi-Fi, especially in RCA's new "Orthophonic" system, promises to add impetus to the sale of records. It is believed that the annual retail sales total of 225 million dollars in 1954 will rise to 300 million dollars for the industry as a whole in 1955.

Electronics and Atomics

Science and engineering, business and industry, at the opening of 1955, are confronted with new challenges that must be met quickly to keep pace with the rapidly changing world. The electron and the atom, two of the most powerful forces in Nature, will give increased impetus to the industrial revolution already under way. There are definite indications that electricity for commercial use will be generated from atomic energy, and that atomic power for the home will be a reality within the next decade.

Electronics will lift burdens from the backs and remove toil from the hands of men; electronic eyes will see afar, and electronic brains will perform many routine tasks in the new age of automation which will highlight the scientific and industrial developments of 1955.

The electron is the key to man's conquest of space. Guided missiles are equipped with electronic brains, while electronic devices on the ground guide them in flight and watch every move they make toward their target. Similarly, electronics and the modern airplane are inseparable. Electronics has led to the development of efficient aviation apparatus that is compact, light in weight and automatic. In the commercial aviation field, widespread acceptance is indicated for RCA's new weather-detection radar equipment, which will be available to airlines in commercial quantities by mid-1955.

World-Wide Communications

RCA has 86 radiotelegraph circuits linking the United States, its territories and possessions with 68 countries, and a total of more than 6,600,000 messages were processed during 1954. The trend toward direct customer-to-customer services (TEX, teleprinter, leased channels, and radio program transmissions) is accelerating, and RCA now operates radiophoto circuits to more than 30 foreign centers.

Progress Through Teamwork

One of the keys to achievement in modern mass production is the supplier, upon whom the manufacturer relies for materials, parts and components necessary to successfully develop a project or product, a service or system.

Big and small business working together complement each other's activities and give widespread employment in many fields, daily adding to the stature of industrial America. Of RCA's 7,500 suppliers located in almost every State of the Union the majority are classified by the Government as small businesses. It is such teamwork that leads to success, not only in the building of instruments for civilian use, but also in the nation-wide mobilization of men, materials and manufacturing facilities that is basic in production for national defense.

Today, on land, sea and in the air, the electron and atom are strengthening the bulwarks of freedom and democracy. The new and promising developments of the Electronic-Atomic Age open the way for the creation of new businesses, new jobs, and higher standards of living. With the blessings of peace and the practice of good will, we can surely transform these promises into realities.

LYTLE L. SALSBURY

President, The Marine National Bank of Erie, Pa.

It is my belief that money will remain more or less easy and that the Government Bond situation as to new issues and the handling of maturities during the year will be given satisfactory attention by the Treasury Department along with the Federal Reserve Banks. It would seem that the Government debt has been taken care of with very little confusion. Personally, I would like to see some reduction of the debt rather than to see it increased except in cases of emergency. I think the general banking situation is very sound with a possible exception of credit being over-expanded.

Lytle L. Salsbury

It would seem that the earnings by financial institutions should during this year compare favorably with those of 1954. I have talked with several bankers during the past thirty days, all of whom report a very favorable year for 1954, during which time very lucrative loan and mortgage accounts have been built up, and it would seem that situation should continue for some time to come.

We must take notice of the change in politics during the latter part of 1954 in Washington, but I believe that President Eisenhower is sufficiently generous in his attitudes and tolerant of the views of others that Congress will meld together well for the next couple of years. While President Eisenhower is a Republican, I believe that he listens well to what seems to be sound ideas of the opposite party. If this be true, it will go a long way toward stabilization of all agencies of our country.

In my reading and listening to men with broad experience, I think that the year 1955 will be six or eight per cent more productive in nearly all phases than was the year 1954.

We all realize that the foreign situation is rather uncertain, but I think this great country of ours has real stability in its thinking and sufficient backbone in its actions that will prevent any third war for at least several years. The Government, the States, and the Cities are all embarking on extensive programs which I believe will not be overdone and will create a great deal of new business in doing the things that have been left undone for the past several years.

It has been a pleasure to give you my ideas, and I will be interested to read those of others who, likewise, will be writing you.

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Seeley & Lindley Admit

James W. Brooks, member of the New York Stock Exchange, on Jan. 21st became a partner in Seeley & Lindley, 61 Broadway, New York City, members of the New York Stock Exchange. Mr. Brooks has been active as an individual floor broker and prior thereto was a partner in D. T. Moore & Co.

James F. Cooke

James F. Cooke, member of the New York Stock Exchange, passed away on Jan. 11th.

C. Prevost Boyce

C. Prevost Boyce, partner of Stein Brothers & Boyce, passed away Jan. 14th at the age of 59.

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The State of Trade and Industry

the year to the level that prevails in the early part of the year, declares "Steel."

Any decline shouldn't be as deep as that of last year. Then consumers were getting some of their steel needs out of their inventories. Now they've whittled the inventories down as far as desired, and they have to buy at least as much steel as they use. Some people think there may even be some inventory building this year. W. W. Sebald, President, Armco Steel Corp., Middletown, Ohio, is one who thinks so, this trade paper reports.

Even though steel output sagged last year, the year was the eighth best in the steel industry's history. The American Iron & Steel Institute reveals that production of steel for ingots and castings in 1954 totaled 88,305,579 net tons.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 82.4% of capacity for the week beginning Jan. 17, 1955, equivalent to 1,389,000 tons of ingots and steel for castings as compared with 83.2% (revised) and 2,007,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 72.4% and production 1,726,000 tons. A year ago the actual weekly production was placed at 1,766,000 tons or 74.1%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Sets New All-Time High Peak In Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 15, 1955, was estimated at 9,928,000,000 kwh., a new all-time high record, according to the Edison Electric Institute. The previous all-time high record at 9,909,000,000 kwh. was established in the week ended Dec. 18, 1954.

This week's output constituted a gain of 95,000,000 kwh. above that of the previous week, when the actual output stood at 9,833,000,000 kwh., and an increase of 914,000,000 kwh., or 10.1% over the comparable 1954 week and 1,807,000,000 kwh. over the like week in 1953.

Car Loadings Perk Up In Post-Holiday Week

Loadings of revenue freight for the week ended Jan. 8, 1955, increased 72,751 cars or 13.7% above the preceding holiday week according to the Association of American Railroads.

Loadings totaled 602,203 cars, a decrease of 22,026 cars or 3.5% below the corresponding 1954 week, and a decrease of 85,907 cars or 12.5% below the corresponding week in 1953.

U. S. Auto Output Rose to An 88-Week Peak In the Latest Week

The automotive industry for the latest week, ended Jan. 14, 1955, according to "Ward's Automotive Reports," assembled an estimated 155,912 cars, compared with 150,585 (revised) in the previous week. The past week's production total of cars and trucks amounted to 177,539 units, an increase above the preceding week's output of 6,260 units or 3.4%, states "Ward's." In the like week of 1954 139,341 units were turned out.

Last week, the agency reported there were 21,627 trucks made in this country, as against 20,694 (revised) in the previous week and 24,953 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 5,970 cars and 798 trucks last week, against 5,760 cars and 838 trucks in the preceding week and 8,843 cars and 1,657 trucks in the comparable 1954 week.

Business Failures Hold to a Relatively Steady Trend

Commercial and industrial failures edged up to 200 in the week ended Jan. 13 from 198 in the preceding week, according to "Dun & Bradstreet, Inc." Casualties were at the same level as in the comparable week a year ago, but exceeded considerably the toll of 158 in 1953. Continuing below the pre-war level, however, mortality was down 47% from the 380 which occurred in the second week of 1939.

Liabilities of $5,000 or more were involved in 171 of the week's casualties. This size group showed a slight dip from 174 in the previous week and 172 last year. Small failures, those with liabilities under $5,000, increased mildly to 29 from 24 a week ago and 28 in the similar week of 1954. Thirteen businesses failed with liabilities in excess of $100,000 as compared with 17 last week.

Retailing and manufacturing accounted wholly for the week's slight upturn, with the toll among retailers rising to 98 from 87 and among manufacturers to 46 from 42. Meanwhile, wholesaling casualties dipped to 25 from 29, construction to 16 from 22, and commercial service to 15 from 18. Failures exceeded last year's level only in wholesaling and commercial service. In other lines, mortality dipped slightly below 1954.

Geographically, casualties increased in four of the nine regions during the week. The Middle Atlantic toll edged up to 69 from 66 while the East North Central climbed notably to 30 from 17. In contrast, declines prevailed in four regions, including the Pacific States, down to 51 from 62 and

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WALTER A. SCHMIDT

Partner, Schmidt, Poole, Roberts & Parker, Philadelphia
President, Investment Bankers Association of America

The investment outlook for 1955 seems favorable. A year ago the general situation was more clouded than at the present time. The economy seemed to be wavering, except from the expressions of opinion by Government agencies but as the year progressed the predictions of the Government proved excellent. The general business improvement, particularly during the last six months of 1954, should undoubtedly carry through into the first six months of 1955. In my judgment, it is always difficult to look ahead more than six months; however, this year it could possibly be strong throughout the entire year.


Walter A. Schmidt

The outstanding feature of 1954 has been the continued strength of the stock market. At the year-end, the Dow-Jones Industrial Averages were at 404.39 which indicates that the market is high, at least from the historical point of view. To predict the market trends this year is a difficult assignment. I think that the market at the present time is in a nervous condition and I would guess that averages could be 5 or 10% higher during the year but they could also be 10 to 15% lower.

Because of the huge National debt, the activities of the United States Treasury and the Federal Reserve Bank are the guidepost for money markets and Corporate and Municipal bond prices. It seems that at the present time one of the primary interests of the Government is to continue their excellent control of inflationary trends. To effect this result, the yields on Government securities could possibly increase to slight degree. This could mean that Corporate bond prices might follow in the same general pattern. Because of the terrific visible supply of tax-free Municipal bonds, they too could do likewise. The fact that there is a great amount of investable funds available, however, is a possible reason for thinking that the demand for all classes of bonds will be considerable and thus prices could remain reasonably stable.

The investment securities industry has had an excellent year in 1954. This should have been true of all phases of the industry, particularly the Stock Exchange houses. For some years their business has been only average. However, with increased commission scales and unusually large volume, their year has been undoubtedly gratifying. As a matter of fact, it seems to me those houses who have not done well this year should take a look at themselves. Unusual years are few and far between and it would seem a logical time that our industry should be certain that the condition of their clients' accounts is as they should be. It is also an excellent time to double-check ourselves and our operations.

I think that our industry should be very careful in offering of securities to the public. To me, to the extent that those of us in the securities business could fairly be said to have contributed to that which happened in the 1929 era, our greatest mistake was one of judgment. The securities we recommended were more speculative than we realized and we do not want to find ourselves in the same position again. My principal concern today is the possibility of unqualified persons recommending uranium and Canadian venture oil stocks and other outright speculations. We do not want to have that category of so-called securities distributors place a major reflection upon the vast percentage of careful distributing organizations who are honestly attempting to follow a sound course for the benefit of the investing public and the economy at large.

Education is an important factor in our thinking and if the public is encouraged to look more cautiously at the advice of tipsters and other prognosticators, I think they would be better off over a period of time.

Our profession is a most important one in the entire economy. Let us do everything in our power to improve the thinking of the private investor for the benefit of the country at large.

H. R. SEARING

President, Consolidated Edison Co. of New York, Inc.

Present indications are that Consolidated Edison's growth in 1955 will match, if not exceed, that of 1954.

We expect general business conditions to show gradual improvement over the rather sluggish year just past. While we do not have any large industrial plants in our territory, a healthy tone in economic conditions will stimulate the thousands of varied business we serve in New York City and Westchester County.


Hudson R. Searing

New construction of homes in our territory is holding up while commercial construction in mid-town Manhattan continues to boom. It takes time for new buildings to come up to their estimated electric load. We are still receiving additional benefits from structures completed in the last three years.

Air conditioning will be a factor of some importance in our electric sales as will space heating in our gas and steam sales. If normal weather patterns prevail, the effect on our load will be on the plus side.

Our construction budget for 1955 may be as high as $95,000,000 compared with $82,000,000 spent this year. Most of this new money will be used to expand electric generating facilities, to construct electric substations and to reinforce our distribution system in anticipation of the greater future loads.

We will complete a major electric generating unit this spring which will maintain our reserves at adequate levels. We are planning additional units to meet future needs and are investigating the possibility of using atomic energy as a heat source in electric generating stations.

Our current financial requirements for construction are being met through an open-end credit with a group of banks. If the market is favorable during 1955, we may fund part of this loan.

We expect to continue our present policy of cooperative promotion with manufacturers, distributors, and dealers. Results of this policy have been encouraging, especially with respect to air conditioning and gas space heating.

Greater use of electricity requires adequate wiring, and we are pushing vigorously this aspect of our business with builders and contractors. In addition, we have recently launched a campaign to demonstrate the benefits of improved industrial lighting.

W. W. SEBALD

President, Armco Steel Corporation

At Armco we believe that 1955 will be a year of good business and continuing general prosperity for America.

As an indication of our confidence, we plan to spend approximately $30 million to improve our plants and equipment in the new year—about the same sum that we spent in both 1954 and 1953.


W. W. Sebald

According to our estimates, 1955 should be a better year for the steel industry than the one just past. Based on the expected levels of demand, steel production during the coming year should rise to 95 to 100 million tons.

As a matter of fact, the amount of steel actually used by manufacturers in 1954 was about 96 million tons (in terms of ingots), but production was only a little over 88 million tons. The difference represented a substantial reduction in the inventories of steel held by manufacturers.

There is a good possibility that steel inventories will be increased, and it appears that steel output is headed for a rise of at least 10%. That would make 1955 one of the four best years the steel industry has ever had.

Business has shown real strength in resisting the effect of general inventory reductions and lower government spending during 1954. In the present year, inventories will probably be increased, and orders for military goods are likely to be higher than in 1954.

Americans will continue to increase their standard of living as manufacturers introduce new and improved products now in the planning stage. If no major strikes develop, the amount of money that consumers will spend in 1955 should show a continuing increase. The construction industry is planning another banner year, and new housing starts should again go over the million mark.

Since the closing months of 1953, there has been a downward trend in business spending for new plants and equipment. A further drop seems to be in prospect, but I believe that the trend will be reversed sometime in 1955.

Competition in the market place will continue to be intense. To meet this stiff competition, as well as to keep pace with the natural growth of our country, industries of all kinds will continue to improve their production facilities and distribution methods.

We have had convincing proof that business is on a really sound basis. We know that our economy has a great vitality and instead of standing still, or slipping backwards, is alive and growing.

This inherent vitality is the big plus factor in our free enterprise system, and one of the main reasons why I look for continued prosperity in the United States.

LEWIS A. SHEA

President, The Connecticut National Bank, Bridgeport, Conn.

Over all, I think the year 1955 should be as good or better than the year past.

Looking at the economic picture in Bridgeport, one cannot be too optimistic because, due to a strike and other reasons—that we hope are temporary—there is large unemployment. I believe, however, for the first quarter of 1955, due to other more constructive influences, the business situation in Bridgeport should be at least even with 1954. With the development of building and road building and the expected demand for machine tools and metal products, the economy should get a substantial boost, so that by the end of the first six months we should be well in line with the rest of the country.


Lewis A. Shea

At the moment the inventory picture is good, a substantial amount of the big inventories being liquidated; and the retail merchants have reported a good Christmas season.

F. RITTER SHUMWAY

President, Ritter Company, Inc.

The firm tone and pace of new orders received in the last months of 1954 exceeded our forecasts and encourage us to believe that 1955 should be a good year for the manufacture and sale of Ritter dental and medical equipment. Another ground for optimism for our company is the very fine preliminary reception accorded to our new dental chair of modern design, which will be formally introduced to the trade and to the profession very early in February. Furthermore, the first run of the new chair indicates that it will be readily manufactured, and that we shall encounter less than the usual difficulties connected with the introduction of an entirely new model. This should be reflected before the end of the year in larger volume of total sales and modestly better profit.


F. Ritter Shumway

Our operations are, of course, closely related to the over-all economy of the country. The final results for 1955 will reflect the extent to which the national economy is sustained and a proper balance is maintained between labor and material costs and selling prices.

L. D. SILBERSTEIN

President and Chairman of the Board, Penn-Texas Corporation

America is getting ready for a new upsurge of prosperity. As I see it, the year 1954 was the year of planning. The year 1955 will be the year of expansion, leading up to a year of consolidation and accomplishment in 1956. Sparking the business boom during the coming year will be four separate and powerful factors. These are, first, an expanded armaments program; second, continuance of overall liquid credit conditions; third, a Presidential prosperity program veering toward a slow-boil but potent inflation; and fourth, an atomic energy industry now ready to zoom ahead.


L. D. Silberstein

These four bullish elements will be giving dynamism to an economy that is already the strongest the world has ever known. We start the new year with a record number of employees, the second highest national income in history, a great abundance of low-cost money and a people accustomed to working and consuming at high speed. To top it off, we have a population that is growing at a rapid pace, creating many thousands of new consumers 365 days of the year. The combination cannot fail to produce further prosperity.

I anticipate further growth, new acquisitions, more business and the creation of more jobs during 1955.

ROSS D. SIRAGUSA

President, Admiral Corporation

Television receiver sales during 1954 have been considerably higher than anticipated a year ago and might well set a new record. Although retail movement during the first half totaled approximately 2,800,000 units, sales picked up considerably during the last six months and industry sales for 1954 may reach 7,000,000 TV sets.

I look forward to 1955 with cautious optimism. Consumer savings are at a record high. Employment and wages are stabilized at a high level. New housing starts are estimated in excess of 1,250,000 units.


Ross D. Siragusa

Our company plans additional plant expansion during 1955 and have five production facility projects on the drawing boards at present. In addition, new sales, service and warehouse facilities are being erected in several cities where our own distributing branches are situated. I believe industry television sales will be off slightly during 1955 to an anticipated but still healthy 6,500,000 sets. Color TV will continue to develop and grow slowly. From 100,000 to 200,000 color sets may be sold during the year.

We at Admiral still are not satisfied with the present color tubes. First, they are too complex. Second, they are round and cumbersome instead of rectangular. Lastly the present tube sizes are not standard and the resultant cost is far too high. Mass production of color receivers at prices the public can afford will not be feasible until a color tube is available at approximately $50 to $60.

Admiral's use of "automation" and printed circuits in television production has made 1954 a most memorable year in our company's 20-year history. Our engineers have perfected a battery of machines that automatically assembles half of a television chassis in a matter of seconds. During 1955 we shall put into operation a new

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The State of Trade and Industry

New England, down to 15 from 21. The Mountain States showed no change from the previous week. Mixed trends from 1954 appeared, with four regions having heavier casualties and four with fewer. The most notable upswing from last year occurred in the East North Central States, while there was a marked dip in the Middle Atlantic States.

Wholesale Food Price Index Strikes Highest Level In Five-Week Period

A rise of 6 cents last week lifted the Dun & Bradstreet wholesale food price index for Jan. 11 to $6.81, the highest level in five weeks. Compared with $7.03 a year ago, the current figure shows a drop of 3.1%, but it is 9.0% above the corresponding 1953 week when it stood at $6.25.

Higher in wholesale cost the past week were flour, rye, barley, beef, tea, cocoa, beans, peas, eggs, potatoes, steers and lambs. Declines occurred in wheat, corn, oats, hams, lard, butter, coffee, cottonseed oil and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Held to a Narrow Range the Past Week

The daily wholesale commodity price index, compiled by "Dun & Bradstreet, Inc.," kept within a narrow range the past week at a slightly higher level than a week earlier. The index closed at 278.70 on Jan. 11, compared with 278.61 on Jan. 4, and 275.65 on the corresponding date a year ago.

Grain markets were irregular with trends uncertain as additional rains and predictions of snow in many drought areas of the Southwest, coupled with a sharp reaction in securities markets, tended to depress prices.

Wheat received some support from mill buying following an expansion in domestic flour business early in the week. Export trade in wheat continued in small volume. Corn was buoyed to some extent by continued light receipts but the market reacted under free profit-taking and prices finished below a week ago. Cash malting barley markets strengthened with advances of 3 to 10 cents for better grades influenced by limited offerings. Trading in all grain and soybean futures on the Chicago Board of Trade was moderately active. Daily average sales last week totalled 45.2 million bushels, against 38.1 million the previous week and 47.4 million in the same week last year.

Export flour business showed considerable improvement last week. As the result of mill protection against advances and price concessions amounting to 10 cents or more per cwt., substantial bookings took place in both Spring and hard Winter wheat bakery flours.

Takings were well distributed among bakers and jobbers which, in many instances, extended their coverage through February and March. The spot butter market continued easy, with buying support discouraged by continued ample supplies.

Cocoa developed a steadier tone aided by a continuation of dealer coverage against recent sales of actuals to manufacturers. The raw sugar market was mostly quiet as refiners bought sparingly in view of the 8.2 million ton quota set for 1955. Demand for lard was generally slow with prices working lower. Traders looked for a rapid accumulation of stocks in the next few weeks due to prospects of continued heavy hog receipts. The trend in hog prices was mixed while prime fed steers continued strong and active with prices reaching new highs for the past two years. Cattle receipts were down slightly from the previous week.

Spot cotton prices moved over a fairly wide range in fairly active trading the previous week. Closing prices were slightly under a week ago.

Bearish factors included the sharp break in securities quotations, the continuing decline in the rate of CCC loan entries and indications that new attempts would be made to raise next season's acreage allotment.

Helping to sustain values were good shipper demand and fairly active domestic and foreign price-fixing. CCC loans outstanding on 1954-crop cotton as of Dec. 31 were reported at 1,673,000 bales. Activity in textile markets increased last week and prices for some kinds of cotton gray cloths advanced.

Trade Volume In Latest Week Marked By Recovery from Post-Holiday Lull

Retail trade recovered the past week from the post-holiday lull; shoppers spent considerably more in the period ended on Wednesday of last week than in either the previous week or the corresponding period last year.

They bought more reduced-price household linens, Winter apparel, and some Spring clothing. Sales of new automobiles remained moderately above a year ago.

The total dollar volume of retail trade in the week was estimated by "Dun & Bradstreet, Inc.," to be from 2 to 6% larger than a year ago. Regional estimates varied from the comparable year-ago levels by the following percentages: Midwest 0 to +4; New England +1 to +5; East, Northwest, and Pacific Coast +2 to +6; South and Southwest +4 to +8. The greatest improvement over the preceding week in 1955 occurred in the Midwest.

Clearance events in most parts of the country accounted for a large volume of sales in women's shoes, coats, dresses and lingerie. Many metropolitan areas reported that cruise and resort wear were popular and furs sold at a much higher level than in the same week of 1954. Sales of children's apparel, particularly boys' wear, increased. Men's suits and sportswear in darker colors were in greater demand than a year ago.

Promotions of home furnishings were generally satisfactory last week. Although sales were much below several weeks ago, they were above last year at this time.

Lamps, china, curtains, and draperies were more popular than case goods and upholstered furniture. Although heavy appliances were bought infrequently, sales of laundry equipment improved.

Food volume was unchanged from the previous week and considerably above a year ago. Housewives bought more beef than in the prior week, but lamb and pork buying was lower.

Wholesale buying increased in the week as many merchants continued to replenish stocks which were depleted by heavy retail trade in the last part of 1954.

Observers at apparel and home furnishing markets reported significantly improved orders, a higher volume than last year at this time.

Although trade was generally slow in textiles, order backlogs in cotton goods were sizable, and there were widespread price increases in the past two weeks.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 8, 1955 advanced 13% from the like period last year. In the preceding week, Jan. 1, 1955, a decrease of 1% was registered from that of the similar period in 1954, and for the four weeks ended Jan. 8, 1955, an increase of 8% was recorded. For the year 1954 a loss of 1% was registered below that of 1953.

Retail trade volume in New York City the past week registered gains approximating 15% ahead of the like period a year ago, according to trade observers.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 8, 1955, registered an increase of 5% above the like period of last year. In the preceding week, Jan. 1, 1955, a decrease of 4% (revised) was reported from that of the similar week in 1953; while for the four weeks ended Jan. 8, 1955, an increase of 5% was reported. For the year 1954 the index advanced 1% from that of 1953.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — John J. Danielson has become affiliated with Bache & Co., 229 East Wisconsin Avenue. Mr. Danielson was formerly with Bank of Commerce of Milwaukee and prior thereto with the First Wisconsin Company.

With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert A. Martin is with The Continental Securities Corporation, 5855 No. Shoreland Avenue.

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automatic production line that will assemble practically an entire TV chassis.

One of the greatest advantages of Automation is that we are able to control absolutely the quality of our TV production. Any chance for human error is eliminated. Furthermore, it is now possible to make a unit check of the chassis. This means that the entire printed circuit section can be tested at one time as a single entity, thereby eliminating from 25 to 30 other checks.

Automation also has made possible at 92% reduction in the per square inch cost of Admiral's black and white television receivers since our first set was introduced in 1947. Our first 10-inch receiver retailed for $350 seven years ago and provided 52-square inches of viewing area at a cost of $6.73 a square inch. The latest 21-inch Automation-produced Admiral set provides 270 square inches of viewing space for less than 60¢ a square inch.

Radio set sales should exceed 10,000,000 in the year ahead. The outlook for appliance sales is stronger than ever and we expect to continue to improve our position in this field.

GEORGE L. SMITH

President & Treasurer, G. R. Kinney Co., Inc.

All the figures, statistics and analyses that we have been bombarded with, by statisticians and economists, add up to a very strong retail market in the next six months ahead.

George L. Smith

While this host of statistical information measures the basic strength of our economy with mathematical precision, the chain retailer has access to even better information than straight line business indices suggest.

Our organization is nationwide, operating stores from coast to coast, and border to border—we feel the pulse of the American public at the very moment of its economic heartbeat. With the exception of only an isolated spot or so, the general tenor of the average American's feeling about the future is one of strength, confidence and assurance that his personal resources will certainly be no less and definitely better in the period ahead.

Strong retail sales during the Christmas period—which have continued into this new year—indicate better than words this confidence. Our managers at the regular sales meetings being held this month of January emphasize the optimism of the American consumer.

Our company is measuring this confidence with the largest sales program in the history of the company for the first six months of 1955.

W. G. SKELLY

President, Skelly Oil Company

Oil men are optimists at the beginning of a new year. It must be so in an industry where a hopeful willingness to take calculated risks is indispensable. I too am an optimist but I am also realistic and keep a sharp watch for rocks in the road. In that spirit I look toward 1955.

W. G. Skelly

The year 1954 opened with obvious problems at hand and in prospect. Accompanying a slackening of the annual increase in comsumptive demand to which the industry was geared, the upward surge of crude oil production in 1952-53 had created, for the first time in years, an over-produced condition reminiscent of pre-proration days. Twenty to forty years ago the oil industry's old man of the sea, crude oil over-production, had climbed on its back again and again, depressing prices almost to vanishing points and creating grave maladjustments. But the mechanisms to conserve oil through equitable proration, carefully designed over two-score years and manned in most states by commissions adequately empowered by settled law, came to the rescue. In the principal oil states severe restrictions were imposed, wisely and well. Oil was kept in the ground for production when economic conditions justify. Thus waste was avoided and the threat of over-production was gradually met. Disturbed product prices at times and places reflected the disturbance of crude oil equilibrium, but at worst this was but a mild suggestion of what might have been. As a whole 1954 was a year of progress and profit.

I think 1955 can be a better year. The basic reason is the degree to which over-production of crude oil has been curbed. In addition, economists whose opinions I value predict a renewed upward trend of consumptive demand. So able an observer as Gen. Ernest O. Thompson, Chairman of the Texas Railroad Commission, which administers conservation in that state, says that a recent increase in demand for petroleum has brightened the outlook and that the present situation is the best ever to face the industry at the beginning of a new year. I am not sure that I go that far but I am sure that we have sound reason to expect a better year in 1955. At least I know that my company has raised its sights (how much it would be premature to say at this time) and that we hope to shoot as high as we aim.

Not that 1955 will be all blue skies, calm seas and clear sailing. There are reefs ahead but they can be avoided by good navigation. One vexation lies in the tangle into which natural gas production has been thrown by the decision of the Supreme Court last June in the so-called "Phillips Case," placing this important function under regulation by the Federal Power Commission as if it were a public utility. But I am hopeful that Congress will say again, this time unmistakably, that the production of gas is not a public utility but instead is a competitive private endeavor like the production of coal, wheat, cotton or any other commodity. This, in my opinion, is what Congress tried to say in the Natural Gas Act of 1938.

All in all, I am optimistic about the oil and gas industry in 1955. I expect a year of competitive opportunity. What more could we want?

HON. H. ALEXANDER SMITH

U. S. Senator from New Jersey

As in the past, the economic outlook for the United States in 1955 will depend to a measurable degree on economic conditions abroad. From a legislative standpoint, after assuring ourselves of the basic soundness of our domestic prosperity, the most important issue for Congressional consideration in the field of international economics is President Eisenhower's foreign economic program.

H. Alexander Smith

The political stability which we all desire in world affairs is greatly dependent on achieving the largest possible degree of economic and social stability. The path towards these goals is, in large measure, the path of increased international trade and investment. Our efforts can only be really fruitful if other nations train their sights in the same direction. Much has been said concerning the benefits that will accrue to other countries as a result of these trade measures. It needs to be pointed out that, to use the President's word, ". . . an increasing volume of world production and trade will help assure *our own* economic growth and a rising standard of living among *our own* people."

Many sincere Americans who are opposed to a reduction in trade barriers do not see it quite this way. They fear that a lowering of these barriers will cause severe hardships for many Americans. Of course, such hardships must be avoided wherever possible, and I believe can be avoided if, as the President recommends, we proceed gradually, cautiously, and intelligently with tariff reductions on a selective and reciprocal basis. Additional competition for domestic producers as a result of increased imports will make certain adjustments necessary. But such adjustments have been successfully made in the past not only when required by foreign competition, but also when the cause for increase competition was domestic in nature. Such a situation has often arisen in the country as a result of the introduction of new products or new more modern production techniques. As the recent report of the Committee for Economic Development states, "though these adjustments may at times be painful, they are one of the sources of the dynamism of the American economy. Their final effect is not to reduce average American wages, but to increase them. For after the adjustments have been made . . . our productivity will be increased. As a result, real wages will be, on the average, higher than before."

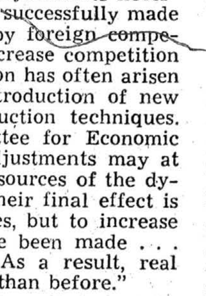
Our own interests compel us to discontinue policies which tend to prevent the attainment of stronger and more stable economies among the free nations of the world. Without ignoring the problems of domestic adjustment which a gradual lowering of trade barriers may require, we must keep foremost in our minds the welfare of America and the other free nations as a whole. Of special importance in this regard is the effect these economic measures will have in strengthening the position of the underdeveloped areas. Since the termination of active hostilities in Korea and elsewhere, these underdeveloped areas have become the batleground between Communism and freedom.

The basic economic outlook for America in 1955 is good. It is my conviction that enactment of the President's foreign economic program will strengthen the economic outlook for America and for the world as a whole.

McGREGOR SMITH

President, Florida Power & Light Co.

In 1953 the Florida Power & Light Co. spent a total of $33 million on the expansion of its generating transmission and distribution facilities. An 80,000 kw. increase in generating facilities was made at the Riviera Power Plant just north of West Palm Beach. For 1954 the expansion of the company's system facilities will cost an estimated $39 million including an 80,000 kw. addition to its 160,000 kw. Cutler Power Plant south of Miami.



McGregor Smith

We expect 1955 to be the biggest year so far in the company's history. Construction expenditures will approximate $41 million, including the 140,000 kw. addition of the Cutler Plant. This will then be the largest unit on the company's system. These expenditures reflect our opinion as to the continued rapid expansion of business in Florida.

In 1951 we set up a ten-year expansion program which anticipated an increase in system capability from 502,000 to 1,405,000 kw. by the end of 1961, at an estimated expenditure on construction of $332 million.

The population development of the state has exceeded our original anticipations. According to the July 1, 1954 estimates of the Federal Bureau of the Census, Florida's permanent civilian population has increased 707,000 since April, 1950. This is a greater increase than that of any other state in the union, excepting California.

In October of last year, therefore, we revised our expansion program materially. We now plan for a system capability of 1,662,000 kw. by the end of 1961 and the estimated expenditure on construction for the 10-year period has been increased to $410 million.

The rapidly increasing knowledge of Florida's superior year-round climate; the continued increase in speed and greater convenience of transportation—Miami is now within 3½ hours of the scene of wealth and of population of the nation—the national increase in paid vacations, 30 million man weeks in 1941 to more than 60 million in 1953; the expanding relative size of that segment of the country's families having incomes sufficiently large to take vacations—all these and other elements have combined to stimulate the development of Florida's year-round tourist business with its corresponding addition of good year-round jobs and resulting increase in permanent population.

The State's population development, past and present, and studies of its causes give promise of a population in excess of 5 million by 1960, against 3½ million today, and an increase in the permanent population of the territory our company is privileged to serve from 1½ million today to 2½ million by 1960.

RUDOLF SMUTNY

Senior Partner, Salomon Bros. & Hutzler, New York City

The reserve balances of the commercial banks are the basis of our credit system. The most important factors which increase or reduce reserve balances and thus expand or contract credit are—changes in reserve requirements by the Federal Reserve Board, borrowing by the member banks from the Federal Reserve, and open market operations by the Federal Reserve Banks. Right now, I believe, open market operations ought to be re-examined in the light of recent experience.

Rudolf Smutny

The Federal Reserve Banks in conducting open market operations now deal exclusively in Treasury bills. Now the bill market is one of the most important segments of the money market. Through it financial institutions and industrial corporations provide for their liquidity. Banks must, of necessity, keep a large volume of bills on hand in order to cope with their daily cash swings. Many corporations keep their tax accruals in bills and use them to maintain their liquid assets. As a result of this pressing financial need for short-term paper there is a large and constant demand for Treasury bills. Hence, when the Federal Reserve conducts open market operations in the bill market it can, and does, have a pronounced effect on yields.

tax accruals in bills and use them to maintain their liquid assets. As a result of this pressiong financial need for short-term paper there is a large and constant demand for Treasury bills. Hence, when the Federal Reserve conducts open market operations in the bill market it can, and does, have a pronounced effect on yields.

This reliance on bills as the sole vehicle for open market operations is doubtless due to respect for the traditional Anglo-American central banking practice of operating exclusively in "the nearest thing of money"; also, perhaps to a fear of even seeming to sponsor anything remotely resembling the discarded "pegs." However, under present circumstances open market operations do not appear fully to be achieving the desired objectives. The volume of bank loans has consistently lagged, and the level of bank rates has remained unchanged. Many corporations have cut down on bank loans and built up their emissions of short-term paper. Therefore, when "the nearest thing to money," is in persistent and relatively short supply, and when open market operations in bills in pursuit of a policy of "active ease" have merely resulted in declines in bill and commercial paper yields while leaving the volume of loans unchanged, it may be surmised that something more than operating in the bill market is needed.

An arbitrary increase in the supply of bills is not the answer. I think, rather, that it is to be sought in widening the scope of open market operations to include securities other than Treasury bills. To this end the Federal Reserve should use its authorization to buy and sell in the open market Treasury obligations with maturities, in the first instance, of up to one year, and should this prove ineffective, after suitable trial, then be authorized to operate up to three years. After all, the amount of Treasury securities due within one year, other than bills, is far larger than the entire Federal Reserve portfolio of Treasury securities.

I do not believe such a liberalization of open market operations would do violence to the traditional central banking practice of operating solely in "the nearest thing to money." At the same time it would reduce undue pressure on the bill rate. I think we must all concede that, thus far, the policy of "active ease" has had a much more pronounced effect on the level of bond prices and the

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The Federal Reserve and The Treasury Bill Market

the Bill rate changed more if the Federal Reserve was active, yet in other years the Bill rate was more volatile when the Federal Reserve was inactive. For example, if we study changes in the System's holdings of Treasury Bills (inclusive of repurchase agreements), the Bill rate was more volatile when the System was inactive during the second half of 1951 and through 1952, and again in the second half of 1954; in the other years the reverse was true. For the statistical details the reader is referred to table III.

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As can be seen from the data presented, the impact of the Reserve System's new technique—limiting open-market operations to the Treasury Bill market—has not produced a noticebale change in the behavior of that sector. In common with the rest of the money market rates became more variable in 1953 and the first half of 1954, but there does not appear to have been a markedly differential effect on the Bill rate. Only in the use of repurchase agreements does there appears to have been a change towards greater volatility after 1952. If anything, the conclusion seems to be that the money market operates so smoothly that the shift affecting Bills are soon communicated to the other maturities, so that all tend to react in about equal degree.

However, it should be added that nothing is implied regarding the other, broader questions—whether the Open Market Committee should try to set a pattern of rates, or at least intervene in the longer maturities if their trends are different from those desired. Such problems were outside the scope of this study.

TABLE III

A. Weekly Changes in Selected Federal Reserve Government Securities' Holdings Compared with *Fluctuations* in Rates on New Treasury Bill Issues in the Immediately *Preceeding* Week (average weekly change, in basis points)

		Federal Reserve Inactive*	Federal Reserve Active*
1. All Government Securities Including Repurchase Agreements			
	1951	.029	.025
	1952	.054	.056
	1953	.062	.094
	1954	.067	.058
2. All Government Securities Excluding Repurchase Agreements			
	1951	.018	.027
	1952	.038	.058
	1953	.076	.097
	1954	.090	.043
3. Treasury Bills Including Repurchase Agreements			
	1951	.039	.025
	1952	.042	.061
	1953	.058	.096
	1954	.067	.058
4. Treasury Bills Excluding Repurchase Agreements			
	1951	.024	.026
	1952	.040	.061
	1953	.065	.103
	1954	.088	.045
5. Repurchase Agreements			
	1951	.023	.029
	1952	.049	.061
	1953	.085	.089
	1954	.055	.067

*Average weekly change in Treasury Bill rate: "Inactive"—during those weeks in which selected Federal Reserve item did not change. "Active"—during those weeks in which selected Federal Reserve item changed.

B. Weekly Changes in Selected Federal Reserve Government Securities Holdings Compared with *Fluctuations* in Rates on New Treasury Bill issues in the Immediately *Succeeding* Week (average weekly change, in basis points)

		Federal Reserve Inactive*	Federal Reserve Active*
1. All Government Securities Including Repurchase Agreements			
	1951	.064	.023
	1952	.063	.057
	1953	.058	.095
	1954	.067	.058
2. All Government Securities Excluding Repurchase Agreements			
	1951	.034	.025
	1952	.067	.054
	1953	.069	.101
	1954	.089	.045
3. Treasury Bills Including Repurchase Agreements			
	1951	.078	.023
	1952	.064	.052
	1953	.053	.093
	1954	.067	.061
4. Treasury Bills Excluding Repurchase Agreements			
	1951	.047	.024
	1952	.058	.055
	1953	.062	.105
	1954	.082	.049
5. Repurchase Agreements			
	1951	.032	.020
	1952	.050	.060
	1953	.068	.099
	1954	.055	.068

*Average weekly change in Treasury Bill rate: "Inactive"—during those weeks in which selected Federal Reserve item did not change. "Active"—during those weeks in which selected Federal Reserve item changed.

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News About Banks and Bankers

on Jan. 13 by Glover Beardsley, President of the bank. Mr. Morehead is Vice-President, Treasurer and a director of the Suburban Propane Gas Corp. of Whippany, N. J., with New York offices at 20 Exchange Place.

* * *

George O. Nodyne, President of the **East River Savings Bank of New York,** announced on Jan. 13 the promotion of Robert Horsfield, Assistant Treasurer, as Assistant Vice-President, and William L. Barton, Assistant Secretary, as Assistant Vice-President. Mr. Horsfield has been with the East River Savings Bank since 1951 and is in the Security Investments Department. He was formerly with R. W. Pressprich & Company. Mr. Barton is the officer in charge of personnel and has been with the bank since 1941.

Robert Horsfield

* * *

The appointment of William J. Fabry as an Assistant Vice-President of **Manufacturers Trust Company of New York,** was announced on Jan. 14 by Horace C. Flanigan, President of the trust company. Mr. Fabry became associated with the Manufacturers Trust in December, 1933. He was advanced to an Assistant Secretary in December, 1951. Mr. Fabry is in charge of operations at the bank's office at 741 Fifth Avenue, corner 57th Street.

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The National City Bank of Long Beach, Long Island, N. Y., reports a capital of $403,920, increased from $391,680 as of Dec. 31, by a stock dividend of $12,240.

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Louis D. Cox, President of the **Roslyn National Bank & Trust Company** and Arthur T. Roth, President of the **Franklin National Bank, Franklin Square, N. Y.,** announced on Jan. 10 that their Boards of Directors have unanimously approved of the consolidation of their banks under the name and charter of the **Franklin National Bank.** Letters signed by Mr. Cox, have been mailed to the shareholders of the Roslyn National Bank & Trust Company announcing the proposed consolidation which is subject to the approval of the shareholders of both institutions and the Office of the Comptroller of the Currency. Application for consolidation will be made to the Comptroller of the Currency after Feb. 1, 1955. "All of the employees," Mr. Roth said, "have been invited to remain with the Franklin National and they will be given the same benefits in Retirement and Profit and Pension Sharing Plans that are now enjoyed by all employees of the Franklin National." Louis D. Cox, will be Vice-President in charge of the Roslyn Office," Mr. Roth said.

* * *

The consolidation of the **Meadow Brook National Bank of Freeport, (Nassau County), N. Y.** and the **Bank of Hicksville of Hicksville (Nassau County), N. Y.,** was effected on Dec. 17, under the charter and title of the **Meadow Bank National Bank of Freeport.** Before the consolidation, the latter had a capital of $3,521,860, while the Bank of Hicksville had a capital of $200,000. At the effective date of the consolidation the consolidated bank (the Meadow Brook National) reported capital stock of $3,921,860 in 392,186 shares of common stock (par $10 each); surplus of $4,078,140 and undivided profits and reserves of not less than $1,350,000.

* * *

The election of Charles L. Hulswit, President of Rochland Light and Power Company, Nyack, N. Y., as a director of **The First National Bank of Spring Valley, N. Y.,** was announced on Jan. 11 by Charles W. Hawkins, President, at the bank's annual meeting of shareholders.

Herman G. Berdolt has been elected Vice-President of **The Greenwich Savings Bank,** Broadway at 36th St., New York City, according to an announcement

Herman G. Berdolt

made on Jan. 18 by Earl Harkness, President of the bank. Mr. Berdolt joined the bank as Assistant Treasurer in 1944 and was elected Controller in 1946, which title he will retain as Vice-President and Controller.

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The Comptroller of the Currency reports that the **First National Bank & Trust Company of Bridgeport, Conn.,** has changed its name to the **Connecticut National Bank of Bridgeport.**

* * *

At the annual meeting of the **Puritan Bank & Trust Company of Meriden, Conn.,** on Jan. 11, Clarence S. Powers was re-elected President. Other officers reelected according to the "Meriden Journal" are: Sheldon E. Falk, Vice-President; O. Edwin Johnson, Treasurer; Harriet W. Kawiak, Assistant Secretary; and Donald J. Kenefick, Assistant Treasurer. The annual statement it is stated, showed the banks resources total $3,816,877.90 while deposits are reported as $3,467,-543.58.

* * *

The First National Bank of Madison, at Madison, N. J., with common stock of $100,000, was merged with and into the **Madison Trust Company at Madison, N. J.,** under the charter of the latter and under the title **First Bank and Trust Company, Madison, N. J.,** effected as of the close of business Dec. 10.

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yields on short-term paper than it has had on the volume of commercial loans and the level of bank rates. I do not believe that a modest increase in the area of open market operations would have any significant effect on the long-term government market. Certainly it could hardly be construed as a return to the unsound practice of "pegging" the prices of long-term bonds.

GEORGE SPATTA

President, Clark Equipment Company

George Spatta

I believe business, as a whole, will be good in 1955 and that it will surpass the total volume of 1954. It seems to me that with peace and incentives to enterprise, our technology can transform our resources into higher and higher living standards for all our people.

As to our own business, I believe that our volume will be 20% higher than in 1954 and that the industry in which we operate will be generally prosperous.

HON. JOHN SPARKMAN

U. S. Senator from Alabama

The legislative outlook for 1955 is that there will be cooperation between the President and the Democratic-controlled Congress in many areas vital to the security and welfare of the nation. There will, of course, also be occasions of deep and sincere disagreement.

Sen. John Sparkman

There is, I believe, substantial agreement on the legislative needs relating to foreign affairs.

It seems wise to ratify, perhaps with some changes, the Mutual Defense Treaty with the Republic of China, and the Southeast Asia Collective Defense Treaty. It is important to our own welfare and safety that this entire part of the world be free and independent. Ratification of these treaties with proper economic and military aid will help in this aim.

Legislation will also be approved to continue on a modified scale economic and miltary assistance to other parts of the free world.

Perhaps the most effective step that could be taken in the form of economic cooperation would be the extension and liberalization of the Reciprocal Trade Act. This Act expires on June 30 of this year. I am confident that it will be renewed for a three-year period. Its renewal is essential to our own economic well-being as well as that of other free nations.

Other programs having to do with foreign relations that will be given legislative approval are those of student exchange; special inducement to encourage foreign investments; dissemination of information about ourselves to friendly nations as well as to those behind the Iron Curtain; support of the United Nations; and sharing of atomic energy knowledge for peacetime uses.

Heavy expenditures will be authorized for the Defense Department. The only question will be whether or not Congress will support a stronger program even than that recommended by the President.

It is in the area of domestic legislation that the sharpest differences will be expressed. Democratic leaders will vigorously oppose any legislation to do further injury to TVA, REA, and municipally-owned power systems. The same is true of any further disposition of the nation's natural resources. Congress seems to be about evenly divided in its views on these two issues so there is little likelihood of getting any major legislation through on these subjects.

The same situation exists in regard to the price supports on agricultural products. The outlook for legislation beneficial to the family-sized farmers, other than higher price supports, appears to be fairly good. On the whole, though, there seems to be little chance for major farm legislation in this session of Congress.

I believe that a substantial program of road building will be approved. There is also strong sentiment for a school construction program, and for the continuation of an adequate home building program.

The tax laws may very well remain the same as they are now. If any tax changes are made, the Democratic leaders will push hard for increases in individual exemption and in the corporate tax structure to benefit particularly small business.

Of course, no one can predict with accuracy just what legislation a Congress will enact. The views above, however, seem to me to be the current sentiment in the major fields of possible legislative action.

Should the world situation or the condition of the domestic economy show a drastic change, the legislative outlook would, of course, also change. There are no over-riding indications, though, that a major change in either the world picture or the domestic economy is imminent.

This time a year ago, I wrote that the economy showed danger signals, but that a major depression was unlikely and certainly unnecessary. Events have proved me correct.

Most economists agree that the outlook today is brighter than a year ago. There are still some signposts, though, that bear watching. I feel sure that Congress will keep an eagle eye on developments and will move fast should the occasion demand it.

PHILIP SPORN

President, American Gas & Electric Company

Looking ahead at the nation's economic picture for 1955, it seems reasonable to expect that the basic conditions of 1954—no war, no depression and no major boom—will still hold in 1955 and the industrial upturn, which began early in September, will continue. If this is a true picture of our country's economic climate, then 1955 may very well prove to be the best economic year in the history of the United States.

The reason for this optimistic projection is that we have these basic fundamentals with us: a continued dynamic population growth; many unfilled wants to be taken care of, such as more schools, more housing, and more public buildings like hospitals and health centers, and, in general, a continuing tradition of a steadily improving living standard which promises not only to stay but will quite likely gain added impetus with the new year. A firm characteristic of the electric utility industry is dynamic growth, but the rate of that growth is influenced by the general national economic picture. Consequently, the increase in electric use in any particular period is the sum of the normal growth, that is, the continually widening use of electric power for any given level of economic activity of the country, and of the increase as a result of the increase in economic activity.

Today the electric utility industry is geared to fully meet the country's power needs, and it is preparing to meet much higher levels of use. The peak of 100-million kilowatts of generating capacity which the industry reached in October, 1954, was materially added to by the end of the year, so that the year-end installed capability was somewhat in excess of 140 million kilowatts. The non-diversified power demand on the power systems of the country reached a figure of some 87.3 million kw in 1954. Thus, during the year, energy generation reached a total of 473 billion kilowatt-hours and energy sales close to 410 billion kilowatt-hours.

For 1955 it seems reasonable to expect a demand of close to 95.5 million kw. energy generation of somewhat over 520 billion killowatt-hours, and energy sales of close to 450 billion kwh. These would represent an increase of 9.5% above 1954.

This outlook is materially brightened by the vigorous and confident manner in which the utilities are proceeding with the expansion of their facilities: approximately 12 million kw. of generating capacity was added in 1954, and the amount to be added in 1955 will certainly equal that figure and may exceed it.

A second item of brightness in the electric power picture are the technological advances that are being projected in generation and transmission of power, both by the conventional means and by nuclear methods. A number of steam-electric generating plants were placed in service in 1954 with a thermal efficiency of 37.5% and requiring less than 7/10ths of a pound of coal (0.70 lb.) for the production of a single kilowatt-hour; even more efficient plants will be placed in service in 1955. The projection of units which will operate at steam pressures up to 5,000 pounds per square inch, in the so-called supercritical zone, and ranging in size from 275,000-300,000 kilowatts is further evidence of this vital trend.

The year 1954 saw considerable progress made in implementing the reactor development program of the Atomic Energy Commission designed to bring about competitive electric power generation from nuclear fuel. A number of electric utilities are very actively cooperating in it, and in 1955 this work undoubtedly will be expanded and a greater segment of the industry will be cooperating in the program.

Another significant development of the year was the actual placing into service of a considerable number of 330,000-volt transmission lines to improve the scope and economies of high-voltage power transmission.

On the American Gas & Electric Company System during the two years, 1953 and 1954, there were added 1,075,000 kilowatts, an unprecedented block of generating capacity to be added in a two-year interval by a private utility system. In the next two years an additional 570,000 kw. will be put into operation. This includes the history-making supercritical steam-electric generating unit at Philo Plant which for the first time will reach a thermal efficiency of 40%.

JULIAN K. SPRAGUE

President, Sprague Electric Company

The several thousand companies which make up the electronics industry have witnessed in the year just ended the first interruption since World War II in the rapid growth of their combined output, accompanied by highly competitive conditions in virtually all segments of the industry. However, indications are that this interruption was a temporary one, and at the present time there is a strong prospect that total sales of electronic equipment and parts in 1955 will equal or exceed the previous peak in 1953.

Julian K. Sprague

In the entertainment field, conditions changed rapidly during the year, reflecting the marked recovery in TV set production once the large set stocks on hand at the end of 1953 had been worked off. Set production, which was lagging 30% at midyear, was 30% larger in the last half of 1954 than in the like period of 1953. The result was that full-year output came to about 7.4 million sets compared to 7.2 million in 1953. At retail the picture was even better, with sales to the public approximately equal to the year's total production and almost 15% higher than the previous peak in 1953. Giving effect to somewhat lower prices and a public preference for less expensive models, as well as a moderate drop in radio set production and sales, total dollar volume of home entertainment products was about 15% below 1953.

Developments in the field of color TV were somewhat slower than the publicity on this subject a year ago would have suggested. Not over 25,000 color sets were actually produced, and although good progress was made toward the solution of some of the problems associated with color reception, much work remains to be done before color sets will be readily available with price tags materially below the present $800-$1,000 figure. It is therefore unlikely that color will be a significant factor in set production before the latter part of 1955, or that actual production this year will exceed 200-300,000 units. Once the economic problems are solved, however, there should be a market for several million color sets per year, although I do not believe color will ever completely replace black and white, either in programing or set sales.

Electronics for defense continued in 1954 to account for approximately one-half the industry volume, alhough value of total output for this vital purpose seems to have been slightly below 1953 also. On the other hand, in the light of a very marked drop in overall defense spending last year, it seems evident that military electronics accounted for a larger proportion of total expenditures, and it seems entirely probable that this trend will continue in 1955 and subsequent years. Growth in industrial and commercial applications of electronics continued in 1954, and the next 10 years or so may well see a more rapid rate of growth in this area than in either home entertainment or defense production. These newer markets open virtually unlimited horizons to the inventiveness of the entire electronic industry, from the supplier of the smallest component to the builder of the most complicated control system or electronic computer.

Turning to 1955, I believe there is reason to expect that sales of black and white TV sets will be well maintained at relatively stable prices, although it is too soon to say whether there will be a market for more than seven million sets as there was last year. Assuming that the public will purchase at least 6.5-7.0 million black and white sets plus at least 200,000 color sets, however, it seems probable that dollar volume in the entertainment field will approach the 1953 peak of $1.6 billion. A number of factors will contribute to making the year a good one, including the fact that more than a third of the 33 million TV sets in use at the present time are more than three years old and are thus good candidates for replacement. There is also a growing market for second and third sets; approximately 1.2 million homes are already so equipped, and the number is expected to increase significantly this year. Finally, new stations are still coming on the air in both the VHF and UHF bands, with the total in operation now more than 420 compared to 356 at the beginning of 1954.

Adding to the favorable outlook for black and white television the probable beginnings of large-scale color set production, a likelihood of some increase in total defense production, and further gains in industrial electronics, the industry can look forward to a resumption this year of growth in total volume, in both end equipment and component parts. As a leading manufacturer of components, Sprague Electric Company is devoting a larger percentage of its sales dollar to the development of new products than it was a year ago, particularly in the new fields of electronic data-handling and control systems, both commercial and military. We look forward with confidence to the future of our business and that of the electronics industry as a whole.

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Facing the Future With Confidence

contribute added strength to our own economy.

So much for the broad economic background as we enter 1955.

And now I would like to talk about the industry with which I am most familiar. To my mind it is unique. There is no other industry like it.

The Auto Industry Will Continue to Expand

The history of some industries is that after early development and growth, the design and use of their products become stabilized. Such industries no longer contribute to further stimulation of the economy or to a furtner rise in living standards.

The automobile industry presents a sharp contrast to this pattern. Here is an industry already over 50 years of age. For 50 years this industry has been able to make an ever increasing contribution to the economic advancement and well being of the nation. Billions of dollars have been expended to capture the favor of customers.

And now, after 50 years, it is showing the greatest vigor and vitality in all its history. This year the industry has come forward with the most outstanding products ever offered to customers.

That is a truly amazing accomplishment. It reflects as nothing else could the youthful state of our industry.

Nowhere in the world has any industrial group demonstrated such faith in the economy of its nation or such confidence in its own future as has the automobile industry.

What has charged our industry with such vitality? What is responsible for its dynamic growth?

It is my considered opinion that the annual model change has been the most important single factor responsible for the growth and vitality of our industry. It has stimulated competition and speeded technological progress. Efficiency has been increased and the level of buying power raised. The industry has grown. Employment has mounted. And, finally, the annual model change has made available a sufficient number of used cars—good used cars—to bring individual transportation within the reach of nearly everyone.

The 1955 models offered by our industry reflect in abundant measure this tremendous force.

For General Motors to bring its 1955 models to market required an outlay of more than $600 million. That is nearly **twice** the amount spent for the 1954 models. It is evidence of our determination to maintain General Motors' leadership in engineering, styling and value for the customer's dollar.

Our new Chevrolet, Pontiac, Oldsmobile, Buick and Cadillac lines are outstanding. Each has set a new high standard in its own field. Never before have all of our lines been so far ahead in every respect.

This year all five lines have the distinctive panoramic windshield, combining beauty of design with increased vision for greater driving safety.

I said last year the impact of this pioneering achievement by General Motors would be felt throughout the industry and for many years.

Its impact was immediate. It is no exaggeration to say that the improved styling inspired by the panoramic windshield together with higher compression engines, automatic transmissions and the many other mechanical advances introduced by us have been responsible for the greatest forward surge by all manufacturers in the entire history of our industry.

Characteristic of General Motors styling leadership is the introduction this year of the first completely new automobile body type since 1949 when the two-door hard-top was pioneered by General Motors. This year we are presenting to the public a four-door hard-top which combines the beauty of the two-door hard-top with the comfort and convenience of a four-door sedan.

As in the case of the two-door hard-top and the panoramic windshield, the impact of this pioneering advance will be felt throughout the industry and for many years. This completely new development was exhibited as one of the "dream" cars in last year's Motorama. Now it is being introduced by Buick and Oldsmobile.

Another significant achievement by our stylists and engineers is an entirely new concept developed for the rapidly growing market for cars of the station wagon type.

It was exhibited in the 1954 Motorama as the Chevrolet Nomad. It is of strikingly modernistic styling, featuring very narrow, slanting pillars with a greatly expanded glass area for unobstructed vision. It too combines beauty of design with increased vision for greater diving safety.

This year it is being introduced by Chevrolet as the Nomad and by Pontiac as the Safari.

In our 1955 Motorama you will see many new dream cars and other advanced features on exhibition. We anticipate that the ideas and concepts will be of substantial benefit to our stylists and engineers in planning the production models of future years.

Now for a summary of business outlook for 1955 as I see it.

It is my belief that this year our national economy will reach a new peak.

I foresee a gross national product in the area of $370 billion. That would be an increase of about 3% over the estimated level for the year of 1954, and somewhat in excess of the record reached in 1953.

Against this encouraging backdrop and provided we continue to enjoy labor peace, our industry should produce and the domestic market should absorb approximately 6,800,000 passenger cars and trucks. Unit production, including Canada and for export to other markets, should approximate 7,600,000 cars and trucks.

For General Motors I estimate that in 1955 unit sales of passenger cars will be the highest in our history. I estimate that our sales in dollars again will approximate 10 billion despite the fact that our defense deliveries will continue to decline and will account for less than 10% of our total volume.

A Look Into the Future

Now for a look to the more distant future. Just as our research laboratories, engineers and stylists work years ahead, so we make it a practice to appraise and anticipate the markets for our products in the years ahead.

Our studies indicate that sometime in the early 1960s our country should achieve a gross national product of $500 billion.

We find that by 1962 population may total 184 million, almost 20 million more than today. Number of households should increase from 48 to about 54 million, creating a tremendous new demand for homes, motor vehicles and other goods and services.

Assuming maximum utilization of the country's economic resources—in other words, full employment — it is estimated that disposable personal income might well be about 40% higher than today.

Motor vehicle registrations now total about $58 million. With disposable income up 40% we estimate that by 1962 there may well be over 75 million vehicles registered, an increase of more than 30%.

General Motors Expansion Program

Last January I announced a billion dollar expansion program to provide us with facilities to keep pace with the growth of the market for our products as we appraise it.

You will recall, when I made the announcement, Mr. Sloan remarked that, based on his long experience, such programs always tend to increase and that before we got through with ours it probably would run to a billion and a half dollars.

Mr. Sloan's crystal ball was good, because that is just what has happened. The program has grown to one and a half billion dollars.

Capital expenditures for this program in the past year reached a total of $750 million. Expenditures for 1955 under this program are estimated at $500 million. The remainder will be expended in 1956. This does not include $200 million which we have authorized for modernization and expansion of our facilities in Europe.

When this program is completed, General Motors will have expended in the United States and Canada alone three and one-half billion dollars for capital investment since the end of World War II. This is in addition to very substantial expenditures for special tools during this period.

General Motors capital expenditures, of necessity, will continue at a substantial rate, both to keep our facilities and products modern and to assure General Motors adequate capacity to keep pace with our appraisal of the normal

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HERMAN W. STEINKRAUS

President, Bridgeport Brass Company
Former President, United States Chamber of Commerce

The optimism displayed everywhere points to a better year in 1955 over 1954—but perhaps not as good as 1953. It is quite evident that the year ahead will see stronger competition in all industry with some having more favorable opportunities than others. One of the major elements is a continuous demand for private and public housing carrying into 1955 at a peak rate. The auto industry is concentrating on new models and completely new lines to attract new customers by satisfying individual tastes. This indicates that the automobile industry is aware of the fact that we are returning to vigorous competition.


H. W. Steinkraus

The electrical appliance industry has barely scratched the surface in the fields of home air conditioning and color television.

The consolidation of smaller units of industry into a formation of stronger groups is a further sign that many companies are building for greater strength and efficiency to meet vigorous competition all along the line.

As for the metal industry of which steel is the leader, a combination of inventory liquidations, severe cuts in defense expenditures and a general reduction in business volume of so-called consumer durables were experienced during the early part of 1954. Indications for 1955 are that all of these setbacks are being replaced by increased demands.

The rapidly growing aluminum industry is finding new uses in many directions.

The copper and brass industry which suffered setbacks in 1954 through sharp curtailment in government defense expenditures and customers' inventory liquidation, has been experiencing a mildly upward curve of sales during recent months which has indications of carrying into the new year with continuing improvements.

Our company enters 1955 with a number of major programs well started which should have important influence on 1955 results. The new tube mill at Bridgeport, the huge aluminum operation less than a year old in Adria, Michigan, and the recently launched line of Bridgeport Copperware—all have potential possibilities for increased sales and profits in 1955. Other improvements in facilities were installed in 1954.

We believe the atmosphere for good business will exist in 1955 and what we make of it will deepnd upon the degree of careful planning, hard selling and efficient production which we apply.

JOHN STEVENS, Jr.

President & General Manager, Marathon Corporation

Barring a major upset in the national economy, I believe we can anticipate a steady increase in sales volume and net earnings during the next few years. Favorable results attained in 1954 were achieved principally because we were able to follow the pattern of planned progress instituted in 1953 and prior years. For this reason, we approach the new business year with confidence that sales and earnings in 1955 will exceed those of 1954.


John P. Stevens, Jr.

Inasmuch as so much of our product is tied to the food industry a recession might not have as direct an impact on our buisiness as might be the case in some less essential lines. One of the last things a person does is to stop eating.

D. T. STAPLES

President, Tide Water Associated Oil Co.

Tide Water Associated Oil Co. is about to embark on the heaviest capital expenditure program in the company's history. It is designed to increase our oil and gas reserves, to expand our refineries and to improve our nationwide marketing position.


David T. Staples

The $127 million which the company has budgeted for these purposes in 1955 will come principally from reserves and plowed-back earnings. We expect earnings in 1955 to be comparable with or somewhat higher than those of 1954.

Stockholders requiring cash dividends were recently given an opportunity to exchange their common stock for $1.20 cumulative preferred stock. Nearly 20% of the common shares were exchanged. The rest were held in the expectation—which we share—that the company's earnings and values will increase substantially in the future.

GLENN W. THOMPSON

President and Chairman of the Board, Arvin Industries, Inc.

The home and the automobile continue to be among the chief interests of the American family. As a result, 1955 volume and earnings will be higher than in 1954 in the four industries of which Arvin Industries, Inc. is a part. This prediction is based on projections just completed by executives of our company covering the automotive parts and equipment, radio and television, metal furniture and electric housewares fields.


Glenn W. Thompson

It is all but axiomatic that when the automobile industry is enjoying good business the nation as a whole, likewise, enjoys good business. And, all signs point to an excellent year for motor car manufacturers. The 1955 models, most of them of completely new design, are proving extraordinarily popular with the public. Indications now are that the strong buying trends which already have developed will continue through much of the year. Many plants in the automotive parts industry, including our own, presently are operating at or near capacity, extended work days and work weeks and extra shifts being necessary to meet customers' requirements. As a result, the industry as a whole should show substantial gains over 1954—a year in which some motor car manufacturers experienced decided sales slumps.

The nation's population growth, the increased rate at which family units are being formed and the encouraging forecasts for residential construction this year should affect favorably the sale of many articles now regarded as all but essential in the American home. Included in this list are radio and television sets, metal furniture for indoor and outdoor use and electric housewares. Demand for these products was strong during the last half of 1954, enabling some firms to set new sales and earnings records. Continuation of this demand, coupled with the introduction of new products and the improvement of others, is expected to be reflected in favorable results for these industries in 1955. In addition, a negative factor, fear of unemployment, which caused many families to postpone purchases last year, is almost certain to be absent this year.

A definite trend towards two television receivers in the home appears to be developing. The fact that manufacturers in 1954 were able to reduce prices substantially on monochrome sets is responsible, at least in part, for this trend. This, in turn, suggests the unusual effort manufacturers will make to bring the prices on color TV receivers within the reach of the average American family. Despite contrary predictions of a few years ago, a strong demand continues for popular-priced, table model radio sets. Obviously, this condition not only creates added manufacturing and sales economies but it also contributes to the profits of an electronics division.

Developments which can be expected in 1955 in the four industries with which Arvin is associated: Greater reliance on market research and analysis; removal of additional monotony from jobs through the introduction of improved machinery in plants and offices; an increased emphasis on cost reduction and, therefore, greater earnings; continued stress on maintenance of high quality; new merchandising techniques; introduction of new products; greater attention on the part of top management to long-term planning and, most importantly, a renewed interest, sincerely attempted, in relations with employees, stockholders, customers, suppliers and the communities in which the manufacturer operates.

RAYMOND H. TROTT

President, Rhode Island Hospital Trust Co., Providence, R. I.

As the year 1955 opens, a wave of confidence and optimism, the like of which has not been experienced for 25 years, is sweeping the country. A year ago the prevailing spirit was one of pessimism. In the light of the developments of the ensuing 12 months that pessimism was not justified. I wonder if a year from now we will not look back and find that the rampant optimism of the present was also not warranted. Nineteen fifty-four turned out to be a pretty good year. The decline in industrial production, which was the outstanding feature of the economic scene a year ago, ended by March, and thereafter the feature of the whole economy was stability. Near the end of the year, industrial production, under the stimulus of the introduction of new model automobiles, turned up sharply. The major question today is whether that recovery will continue at an undiminished pace for many more months or whether as in 1953 it will stop by the end of the first quarter or thereabouts. My crystal ball does not give me the answer but I would like to make some general observations.


Raymond H. Trott

We are operating to a considerable extent in a managed economy. The Federal Reserve and the Treasury in their monetary and fiscal policies exert a powerful influence on business activity. By making a quick transition from tight to easy money the Federal Reserve certainly tempered the severity of the decline in industrial production in 1954. Many would credit it with stopping the decline. This has led to the belief that the business cycle can be brought under control, that depressions are a thing of the past, and this is one of the bases for the present wave of confidence. However, Federal Reserve authorities have made it crystal clear that they beileve the best way to prevent a depression is to prevent the boom which always precedes a depression and this is exactly what they did in 1952 and 1953.

This brings us up to the present. There are some indications that a boom psychology is again developing. The stock market is engaged in an almost unprecedented advance, with, one might say, almost no visible means of support. Residential building, stimulated by the 100%, 30-year mortgages permitted under the new housing act, is setting a pace that seems too fast to last. Treasury Secretary Humphrey recently said inflation is still a threat and President Eisenhower, in his State of the Union message seemed to imply that the Administration would not permit business recovery to reach an inflationary stage. Accordingly, if past actions are any criterion, it would be reasonable to expect the Federal Reserve Board to take steps to curb the current expansion in order to prevent it developing into a boom, which would bring the inevitable bust. In fact, its recent increase in stock margin requirements from 50% to 60% is the logical first step in such a program. Precedent suggests that if the stock market doesn't calm down, margins will be raised to 75% and perhaps even to 100% (as they were in 1945-46). Furthermore, if industrial production, already at an historically high level, continues for long to advance at the pace indicated in November and December, a tightening of the whole interest rate structure might be made. And so I have perhaps a little less enthusiasm over the prospects for the coming year than the general temper of the times seems to call for because I feel that for the long run benefit of all concerned another year of stability would be better than a boom.

J. C. L. TRIPP

President, Tripp & Co., Inc., New York City

Toll road financing and construction in 1954 broke all previous records.

More than $1 billion in toll road revenue bonds were marketed to finance the following projects: the New York State Thruway (two offerings, $350,000,000); the Massachusetts Turnpike ($239,000,000); the Pennsylvania Turnpike ($233,000,000); the Kansas Turpike ($160,000,000); the New Jersey Turnpike (two offerings, $102,300,000); the Greenwich-Killingly Expressway—Connecticut ($100,000,000); the Northeast Turnpike—Oklahoma, $68,000,000); the Jones Beach State Parkway ($40,000,000); the Kentucky Turnpike ($38,500,000); the West Virginia Turnpike ($37,000,000), and the Garden State Parkway ($20,000,000).


J. C. L. Tripp

Mileage of toll roads in operation nearly doubled during 1954. In January there were approximately 720 miles of operating toll roads in the United States. By the end of the year, over 600 more miles of these new super highways had been opened to the motoring public—including the New York State Thruway, the Garden State Parkway and the West Virginia Turnpike. Now, at the start of 1955, there are approximately 1,400 miles of toll roads helping to ease the nation's complex traffic problem and another 1,400 miles under construction or financed.

Enabling legislation has been adopted in the various States authorizing the construction of an additional 4,000 miles of toll roads and some of these will come up for financing this year. Already plans have been announced for the proposed sale of well over $1 billion in turnpike revenue bonds in 1955—although no offering dates have been set.

Some announced projects are: three toll roads in Illinois at an aggregate cost of about $390,000,000; two toll roads in Virginia costing approximately $157,000,000; a $58,500,000 Dallas-Fort Worth Turnpike in Texas; a Southeast Florida Turnpike costing $74,000,000, and a Carolina-Virginia Coastal Turnpike costing $3,500,000. An additional $100,000,000 bond issue for the Greenwich-Killingly Expressway in Connecticut has also been tentatively scheduled. It is not expected, incidentally, that litigations pertaining to some of these projects will delay the marketing of the bonds more than a few months. A Michigan toll road from near Saginaw to near Detroit costing $185,000,000 will probably also be financed this year, and Ohio is still contemplating the construction of a $525,000,000 toll road running diagonally across the State from near Cleveland to Cincinnati. Oklahoma, too, has not abandoned hope of financing two additional toll roads costing $146,000,000. The New Jersey Turnpike Authority plans a $26,000,000 bond issue in the spring and the New York State Thruway Authority plans to market $250,000,000 of bonds in the fall.

And this still is not the whole story. Another 5,300 miles of toll roads have been proposed but are not yet authorized by law. Bills and enabling acts to authorize the construction of these additional roads are expected to be introduced in many State Legislatures this year. Some will certainly be enacted.

In Florida, for example, a change in the existing law will be proposed to authorize a toll road running the entire length of the State. In Indiana, specific authoriza-

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Facing the Future With Confidence

growth of the market for the Corporation's products.

By so doing we are making an important contribution to security and opportunity for thousands of men and women. Just as an example of how job opportunities in General Motors have grown, here is what has happened since 1940—the last prewar year and a year of good business for us. In 1940, we had 233 thousand employees on our payrolls in the United States and Canada. As of today our employment totals 520 thousand, an increase of 287 thousand good jobs in only 15 years. World-wide General Motors employment now stands at 600 thousand.

The addition of 287 thousand men and women to our General Motors payrolls in the United States and Canada in only 15 years proves that technological improvements do not wipe out jobs. The impact is exactly the opposite. Technological improvements create jobs. The whole economy benefits.

Some people are now referring to technological improvement as "automation." Do not be confused by this new word. It is just another term for a process that has been largely responsible for the rising standard of living to which the automobile industry and mass production have contributed so much.

The willingness of the automobile industry to undertake large capital investments for new and improved facilities—as well as for new and improved products—has brought the industry, over the span of a single lifetime, to its present stature. The industry has become the greatest single contributor to the strength of the national economy. It has given our people an individualized means of transportation enjoyed by no other people on earth.

Such progress must and will continue to insure the creation of still more and better job opportunities. Only by such progress can the automobile industry continue to make its maximum contribution to the expansion of the national economy.

We in General Motors will continue to make our maximum contribution.

I am sure others are determined to do likewise.

The Eisenhower Highway Program

It is most heartening, too, that President Eisenhower has been quick to recognize the role our highways must play in the continuing expansion of the national economy. In my opinion, nothing is more vitally needed in this country to open up new frontiers for business than the construction of new highways and the modernization of our present inadequate and obsolete highways.

It costs our country several billion dollars each year to operate under existing antiquated road conditions. We still are trying to move 1955 traffic of 58 million vehicles over highways designed for half that number. What will happen when our vehicle population rises to the 75 million estimated for 1962?

Fortunately, the President has taken the lead in proposing a 10-year program which contemplates doubling Federal, state and local expenditures to provide a modern and efficient network of highways. In order to accomplish this, outlays over the 10-year period must reach an estimated $100 billion.

When completed, this far-sighted program will represent a capital investment in facilities just as necessary and desirable as are the capital investments made by industry. It will increase the productivity of our highways just as improved plants and equipment increase the productivity of industry.

Modern and efficient highways will strengthen our military and civil defense. They will make it possible for the vehicles needed for our growing country to render the full transportation service built into them. In their construction and in their use, modern and efficient highways will prove a tremendous stimulant to the economy. They will make a most vital contribution to safer driving.

Nothing ever undertaken in this country can match this program envisioned by the President and his advisors. Its beneficial effects will multiply endlessly to reach every business and every household in the nation. It deserves vigorous support on the part of every citizen.

Bold planning such as this provides the impetus that keeps our economy on the march forward toward ever new frontiers.

The old frontiers of geography have disappeared, but their place has been taken by frontiers in science and industry whose horizons are limitless.

Never have the opportunities for progress been greater than they are today.

Given a world at peace, sound national policies and a people willing to work for the things they want, we can look forward to an ever more dynamic and prospering national economy. That is the goal to which we in General Motors are dedicated.

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The Appliance Industry in 1955

for 99 cents to bring people into their stores. Here, again, some retailers merely sold a lot of bags; but also, here again, many of the retailer salesmen who had tried these creative selling techniques took time to ask the bag purchasers what they were going to use them for.

If the lady answered that she was going to use it to bring frozen food home from the store, the salesman was immediately in there with a pitch for a larger refrigerator or home freezer. If she talked about cooking for picnics, he had an ideal opportunity to talk to her about a new range. If, in many cases, she was going to use it while visiting as a reting place for baby's diapers, he had an immediate opportunity to find out how she was going to launder them once she got home. This worked, and, again, thousands of created sales were produced by this type of creative selling.

Let me tell you one final story. Recently, at the furniture market, I talked to a neighborhood furniture retailer from the South. For the first nine months of this year, he and his salesmen waited for customers to come in asking for appliances. During the last three months, he made full and effective use of the type of creative selling I have been talking about. He told me that as a result of this creative selling technique he had sold more appliances in the last three months alone than he had in the previous nine months.

Gentlemen, I don't know how many of you have reached the conclusion that "people" are prospects for appliances. I don't know how many of you have reached the stake of willingness to talk to and classify four *people* in order to develop one *customer*. I know those of you who have had the successful experiences I have mentioned this morning are set and ready to apply this selling technique full force in 1955. You know it works! You know it produces—not only business, but it produces *good* business. Instead of wasting hours with a shopper looking for the biggest discount, you spend less time moving a person who hasn't "shopped" through the stages of interest, desire and action to come up with a full-list sale. To those of you who are not selling in this manner, let me assure you that the forecasts indicate the opportunity will be better than one customer out of four contacts in 1955.

It looks like appliance sales in 1955 could reach 13 or 14,000,000 units, and we go into the year with 45,000,000 wired homes. This means the ratio is better than one to four.

Many of you have been heard to remark that you wish you could go back to the "good old days" of the 1930's. Let me draw for you this one last comparison. In the six years preceding the war, our major electric appliance industry averaged 4,000,000 sales a year, and the average number of wired homes during those years was 24,000,000, or a ratio of one to six. You're going back from this meeting into your 1955 market with more than three times as many sales opportunities—not counting TV—and there are less than twice as many retailers as we had in these prewar years.

The market is there — creative selling works. If you are not already selling in this way, go to it for a prosperous and successful 1955.

Amer. S. E. 5 & 20 Club Elects New Officers

Philip H. Diamond, American Stock Exchange stock specialist, was elected president of the market's "Five and Twenty" club, at the group's ninth annual meeting, dinner and election. Mr. Diamond succeeds John S. McDermott. The organization, composed of 168 brokers who have held American Stock Exchange memberships for twenty-five or more years, comprises 34% of the market's 499 regular members.

Also elected were Rulley Koerner, Vice-President; Harold Brown, Treasurer and Jack Feinstein, Secretary. Leonard C. Greene was appointed chairman of the entertainment committee.

Lerner Markets Stock Offered at $6 a Share

A new issue of 50,000 shares of class A common stock (par $1) of Lerner Markets, Inc. (a Pennsylvania corporation) was offered by Philadelphia Securities Co., members Philadelphia-Baltimore Stock Exchange on Jan. 13 at $6 per share.

The net proceeds from this financing will be added to working capital and provide for expansion and acquisition of additional markets. Tentative plans call for five additional retail units to be added during 1955.

Lerner Markets, Inc. presently operates three food markets in suburban Philadelphia — in Plymouth Valley, Hatboro and Lafayette Hills. The company's policy involves the planning and laying out of medium sized food markets, considerably larger than the average neighborhood grocery store, yet somewhat smaller than the giant supermarkets.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard F. Alence, Donald G. Hunter, Theodore H. Newcomb, Jr., Benjamin Willens, Ronald H. Winde, Jr., and Norman F. Woodruff have joined the staff of Investors Planning Corporation of New England Inc., 68 Devonshire Street.

Food Mart Common Stock at $10.50 a Sh.

Shearson, Hammill & Co. and associates yesterday (Jan. 19) offered 180,000 shares of Food Mart, Inc., common stock (par value $2) at $10.50 a share. Of the total, 50,000 shares are being sold by the company and the remaining 130,000 shares for the account of controlling stockholders who will retain holdings of 100,000 shares, or about 36% of the 280,000 shares to be outstanding upon completion of the sale.

Net proceeds to the company from the sale of its 50,000 shares will be used with other funds to redeem all of the $400,000 principal amount of subordinated income debentures now outstanding and to purchase the capital stock of Del Norte Frozen Foods, Inc.

Food Mart, Inc., operates a chain of 20 retail food and grocery stores in western Texas and southern New Mexico, of which twelve are in El Paso and the remainder within 220 miles of El Paso. All of the stores have grocery, produce, meat and non-food departments and, except for the meat departments in five small stores, are self service operations. Sales are made on a cash and carry basis.

In the four year period covering the fiscal years 1951-1954, net sales increased from $9,476,025 to $15,683,866. For the six months ended Sept. 25, 1954 sales were $8,228,028 and net income $153,694.

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Dealer-Broker Investment Recommendations & Literature

Delaware, Lackawanna & Western—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Dennison Manufacturing Company—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

General Electric—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

General Gas Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Indiana Gas & Water Company—Annual report—Indiana Gas & Water Company, 1630 North Meridian St., Indianapolis 2, Ind.

Lerner Markets, Inc.—Circular—Philadelphia Securities Company, 1526 Chestnut Street, Philadelphia 2, Pa.

Manning, Maxwell & Moore, Inc.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Missouri Pacific Railroad Co. — Review — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Mitsubishi Chemical Industry — Data in current issue of "Weekly Stock Bulletin" — Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

National Uranium—Data—Teden & Company, Inc., 149 Broadway, New York 6, N. Y.

Opelika Manufacturing Corp.—Memorandum—Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

Pittsburgh Coke & Chemical Company—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of 40 selected companies which should earn more in 1955. In the current issue of "Market Pointers" are selected lists of stocks and industries which appear to have interesting potentialities.

Puerto Rico Water Resources Authority Electric Revenue Bonds—Descriptive circular—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

River Brand Rice Mills—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex. Also available is a memorandum on **Southwestern Electric Service Co.**

Seatrain Lines, Inc.—Report—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Silex Corporation—Bulletin—W. Keyser Manly, 11 West 42nd Street, New York 36, N. Y.

Southern Nevada Power Co.—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Steel Products Engineering Company—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Sun Ray Oil Corp.—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Union Chemical & Material Corp. — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

United Merchants & Manufacturers—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

U. S. Fiberglass Industrial Plastics, Inc.—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Consolidated Diesel Electric Stk. Offered

Van Alstyne, Noel & Co. yesterday (Jan. 19) offered 350,000 shares of Consolidated Diesel Electric Corp. common stock at a price of $4 per share.

The shares being offered are already outstanding and are being sold on behalf of certain selling stockholders. No part of the proceeds from the sale of stock will accrue to the company.

Consolidated Diesel Electric Corp., with its principal plant and office in Stamford, Conn., designs, engineers and produces specialized lines of aircraft servicing and testing equipment and electrical generating equipment. It also produces, on a small scale, a line of farm implements which it markets through Mount Vernon Implement Co., Inc., a wholly-owned subsidiary.

For the fiscal year ended July 31, 1954, the company and its subsidiary had consolidated net sales of $11,573,009 and consolidated net profit of $393,629, equal to 34 cents per common share. For the three months ended Oct. 31, 1954, the initial quarter of the current fiscal year, consolidated net sales amounted to $3,627,343 and net profit of $156,045 was equal to 14 cents per common share.

Outstanding capitalization of the company consists of 1,500,000 shares of common stock; $650,000 of loan agreement notes, and $35,464 of subordinated notes.

National City Bank Syndicate Awarded New York City Bonds

The National City Bank of New York heads a syndicate that was the winner on Jan. 19 of an issue of $65,200,000 City of New York 2½% various purpose bonds, due Jan. 15, 1956 to 1980, inclusive. The group bid 100.6356, for a net interest cost of 2.4169%.

The bonds are being reoffered at prices scaled to yield from 1% to 2.80%, according to maturity.

Other members of the offering group include: First National Bank of New York; Bankers Trust Company; Guaranty Trust Company of New York; Smith, Barney & Co.; The First Boston Corporation; Harriman Ripley & Co. Incorporated; Halsey, Stuart & Co. Inc.; The First National Bank of Chicago; C. J. Devine & Co.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co.

Continental Illinois National Bank and Trust Company of Chicago; Kidder, Peabody & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Eastman, Dillon & Co.; First National Bank of Portland, Ore.; Ladenburg, Thalmann & Co.; Mercantile Trust Company, St. Louis; Shields & Company; Stone & Webster Securities Corporation; Ira Haupt & Co.; Kean, Taylor & Co.; W. H. Morton & Co., Incorporated; B. J. Van Ingen & Co., Inc.

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tion for the construction of a North-South toll road will be sought. A proposal for an integrated toll highway net work from Chicago to Miami will also receive strong impetus this spring. A meeting of officials from the eight States concerned will be held in Evansville, Indiana in February. Following this conference, it is expected that efforts will be made by these States for any necessary authorization of their part of the proposed project.

There are several general factors which also indicate a record year lies ahead in the toll road field.

One of the most obvious of these is the continuing and rapid growth of motor vehicle registrations and travel. The desperate need for toll roads grows rather than diminishes with each succeeding year.

There are other less apparent trends which make toll road construction attractive at this time. One is the marked reduction in highway construction costs—as graphically illustrated in recent contract lettings by the Massachusetts Turnpike Authority. For one stretch of this highway, the construction bid price was 22% lower than the engineers' estimated cost. This is a straw in the wind which will not be lost to turnpike planners.

Another factor to stimulate toll road building is the markedly successful operation of existing toll road facilities. The New Jersey Turnpike, for example, carried a traffic load in 1954 which engineers had predicted would not be reached until 1981 and most other established toll road projects are also enjoying traffic and revenues at a level above engineers' estimates.

A final fact which points to increased toll road financing and construction in the near future is the indication that credit will be granted to the States for any toll road construction costs which they have incurred when and if President Eisenhower's $101 billion highway construction program is implemented. This would mean, in effect, that toll road States would have to put up less State-raised matching money for their share of Federal funds than States which have not built toll roads. If such a provision is actually included in the President's program, it should act as a potent factor to encourage States to carry out toll road financings before the Federal highway construction program is put into effect.

Exactly what this $101 billion program will mean to future toll road construction is anybody's guess at this time but the question is certainly receiving careful consideration by all groups interested in the nation's highway problem. On Jan. 13 and 14, for example, the National Highway Conference sponsored by the Chamber of Commerce of the United States discussed this and other facets of an integrated highway program. It seems probable that many other discussions and conferences of this sort will be held and it may be some time, therefore, before the program is actually formalized and the necessary legislation enacted.

One thing is certain, however. The remarkable success of toll roads financed by private capital through the issuance of public revenue bonds has caught the imagination of Federal, State and municipal officials. The record-breaking expansion of toll roads in 1954 and the excellent outlook for 1955 is proving to the nation as a whole that the military and economic need for better highways in this country is being met head-on by this effective form of highway financing.

WALTER J. TUOHY

President, Chesapeake and Ohio Railway

The railroad industry is on the way up. That is the optimistic note as seen at the close of '54.

The box score of past performance not always records the complete story. If it did, little comfort could be taken from the railroad industry's modest earnings of 3% during the nation's second-best business year.

Walter J. Tuohy

But never was a team so geared together and equipped to go after its proper place in the transportation league. Old methods will be discarded and new ideas enforced. The out-moded rules of the game, recognized to be archaic by legislators, the public, and even the President himself, are bound to be modernized. Yes, there is a new look in the league and the year '55 will mark the crossroads of rails' recovery.

Investors must recognize the promising outlook, for the rails' stock averages are higher than they have been since 1930. Railroad managements must be confident, because disbursements to shareholders in 1954 will be $400 million, 5% more than 1953, although net income for the year is substantially down.

Diversification Pays Off

Chesapeake and Ohio earnings will be in the neighborhood of $40 million in 1954, $5 a share, a decrease of $8 million from last year's $6.04 a share. In the face of general conditions along the railroad and a coal production lowest since 1938, the showing was fairly good.

A lesson learned by C&O in 1954 was that traffic diversification, the building up of merchandise traffic, pays off.

When coal traffic was off for most of the year, merchandise traffic held up earnings.

When coal traffic went up also, particularly in the last three months, net earnings increased significantly to 50-cent-a-share months.

Merchandise revenues in 1954 were greater than those from coal—the first time in C&O history.

Teamwork Outstanding

C&O employee teamwork was outstanding. Over 2,500 C&Oers, who bought common stock through payroll deductions, took an ownership interest in their company's operations. Streamlined yard and shop work, planned and executed by C&O's own employees, and Better Service Conferences organized by the employees for the purpose of keeping tabs on quality of the railroad's service, are proof of the employees' interest in their property.

In 1954, C&O became the first nation's carriers to adopt what is popularly called an "electronic brain" for direct application to administrative procedures. The contracting for use of a Univac, Remington-Rand's million-dollar electronic, large-scale digital computer, may well prove to be the start of a revolution in railroad paperwork procedures.

An improvement in both coal and merchandise traffic on C&O can be anticipated from the general economic betterment now in evidence and which is expected to continue into 1955. It should stimulate coal consumption, particularly in the steel and electric power industries, and, at the same time, increase merchandise movement.

Increased Coal Output Seen

The bottom has been reached in coal's decline. Production in 1955 is expected to climb to 425 million tons from 385 million tons in 1954. Overseas exports of coal in 1954 were approximately 14 million tons, about the same as in 1953, and are expected to be higher in 1955.

With a $460 million postwar improvement program behind it and with an organization of employees alert to better ways of performing their jobs, the year ahead can be another year of improvement for the C&O.

Remember the writer's reference to a man and his opportunities:

"To each is given a kit of tools,
A shapeless mass and a book of rules,
And each must make, ere his time has flown,
A stumbling block, or a stepping stone."

The railroad's antiquated book of rules has built up nothing but stumbling blocks. Tomorrow's changes will be the stepping stone."

G. W. VAN DERZEE

President, Wisconsin Electric Power Co.

Like many other investor-owned electric utility companies throughout America, Wisconsin Electric Power Co. demonstrates its faith in the future by the continuation of a long-range program to improve and augment generating, transmission and distribution facilities.

Gould W. Van Derzee

An important increase in the amount of electric power available for use by the farms, homes, stores, business institutions and industries of our operating area was made in 1954 when the second 120,000 kilowatt generating unit at our new Oak Creek power plant was placed in service on Nov. 1. Construction of a third 120,000 kilowatt unit at Oak Creek is well under way and scheduled for completion some time during the winter months of 1955-56.

The rapid growth of the Oak Creek plant is typical of the pace at which a modern electric utility plant must be expanded to keep ahead of the continually mounting demands for more and more electric service. Since a plant like this should be planned at least three or four years ahead of its scheduled completion date, management and planning engineers must look right past trends of the immediate present. They must make not only long range plans for additional generating facilities but also for improvements in the vast network of trans-

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mission and distribution lines which carry electricity to consumers.

An idea of the complexity and importance of their task may be found in considering the fact that, 25 years ago, the average amount of electricity used by residential customers was little more than 500 kilowatt hours—less than one-fifth the amount used today. In 1954, residential customers of Wisconsin Electric Power System used an average of approximately 2,922 kilowatt hours per customer.

During the past 25 years, the growth in popularity of electrical appliances has been tremendous. For example, in 1929 there were approximately 1,850,000 refrigerators in American homes. By 1954, the figure had jumped to 39,397,000. In the same period, the number of electric washing machines and vacuum cleaners quadrupled. In the past decade, a host of new appliances have found wide popularity, including television, steam irons, electric bedcoverings, broilers, dishwashers and garbage disposers, clothes dryers, freezers, and room air conditioners.

Similar rates of increase are to be found in industry where electric motors and electric heat have helped America to out-produce the world—and on the farm, where electrical appliances have brought all of the comforts of city life to the farm homes and where electricity makes it possible for the farmer to use some of the production-line techniques of industry to make farming easier and more profitable.

Although the management of an electric utility has no sure-fire crystal ball, it is important to the economic progress of the area served and to the interests of many stockholders, that they continue to solve the difficult problems of determining the rate of increased use with presently known electrical appliances and equipment—as well as to predict what new and unknown services will require electricity tomorrow.

We believe in the future of the electrical industry and have based our long-range expansion program on the premise that new opportunities will continue to present themselves for those who are ready to take advantage of them.

B. S. VANSTONE

President, The Bank of Toronto, Canada

Canada's economy is largely affected by the sale abroad of natural and partially processed products and the degree of our prosperity depends on our success in this field. Looking ahead in 1955 the factors which affect such sales seem more propitious than at this time a year ago. The demand for forest products is somewhat better, base metal demand and prices have moderately improved, poor harvests of 1954 in Europe and other areas is finding reflection in increased marketing of grains of which we still have generous supplies, much of it in producers' hands, and with the commencement of production of iron ore from Northern Quebec and Labrador and the aluminum from Kitimat, substantial new income should accrue.


Byron S. Vanstone

In the domestic field, while there would seem to be some prospective decrease in industrial and commercial construction, there is little evidence of any falling off in demand for housing, and that segment of construction would seem to be headed for another good year.

Manufacturing prospects seem spotty. The outlook for the textile and appliance industries is still not too bright. Neither is that of the farm machinery industry although a trend towards increasing exports, if well exploited, may bring some improvement there. In the early part of the year at any rate, there should be some pick-up in the automotive and related industries.

All in all I feel it can be said that while we may not see a return to the ultra prosperous conditions of 1953, the year ahead should be, barring some unlooked for calamity, as favorable as 1954. Resurgence of financial strength in the Sterling Area and Western Europe and an upward trend in the business climate in the United States, all of whom are our good customers, should give confidence to our prospects.

[**Editor's Note:** A merger of the Bank of Toronto and the Dominion Bank has already been approved by shareholders of the respective institutions and now awaits Government approval. The amalgamated bank will be known as the Toronto-Dominion Bank, with assets in excess of $1.1 billion and more than 450 branches throughout Canada, also offices in New York and London, England.]

ERNEST H. VOLWILER

President & General Manager, Abbott Laboratories

Although the drug industry is perhaps less subject to the variables affecting business in general, it is nevertheless definitely affected by economic conditions. The expectation that general business will be good in 1955 is therefore a good omen for the pharmaceutical industry also.


Ernest H. Volwiler

There are reasons to expect the dollar demand for drugs to be about 3% higher than in 1954. With increased capacity and improved manufacturing technics, intense competition developed in some lines, including antibiotics and the cortisone group. Prices of those drugs dropped materially, and the patient is receiving more for his health dollar than ever before. It is not likely that these prices will go much lower this year, because of the already attained efficiency of their manufacture and the sharply limited profit margin. Competition from foreign countries has become more of a problem, particularly with hormones and vitamins. The drug industry is watching with keen interest the development of our tariff policy on drugs, hoping that any changes that may be made will be done selectively so as to preserve the strength of our national capacity for supplying our health needs.

The physical needs for pharmaceutical production have been met quite well, and it is not likely that much new construction will be needed in 1955. Inventories of raw and finished materials appear to be well under control.

This industry is particularly sensitive to obsolescence of its products, because the opportunities are so great of improving still further on the already good drugs which we have. The growth of this field is therefore intimately tied to research, for which the industry is currently spending about 5% of its sales dollars.

The rapid rise of our country's population, with the large increase at both ends of the age scale, will provide a larger market for drugs in 1955. The American expects good medical services, including drugs, and he will get them in still greater measure this year.

RAWLEIGH WARNER

Chairman of the Board, The Pure Oil Company

Since the early fall of 1953, the great thing done by American businessmen was to refuse to panic. They stood their ground in the face of the predictions of those who hoped to reap political dividends by spreading the contagion of gloom.

It was an extraordinary achievement. It was manifested best, perhaps, by the careful liquidation of excessive inventories instead of dumping them.


Rawleigh Warner

We should now avoid with equal steadiness any crowd opinion of perpetual boom. With good foundations under us, 1955 should be a prosperous year.

A rapidly rising population and labor force, tell us there are few things more necessary now than to permit business to earn and retain the funds to be plowed back in the tools and facilities that can alone make good jobs for the new army of job seekers. Consumption of petroleum products is apt to increase from 4 to 5% over 1954. The capital funds needed to drill wells, build pipelines and equip refineries to maintain a daily production of 7,000,000 barrels today and more tomorrow can best come largely from retained earnings.

We are now consuming about 8,000,000 barrels of crude oil a day. One barrel in eight comes from abroad. The maintenance of a wholesome balance between domestic and foreign oil is a matter of importance, not only to domestic oil companies, but to other segments of our economy, including coal. Many believe a reduction of foreign crude imports is advisable.

The five of three decisions of the United States Supreme Court in the Phillips case authorizing Federal price fixing of natural gas at the well-head has imposed on our industry the status of a quasi-public utility. Because the industry is made up of thousands of competing companies, and is not a monopoly, we consider this decision to be thoroughly bad, both from the standpoint of sound economics, as well as from the absence of any law warranting it.

We are convinced that if the decision stands for any length of time, the supply of natural gas to present markets will be curtailed, and at the same time the migration of industry from the north and east to the southwest will be accelerated.

But far more than this is involved.

If "the palsied hand of bureaucracy," to use Woodrow Wilson's words, can thus be laid on the production of gas there is no reason why other natural resource industries—oil, metals, coal, timber and even farm crops—cannot be forced to become public utilities also.

This would be the longest step ever taken toward a Socialistic State in the land where competitive enterprise has built a great nation.

CHARLES M. WHITE

President, Republic Steel Corporation

The steel industry enjoyed one of its better years in 1954 and now is started toward an even better one in 1955.

By every standard of measurement the year will rank as one of the industry's best. When the final tally is in, operations for 1954 are expected to be about 70% of capacity. But this figure does not take into account the great reserve capacity which the industry built as a national defense measure during the Korean War years and which probably will not be fully utilized until our rising population catches up with production around the end of this decade.


Charles M. White

Measured by actual tonnage output, a fairer standard, the industry in 1954 operated at 104% of the 1947-49 average. Percentagewise, the industry at that time operated at 89% of a smaller capacity.

The picture last year was also clouded by the fact that operations swung over a wide range from the mid-summer lull to the high production rates of the fourth quarter.

The move last year by steel fabricators to reduce inventories did serve a useful purpose. It reduced stocks to a more practical level. By using up their own stocks as well as what they purchased, fabricators consumed more steel than the mills produced. It is unlikely that inventories will be reduced further. In 1955 then we can expect that steel production and consumption will be approximately equal.

This means that the mills will operate at a somewhat higher rate because inventories will be maintained rather than cut. The rate of operations would appear to be somewhere in the neighborhood of 7 or 8 million more tons of ingots than in 1954.

Construction will be a strong steel consumer in 1955. Not only do we expect both residential and commercial construction to continue at the high rate of activity of previous years, but probably to increase. This increase should be substantial enough to counteract any slight reduction in industrial construction and steel consumption for producer or consumer durables which might occur.

We think the year ahead will be a good one for Republic Steel. There is substantial demand for most of our products. The oil well drilling program is continuing at a high rate and is expected to boost demand for gas transmission pipe and oil country goods.

The year will be a particularly interesting one for Republic because it will see the first results from the investment of more than $100 million Republic has made in recent years in new raw material sources. The first large quantities of ore will come from Labrador-Quebec. The huge beneficiation plant of Reserve Mining Company at Silver Bay, Minn., will be completed and production of iron ore pellets from taconite begun. Republic has large interests in both projects. The development of our recently-acquired rutile deposit in southern Mexico promises a boost in titanium production.

The financial stability of the company has been greatly improved in the past year by the conversion of our prior preference stock and nearly $60 million funded debt to common stock.

We begin the year in the best shape financially, in raw material reserves, and in the efficiency of our plants, that the company has ever enjoyed. The fruits of the hard work of recent years are about to pay off to the ultimate benefit of Republic stockholders, its employees and its customers.

HON. ALEXANDER WILEY

U. S. Senator from Wisconsin

American business can expect a substantial "green light" from the United States Congress in 1955.

There will, of course, be political parrying between the Democratic majority and the Republican minority in the Congress. That may, at times, result in some uncertainty for U. S. business.

Nevertheless, both major parties are committed to expanding the United States economy. Both parties understand that the prosperity of America will crucially affect economic conditions throughout the world. Both parties are headed by patriotic men, men of peace, men who believe in America.


Alexander Wiley

To be sure, I personally believe that if the Republicans were in control of the 84th Congress that our overall free enterprise system might be considerably more encouraged than under the Democratic majority.

Notwithstanding the split between the two branches, I feel that the strong leadership which the Republican Eisenhower Administration is giving and will give will assure a favorable climate for our economy. A favorable climate means expanded productivity, expanded Gross National Product, expanded employment, sound labor management conditions and equitable tax administration.

On the foreign scene, while there are numerous danger spots, notably in Southeast Asia, the outlook is encouraging. In Western Europe, we are arriving at approximate equilibrium — unsteady but nevertheless more reassuring than before—with the forces of Communism. To maintain the East-West equilibrium, U. S. defense spending must continue high if we are to deter the Soviets from all-out and/or from local aggression. Meanwhile, new political-economic frontier of cooperation are opening in our own backyard, i. e., in the Western Hemisphere, thanks to private investment and credit through the World Bank and Export Import Bank; and we hope soon, thanks to the proposed new International Finance Corporation.

Here at home, one of the most important things which I think Congress can do is to stimulate United States business research, particularly with respect to new industries like atomic energy, electronics, ultrasonics, new concepts and processes like automation, which hold tremendous promise for American growth.

Right now, Uncle Sam is spending at the rate of $2 billion a year in research. I think that America—publicly and privately—could profitably spend still more through all types of expert channels for civilian-type developments, (let alone for vital military needs in such fields as fission, fusion, guided missiles, etc.). Great industries like chemicals and petro-chemicals have prospered tremendously, thanks in major part to research. There is every evidence that if we intensify scientific and inventive technology, we could develop new types of goods and services in our country, and help further raise the standard of living. I believe that our tax laws should therefore be reappraised from the standpoint of how best to stimulate further research. Similarly, our tax laws should be liberalized so as to encourage overseas investment—thus serving to help relieve the Federal Government particularly in view of our unbalanced budget.

Above all, we must maintain in this country a psychology of faith. That is true of the Executive Branch (where our great President fortunately demonstrates this sound quality). It should be true in the halls of Congress, in the stock market, and in every avenue of American life.

I am not suggesting a blind faith, wearing rose-colored glasses which blot out danger signals. Rather, I am asking for the type of forward looking, realistic optimism which has made American great. We need faith in ourselves, faith in our free enterprise system, faith in our leaders, faith in our Allies, and faith in our Creator.

Unfortunately, there are some people who seem to prefer to spread fear and gloom, to reawaken mass unemployment and other grim memories of 1929 and the early '30s. While none of us should forget the lessons of the past, we must not permit the dead past to enslave us or to paralyze us and stunt our growth.

Nineteen hundred and fifty-five will be another boom year for America and I believe for the free world. There definitely need be no bust and will be no bust, provided we exercise common sense, judgment, imagination and faith.

F. K. ZIMMERMAN

President, Lynch Corporation

Along with most other manufacturers of capital equipment, Lynch Corporation goes into 1955 with a backlog considerably below that of recent New Years' Days. The situation here at the beginning of the year thus presents some different problems, indicates necessity for new approaches to these problems, but does not imply a recession of either volume of business or profits. The 1955 situation does imply the necessity for new vitality and ingenuity in the departments of sales, production, purchasing, and research of practically every capital equipment manufacturing concern.


Frank Zimmerman

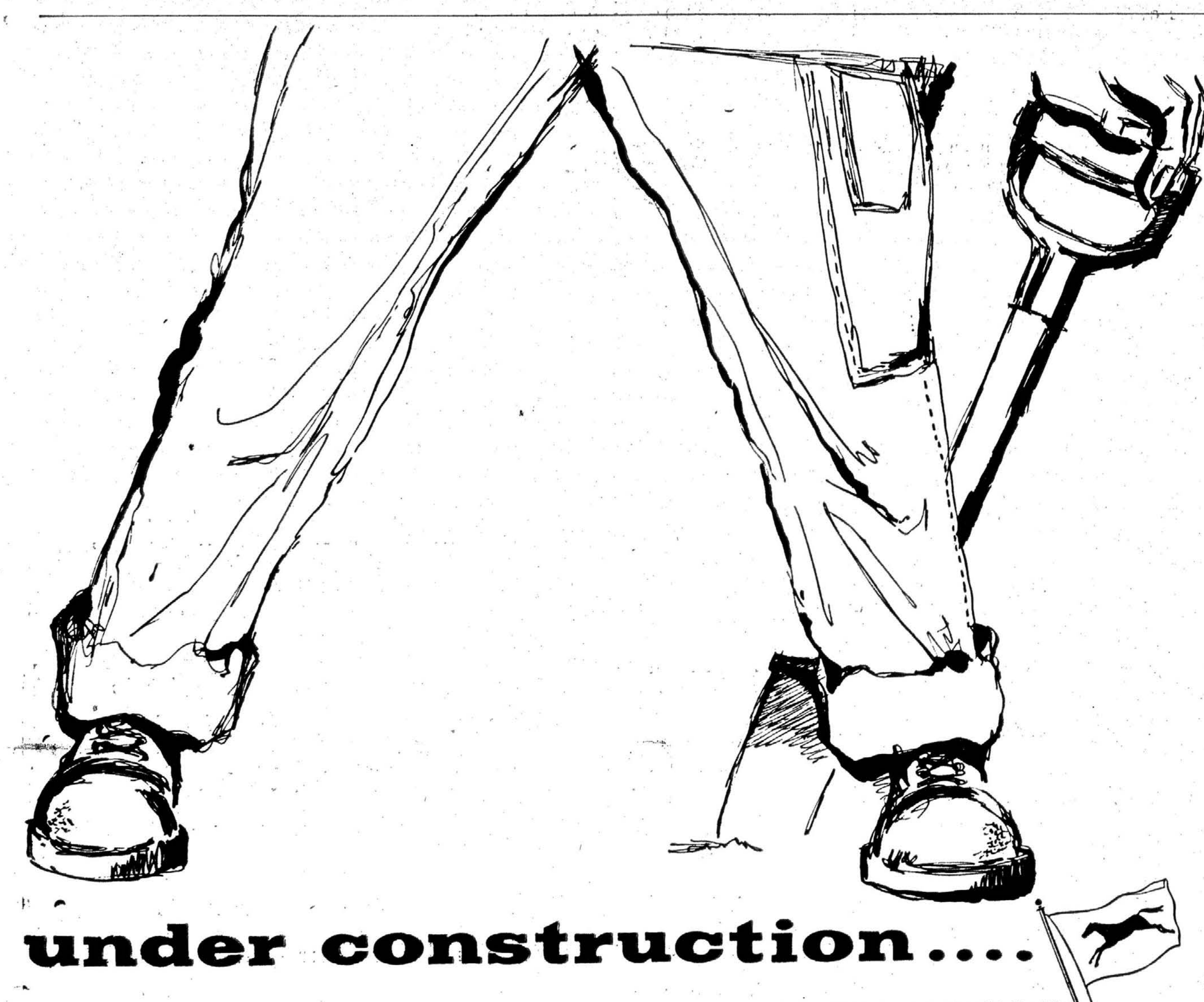
There is universal acceptance of the prediction that while 1954 saw increasing competition in the sale of consumers goods and consumer durable items, 1955 is going to be **really** rough. Sales will be made, because there are many dollars in savings accounts and personal income is at an all-time high. But price will play an increasingly important part as to who will do the selling. The next most important factor will be novelty—what is new or different or more advantageous to the buyer. In helping his customers in both price and novelty competition, the capital equipment manufacturer can carve himself a prosperous year in 1955.

This year the sales department must exhibit its imagination. Customer A bought a packaging machine in 1948. It's not worn out; in fact, maybe it was just rebuilt. But since 1948 the salesman's company improved the machine to save 10% on wrapping materials and speeded up the process by 20%. No longer dare our salesman pass by customer A with the thought, "He has a machine in good working order." If he wants customer A to continue as a future prospect, he has to get in there **now** and show him the savings that will enable him to meet competition profitably.

Likewise, we manufacturers will have to be "sold" by the machinery merchants. We can supply users of package machinery or glass-forming machines economically only if we ourselves can meet wage pressures with technologically improved production equipment. If lathes and mills and grinders are unimproved from five or 10 years ago, we won't be buying many. But if the research departments are busy, improved machines are bound to "sell" simply because we will have to have them to keep up with the parade toward economy which accompanies price competition.

The production managers and purchasing agents in our industry also have different functions to perform "from here in." The production departments must keep abreast of new equipment developments and improved manufacturing processes so that management is alerted to invest in machinery that will reduce production costs. Purchasing agents must become "researchers." Order placing must be more than a "path of least resistence" procedure which was followed during the shortage days.

To summarize, those of us in the capital equipment field have a great opportunity in 1955 to provide manufacturers with superior production machinery if we, through research, development, and efficient production, can furnish money-saving devices at reasonable cost.



GROSS SALES of Television-Electronics Fund for the calendar year amounted to $29,204,118, a 238% increase over the sales of $8,616,037 in 1953.

Sales combined with market appreciation of the securities in the portfolio gave the fund an increase of $43,843,642 in assets last year, to raise the total to an all-time high of $72,679,016 on Dec. 31, 1954, compared with total net assets of $28,835,374 a year previously.

Net asset value per share at the close of 1954 was $10.62, compared with $6.79 a share at the close of 1953. Redemptions of shares during the calendar year amounted to $3,826,313, equal to 13% of sales or about 7% of average assets.

Mutual Funds

By ROBERT R. RICH

Record Year Reported for Mutual Funds

One hundred and fifteen mutual funds, in 1954, racked up record total assets, record gross sales and record repurchases, with net sales the second-best in mutual fund history and topped only by net sales in 1952, a year in which gross sales were lower but a year, also, in which repurchases were much lower.

Total assets for the 115 mutual funds were $6,109,390,000 on Dec. 31, 1954, the National Association of Investment Companies reported, compared with $4,146,061,000 in 1953, a record net increase for any year to date, and as a result of increased institutional and public interest in equities, increased recognition of mutual funds as a prime investment device, and a strongly-rising market which swelled the value of the funds' underlying securities.

Gross sales for 1954 were $862,817,000 compared with $672,005,000 in 1953 and $782,902,000 in 1952, the second-best year. Repurchases, or the cashing-in by shareholders of mutual fund securities, was a record $399,702,000 in 1954, compared with $238,778,00 in 1953 and $321,550,000 in 1951, the previous record year.

Net sales in 1954 were $463,115,000 in 1954 compared with $433,227,000 in 1953 and $586,880,000 in 1952, the previous high.

Purchases of securities by the open-end companies for investment portfolios substantially exceeded sales during 1954.

Securities bought (excluding U. S. Government securities) totalled $1,363,398,000, whereas total sales were $968,033,000. Comparable full-year figures for 1953 were not collected. Purchases in the fourth quarter of 1954 were $388,479,000 and sales $257,048,000 compared with $331,420,000 and $239,629,000, respectively, for the same period of 1953.

Cash, U. S. Government securities and short-term obligations held by the 115 mutual funds at the year-end amounted to $308,701,000, an increase of $45,054,000 over the previous year-end total of $263,647,000.

The Association reports that 6,882 new accumulation plans, providing for the regular purchase of mutual fund shares, were opened by investors during December. This brings the total of such plans opened during 1954 to an estimated 67,452. The number of plans opened in the fourth quarter was 20,462 as against 17,781 in the previous three months.

OPEN-END COMPANY STATISTICS—DECEMBER 31, 1954
115 OPEN-END FUNDS
(in 000's of $)

	Dec. 31, '54	Nov. 30, '54	Sept. 30, '54	Dec. 31, '53
Total Net Assets	$6,109,390	$5,814,839	$5,369,700	$4,146,061

	Month of— December	November	1954— 4th Quarter	3rd Quarter
Sales of Shares	$99,858	$100,230	$270,594	$217,100
Redemptions	35,005	31,836	98,709	107,300

Purchases and Sales of Portfolio Securities
(Excluding U. S. Government Securities)

	1954— 4th Quarter	3rd Quarter	Year	1953 Year
Purchases	$388,479	$332,987	$1,363,398	Not
Sales	257,048	231,430	968,033	Collected

Holdings of Cash, U. S. Governments and Short-Term Bonds

Dec. 31, 1954	$308,701	Sept. 11, 1954	$285,893
Nov. 30, 1954	295,860	Dec. 31, 1953	263,647

Distributions to Shareholders by Open-End Funds

From—	1954— 4th Quarter	3rd Quarter	Year	1953 Year
Investment Income	$56,436	$49,657	$200,102	$173,645
Security Profits	99,177	14,013	129,933	63,621
Other Sources	311	5	552	144
Total	$155,924	$63,675	$330,587	$237,410

Number of Accumulation Plans Opened

Month of— December	November	1954— 4th Quarter	3rd Quarter	Year
6,882	7,300	20,462	17,781	67,462 (est.)

Three Funds to Invest in Life Insurance Company Stocks

The formation of Life Insurance Investors, Inc., a closed-end investment company which will redeem its shares at net asset value and which will concentrate its investments in stock life insurance companies, was announced today by Raymond T. Smith, President of the fund and Vice-President of Alfred M. Best Company.

An offering of 1,400,000 shares of $1 par value common stock is expected to be made the last of this month by a nation-wide group of investment bankers jointly led by White, Weld & Company, New York and J. C. Bradford & Co., Nashville, Tenn. The offering will involve more than $20,000,000.

The new company expects to concentrate its investments in life insurance company stocks and may also invest in the stocks of companies which write life insurance together with other forms of insurance, and in the stocks of companies which, through security ownership, have a substantial interest in the life insurance business.

"Because evaluation of life insurance company securities is a particularly complex matter," Mr. Smith said, "this new type of fund will fill a real need in providing a practical method of investing in the stocks of life insurance companies, many of which have a high dollar price per share.

"In addition," he pointed out, "the market for life insurance company stocks is relatively limited, and it is often difficult for prospective buyers and sellers of these stocks to find a market.

"Creation of this fund should tend to alleviate this situation," Mr. Smith said.

The company was incorporated Dec. 3, 1954, under the laws of the State of Maryland as a diversified management investment company and will not invest more than 5% of its assets in the securities of any one company nor buy more than 10% of any class of securities of any one company. The company will not make a continuous offering of its shares; however, 30 days after this initial offering of stock, the shares will be redeemable at the option of the holder at net asset value.

To provide advice and recommendations with respect to investments, investment policies and the purchase and sale of securities, the company has retained Templeton, Dobbrow & Vance Inc. as investment advisers and also expects to utilize the services of Alfred M. Best, Insurance Counsellor, and of Wolfe, Corcoran & Linder, Consulting Actuaries, for specific evaluation studies.

In addition to Mr. Smith, who is also Vice-President of Alfred M. Best Company, the board of directors consists of J. C. Bradford, partner in J. C. Bradford & Co., investment bankers, and formerly Chairman of the Board of Life & Casualty Insurance Company, who will act as Secretary and Treasurer of the new company; Eldon Stevenson, Jr., President and Director of National Life & Accident Insurance Company; George W. Wells, President and Director of Northwestern National Life Insurance Company; and Charles E. Becker, President and Director of Franklin Life Insurance Company.

Life Insurance Stock Fund

Meanwhile, Life Insurance Stock Fund, Inc. reports from its main offices in Birmingham, Ala., that it has already sold 20,000 shares of its authorized capitalization of one million shares of $1 par value stock. The open-end investment company, which will deal primarily in life insurance company stocks, sold the original issue to less than 20 purchasers at a price of $5 per share, and will offer to the public another 30,000 shares at the same price, with additional shares then to be offered continuously at an offering price which will include an 8.25% sales charge. Periodic plan investments, with a minimum initial payment of $100 and later payments of no less than $50, are to be handled through the

Bank for Savings & Trust of Birmingham.

J. H. Goddard Reports New Fund

J. H. Goddard & Company, a Boston firm dealing in life insurance company stocks, reports "... we are planning the formation of a mutual fund designed to provide a medium for diversified investment in life stocks. This fund will place its portfolio in investments in shares of the 20 largest stock life companies and is patterned not only for individuals but for institutions and trustees—and for use by agency organizations in the life underwriting business."

William Hornack Joins National Securities

William Hornack, investment advisor, has joined the public utility division of National Securities & Research Corp., 120 Broadway, New York City, and has been appointed a member of the corporation's investment committee, H. J. Simonson, Jr., President, has announced.

William Hornack

Prior to joining National Securities & Research, which sponsors and manages the National Securities Series of Mutual Investment Funds, Mr. Hornack was for 25 years associated with J. & W. Seligman Co. as a member of the firm's Statistical Department and Investment Advisory Division.

Mr. Hornack, who has been active in investment trust company mergers, individual corporation reorganization work and on recapitalization and financial programs, was educated at New York University's School of Commerce, Accounts and Finance.

Atomic Fund Head Predicts A Doubled Atomic Industry in '55

During the year 1955, Newton I. Steers, Jr., President of Atomic Development Mutual Fund, predicted that the minimum size of the privately financed atomic industry could be expected to exceed $840,000,000. This figure is to be contrasted with the figure of $459,000,000 which was presented to the Joint Committee on Atomic Energy, U. S. Congress, on May 11, 1954. Mr. Steers broke down the $840,000,000 figure as follows:

Uranium mining & processing	$600,000,000
Manufacture of radiation instruments and processing of radioisotopes	40,000,000
Specialized equipment supply	200,000,000

The uranium figure is based in part upon the statement by the AEC's Director of Raw Materials to the effect that the domestic industry is running at the rate of $100,000,000 annually and may be expected to double that figure by early 1956.

Indicative of the U. S. expansion is the fact that the AEC has awarded a series of contracts calling for expansion of the uranium processing plants on the Colorado Plateau and at St. Louis, Mo., and at Fernald, Ohio, totaling more than $75,000,000. It is known that Canadian production has kept pace with U. S. production and that South African production will soon become one of the three chief sources of supply in the free world. When South African production is added to that from the Belgium Congo, previously the primary source, it is seen that a $200,000,000 figure for each of the three major areas (U. S., Canada and Africa) is reasonable, Mr. Steers observed. This figure is buttressed, he noted, by dollar value relating to thorium, lithium, beryllium and zirconium, all of which have been greatly influenced by their atomic application.

In a review of atomic energy industrial development during the past year, Mr. Steers said the outstanding features were:

(1) On the legislative front, two advances. One was the passage of the Atomic Energy Act of 1954. This Act makes it possible for private enterprise to own reactors (atomic furnaces) and to lease fissionable material (atomic fuel). It also broadened opportunities available in the patent field.

The other was Congressional action in lifting depletion allowances on uranium and other atomic materials from 15% to 23%.

(2) A tremendous boom in uranium mining occurred not only in this country but also in Canada and Africa. This boom was unfortunately marred by a very large number of new uranium issues, many, though not all, of which were marred by the issuance of watered stock to promoters, inadequate dollar capitalization and excessive share capitalization, and insufficient geological and mining know-how on the part of the organizers. On the other hand, much progress was made by the more firmly established companies such as Vanadium Corporation, Homestake Mining, Climax Molybdenum and Anaconda Copper.

Remarkable multi-million dollar strikes were made by such persons as Vernon Pick, Charles Steen and Jack Turner. It was noted, however, that the increase in certain "penny" uranium shares was due to speculative activity on the stock market rather than the actual uranium ore blocked out or mined. The Canadian strike of Gunnar Mines, Ltd., moved closer to reality with the successful flotation of $17,000,000 worth of debentures with warrants attached. Indicative of the trend in South Africa was the recent announceemnt by their government that the value of uranium exports in the first nine months of 1954 was over $25,000,000—twelve times the corresponding period in 1953.

(3) On the reactor development front several significant accomplishments were recorded. The first atomic submarine was launched and has had first sea trials. This submarine has a subsurface range at full speed at lease 30 times that of a conventional submarine and has worked a revolution in naval strategy. Citizens of Pittsburgh will soon be reading their daily newspaper by lamps lit by the first full-scale power reactor, now being constructed by the Westinghouse Electric Corporation to the American Locomotive Company for construction of a portable reactor, the first to be built on a competitive bid basis. It is expected that this reactor will be the prototype of others to be used in outlying installations or wherever high power costs are now incurred. In such areas these reactors are expected to be cheaper, even with the present status of reactor technology. Significant progress was made in connection with the application of atomic power to large naval vessel propulsion and also to aircraft propulsion.

(4) Radiation-pasteurization of pre-packaged meat products has extended their shelf-life from three to twenty-one days. Such food processing could be carried out at a cost of about ½c per pound of the irradiated product. By similar treatment potatoes can be stored at moderate temperatures with no evidence of spoilage for as much as two years. Both products were found harmless to human beings and in the case of the potatoes were actually preferred by a food-taste panel.

(5) A technical organization to be known as the American Nuclear Society was established in October. This organization will supplement the services of the Atomic Industrial Forum which is fostering the entry of private enterprise into the atomic arena.

THE $54,000,000 Canada General Fund (1954) Limited, largest Canadian investment company owned by United States investors,

Continued on page 127

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 23	§82.4	*83.2	72.4	74.1
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 23	§1,989,000	*2,007,000	1,726,000	1,766,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 7	6,574,400	6,342,950	6,321,200	6,271,800
Crude runs to stills—daily average (bbls.)	Jan. 7	¶7,389,000	7,296,000	7,105,000	6,960,000
Gasoline output (bbls.)	Jan. 7	25,392,000	25,319,000	24,589,000	24,134,000
Kerosene output (bbls.)	Jan. 7	2,844,000	2,606,000	2,685,000	2,729,000
Distillate fuel oil output (bbls.)	Jan. 7	12,444,000	11,846,000	10,777,000	10,346,000
Residual fuel oil output (bbls.)	Jan. 7	8,876,000	8,311,000	7,880,000	8,599,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 7	160,956,000	157,228,000	150,653,000	160,324,000
Kerosene (bbls.) at	Jan. 7	28,465,000	29,281,000	34,210,000	28,204,000
Distillate fuel oil (bbls.) at	Jan. 7	105,132,000	109,631,000	124,067,000	106,341,000
Residual fuel oil (bbls.) at	Jan. 7	52,065,000	51,361,000	52,803,000	49,668,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 8	602,203	529,452	653,531	624,229
Revenue freight received from connections (no. of cars)	Jan. 8	565,545	507,424	605,204	545,211
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 13	$364,734,000	$414,944,000	$271,757,000	$195,848,000
Private construction	Jan. 13	249,096,000	232,952,000	143,677,000	89,675,000
Public construction	Jan. 13	115,638,000	181,992,000	128,080,000	106,173,000
State and municipal	Jan. 13	87,817,000	84,089,000	105,509,000	84,366,000
Federal	Jan. 13	27,821,000	97,903,000	22,571,000	21,807,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 8	8,510,000	7,430,000	8,780,000	8,190,000
Pennsylvania anthracite (tons)	Jan. 8	489,000	512,000	631,000	543,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 8	106	80	224	94
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 15	‡9,928,000	9,833,000	9,909,000	9,014,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 13	200	198	208	200
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 11	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Jan. 11	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Jan. 11	$34.33	$34.17	$32.00	$28.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 12	29.700c	29.700c	29.700c	29.700c
Export refinery at	Jan. 12	30.975c	31.225c	30.600c	29.125c
Straits tin (New York) at	Jan. 12	87.125c	86.500c	89.875c	84.500c
Lead (New York) at	Jan. 12	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Jan. 12	14.800c	14.800c	14.800c	13.300c
Zinc (East St. Louis) at	Jan. 12	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 18	97.88	98.13	98.84	97.42
Average corporate	Jan. 18	110.34	110.52	110.70	106.92
Aaa	Jan. 18	114.46	114.66	115.04	111.81
Aa	Jan. 18	112.00	112.19	112.37	109.06
A	Jan. 18	110.15	110.34	110.52	106.56
Baa	Jan. 18	104.83	105.00	105.00	100.65
Railroad Group	Jan. 18	108.52	108.70	108.70	104.48
Public Utilities Group	Jan. 18	110.88	111.07	111.25	107.44
Industrials Group	Jan. 18	111.62	111.62	112.00	108.88
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 18	2.65	2.63	2.58	2.68
Average corporate	Jan. 18	3.15	3.14	3.13	3.34
Aaa	Jan. 18	2.93	2.92	2.90	3.07
Aa	Jan. 18	3.06	3.05	3.04	3.22
A	Jan. 18	3.16	3.15	3.14	3.36
Baa	Jan. 18	3.46	3.45	3.45	3.71
Railroad Group	Jan. 18	3.25	3.24	3.24	3.48
Public Utilities Group	Jan. 18	3.12	3.11	3.10	3.31
Industrials Group	Jan. 18	3.08	3.08	3.06	3.23
MOODY'S COMMODITY INDEX	Jan. 18	413.4	412.1	406.8	417.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 8	249,382	214,669	262,344	230,479
Production (tons)	Jan. 8	204,172	140,640	258,595	212,013
Percentage of activity	Jan. 8	86	47	94	78
Unfilled orders (tons) at end of period	Jan. 8	406,002	363,024	398,913	414,047
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Jan. 14	106.61	106.54	106.79	107.53
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Jan. 1	1,444,572	1,036,822	1,334,197	752,352
Dollar value	Jan. 1	$68,068,161	$50,161,993	$65,032,021	$29,001,891
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Jan. 1	1,529,630	1,173,155	1,491,362	869,608
Customers' short sales	Jan. 1	8,665	7,016	9,770	6,368
Customers' other sales	Jan. 1	1,520,965	1,166,139	1,481,592	863,240
Dollar value	Jan. 1	$65,728,335	$52,646,036	$67,413,481	$27,244,610
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 1	535,360	398,980	512,870	330,230
Short sales	Jan. 1	------	------	------	------
Other sales	Jan. 1	535,360	398,980	512,870	330,230
Round-lot purchases by dealers—					
Number of shares	Jan. 1	394,450	284,400	361,420	201,400
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Dec. 25	550,440	540,720	502,940	171,520
Other sales	Dec. 25	14,514,540	15,402,950	13,825,700	6,419,510
Total sales	Dec. 25	15,064,980	15,943,670	14,328,640	6,591,030
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 25	1,612,870	1,790,150	1,579,420	614,700
Short sales	Dec. 25	250,440	278,860	295,180	87,620
Other sales	Dec. 25	1,285,780	1,430,720	1,296,200	458,860
Total sales	Dec. 25	1,536,220	1,709,580	1,591,380	546,480
Other transactions initiated on the floor—					
Total purchases	Dec. 25	505,160	543,970	465,700	156,490
Short sales	Dec. 25	23,500	34,000	25,420	2,500
Other sales	Dec. 25	429,010	499,410	409,010	131,870
Total sales	Dec. 25	452,510	533,410	434,430	134,370
Other transactions initiated off the floor—					
Total purchases	Dec. 25	622,661	629,150	533,434	337,730
Short sales	Dec. 25	99,200	68,810	73,420	26,040
Other sales	Dec. 25	630,982	694,921	558,390	215,811
Total sales	Dec. 25	730,182	763,731	631,810	241,851
Total round-lot transactions for account of members—					
Total purchases	Dec. 25	2,740,691	2,963,270	2,578,564	1,108,830
Short sales	Dec. 25	373,140	381,670	394,020	116,160
Other sales	Dec. 25	2,345,772	2,625,051	2,263,600	806,541
Total sales	Dec. 25	2,718,912	3,006,721	2,657,620	922,701
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 11	110.1	*109.8	109.4	110.9
Farm products	Jan. 11	92.7	*91.2	90.2	98.5
Processed foods	Jan. 11	103.7	103.3	103.4	106.1
Meats	Jan. 11	86.5	*84.8	84.9	95.4
All commodities other than farm and foods	Jan. 11	115.1	*115.1	114.7	114.5

*Revised figure. ¶Includes 795,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against the Jan. 1, 1954 basis of 124,330,410 tons. ‡All-time new high record.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of December (in thousands)	$186,317,000	------	$163,596,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Dec. 31:			
Imports	$285,284,000	$247,615,000	$273,820,000
Exports	182,254,000	164,294,000	154,308,000
Domestic shipments	9,963,000	12,056,000	10,225,000
Domestic warehouse credits	290,209,000	235,361,000	64,437,000
Dollar exchange	16,800,000	42,197,000	28,770,000
Based on goods stored and shipped between foreign countries	88,591,000	66,281,000	42,509,000
Total	$873,101,000	$767,804,000	$574,079,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of November (in millions):			
Total new construction	$3,263	$3,477	$3,024
Private construction	2,322	2,395	2,077
Residential building (nonfarm)	1,267	1,306	1,034
New dwelling units	1,150	1,180	915
Additions and alterations	95	102	94
Nonhousekeeping	22	24	25
Nonresidential building (nonfarm)	551	541	523
Industrial	169	163	177
Commercial	200	197	192
Warehouses, office and loft buildings	94	89	79
Stores, restaurants and garages	106	108	113
Other nonresidential building	182	181	154
Religious	59	58	46
Educational	53	54	41
Social and recreational	17	18	17
Hospital and institutional	29	29	26
Miscellaneous	24	22	24
Farm construction	106	126	118
Public utilities	386	410	393
Railroad	34	35	41
Telephone and telegraph	53	57	51
Other public utilities	299	318	301
All other private	12	12	9
Public construction	941	1,082	947
Residential building	23	24	43
Nonresidential building	360	391	353
Industrial	104	116	131
Educational	181	186	154
Hospital and institutional	27	31	23
Other nonresidential building	48	58	45
Military facilities	90	95	96
Highways	300	390	286
Sewer and water	84	87	75
Miscellaneous public service enterprises	14	19	18
Conservation and development	60	64	66
All other public	10	12	10
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—			
As of Dec. 31 (000's omitted)	$733,000	$769,000	$552,000
CONSUMER PRICE INDEX — 1947-49=100 — Month of November:			
All items	114.6	114.5	115.0
Food	111.1	111.8	112.0
Food at home	110.1	110.9	111.4
Cereals and bakery products	123.1	122.7	120.6
Meats, poultry and fish	103.5	103.9	107.0
Dairy products	106.6	106.7	110.5
Fruits and vegetables	109.6	111.1	107.4
Other foods at home	113.7	115.7	114.8
Housing	119.5	119.5	118.9
Rent	129.2	129.0	127.3
Gas and electricity	108.7	108.5	107.3
Solid fuels and fuel oil	124.2	123.8	125.9
Housefurnishings	105.4	105.6	108.3
Household operation	117.8	117.6	116.9
Apparel	104.6	104.6	105.5
Men's and boys'	106.5	106.4	107.8
Women's and girls'	99.5	99.6	100.7
Footwear	117.0	116.7	116.2
Other apparel	91.2	91.1	91.3
Transportation	127.6	125.0	130.1
Medical care	126.1	125.9	123.3
Personal care	113.8	113.4	113.4
Reading and recreation	106.8	106.9	108.9
Other goods and services	120.0	120.1	120.2
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of November:			
Cotton Seed—			
Received at mills (tons)	1,141,803	1,503,092	1,397,014
Crushed (tons)	659,109	683,980	763,154
Stocks (tons) Nov. 30	2,441,751	1,959,057	2,780,003
Crude Oil—			
Stocks (pounds) Nov. 30	144,267,000	105,742,000	143,804,000
Produced (pounds)	215,781,000	219,744,000	249,924,000
Shipped (pounds)	171,510,000	170,682,000	237,277,000
Refined Oil—			
Stocks (pounds) Nov. 30	712,619,000	817,314,000	1,016,037,000
Produced (pounds)	161,193,000	161,362,000	221,226,000
Consumption (pounds)	156,937,000	148,136,000	151,011,000
Cake and Meal—			
Stocks (tons) Nov. 30	251,547	243,422	163,022
Produced (tons)	320,340	330,412	361,549
Shipped (tons)	312,215	291,966	362,365
Hulls—			
Stocks (tons) Nov. 30	86,053	86,157	52,827
Produced (tons)	138,233	144,362	167,891
Shipped (tons)	138,337	132,639	166,859
Linters (running bales)—			
Stocks Nov. 30	252,057	199,049	194,068
Produced	214,379	224,466	239,802
Shipped	161,371	184,827	203,556
Hull Fiber (1,000-lb. bales)—			
Stocks Nov. 30	1,230	1,262	1,097
Produced	1,739	2,531	1,785
Shipped	1,771	2,027	1,908
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Nov. 30	6,362	4,881	7,226
Produced	3,583	3,230	3,479
Shipped	2,102	2,101	2,450
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of September:			
Net railway operating income	$80,204,308	$84,072,977	$99,941,786
Other income	16,587,549	18,212,214	21,017,639
Total income	96,791,857	102,285,191	120,959,425
Miscellaneous deductions from income	3,842,322	3,216,570	3,892,944
Income available for fixed charges	92,949,535	99,068,621	117,066,481
Income after fixed charges	61,275,664	67,233,684	83,360,616
Other deductions	2,946,986	3,024,027	2,867,238
Net income	58,328,678	64,209,657	80,493,378
Depreciation (way & structure & equipment)	43,730,891	44,212,918	42,493,759
Federal income taxes	18,528,551	19,998,880	56,400,563
Dividend appropriations:			
On common stock	17,732,463	21,871,146	17,410,173
On preferred stock	2,510,355	4,536,959	2,383,279
Ratio of income to fixed charges	2.93	3.11	3.47

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Allied Stores Corp., New York (2/3)
Jan. 13 filed 300,000 shares of common stock (no par). **Price**—To be related to current market price at time of offering. **Proceeds** — For general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Aluminium Ltd.
Dec. 18 filed 904,314 shares of capital stock (no par) being offered for subscription by stockholders of record Jan. 7, 1955 at rate of one new share for each 10 shares held; rights to expire on Jan. 31. **Price**—$47.60 per share (United States funds) or $46 per share (Canadian dollars). **Proceeds**—For expansion program. **Dealer-Managers**—The First Boston Corp.; A. E. Ames & Co., Ltd.; Morgan Stanley & Co.; and White, Weld & Co.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and buttresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

American Duchess Uranium & Oil Co.
Dec. 9 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For uranium and oil activities. **Office**—Judge Bldg., Salt Lake City, Utah. **Underwriter**—Northern Securities, Inc., Seattle, Wash.

★ American Service Publishing Co., Inc.
Jan. 11 (letter of notification) 50,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—400 Walker Bldg., Washington, D. C. **Underwriter**—Theodore T. Ludlum & Associates, Ltd., Washington, D. C.

★ American Water Works Co., Inc. (2/9)
Jan. 13 filed 225,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for additional investments in subsidiaries. **Underwriters**—W. C. Langley & Co. and The First Boston Corp., both of New York.

★ American Water Works Co., Inc. (2/9)
Jan. 13 filed 540,894 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each five shares held about Feb. 9; rights to subscribe Feb. 23. (Northeastern Water Co., owner of 1,625,000 of the 2,704,472 outstanding shares) will subscribe for 325,000 of the new shares. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for additional investments in subsidiaries. **Underwriters**—W. C. Langley & Co. and The First Boston Corp., both of New York.

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Arctic Uranium Mines Ltd.
Oct. 28 (Regulation "D") 1,500,000 shares of common stock (no par value). **Price**—20 cents per share. **Proceeds**—For general corporate purposes. **Office** — 411 Childs Bldg., Winnipeg, Manitoba, Canada. **Underwriter**—De Gaetano Securities Corp., New York.

Arizona Golconda Metals, Inc.
Dec. 7 (letter of notification) 292,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — Kingman, Ariz. **Underwriter**—Baruch Brothers & Co., Inc., New York.

● Automatic Canteen Co. of America (1/28)
Dec. 28 filed 97,481 shares of common stock (par $5) to be offered for subscription by stockholders of record Jan. 27, 1955 on the basis of one new share for each six shares held; rights to expire on Feb. 14. **Price**—To be determined shortly before the making of the offer. **Proceeds**—Together with other funds, to purchase 262,500 shares of common stock of the Rowe Corp. **Underwriter**—Glore, Forgan & Co., New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ Axe-Houghton Fund B, Inc., Tarrytown, N. Y.
Jan. 18 filed 18,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● Axe Science & Electronics Corp. (1/25-26)
Jan. 10 filed 2,500,000 shares of common stock (par one cent). **Price** — $10 per share. **Proceeds** — For investment in the electronic and atomic fields. **Investment Advisor**—E. W. Axe & Co., Inc., New York. **Underwriters**—W. E. Hutton & Co., Hemphill, Noyes & Co. and Kidder, Peabody & Co., all of New York.

★ Baker Truck Rental, Inc., Denver, Colo.
Jan. 10 (letter of notification) $300,000 of 10-year series A debentures dated Dec. 15, 1954, and maturing between 1956 and 1964. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital. **Office** — 2201 Stout St., Denver, Colo. **Underwriter**—Bosworth, Sullivan & Co., Inc., and Garrett-Bromfield & Co., both of Denver.

Beacon Associates, Inc., Providence, R. I. (1/21)
Dec. 23 filed $600,000 5¾% 15-year sinking fund subordinated debentures due Jan. 1, 1970. **Price** — 100% and accrued interest. **Proceeds**—To redeem 6% convertible subordinated debentures due Sept. 1, 1967 presently outstanding and for expansion program. **Underwriter**—G. H. Walker & Co., Providence, R. I.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office** — 705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Blue Canyon Uranium, Inc.
Nov. 29 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining activities. **Offices** — 1003 Continental Bank Bldg., Salt Lake City, Utah, and 618 Rood Ave., Grand Junction, Colo. **Underwriter** — James E. Reed Co., Reno, Nev.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

● Bowl-Mor Co., Inc., Everett, Mass. (2/1)
Nov. 26 filed 200,000 shares of preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) to be

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NEW ISSUE CALENDAR

January 20 (Thursday)
Duquesne Light Co. ---- Preferred
(Bids 11 a.m. EST) $8,000,000

January 21 (Friday)
Franklin Trust Co. of Paterson, N. J. ---- Common
(Bids 2 p.m. EST) 20,540 shares

January 24 (Monday)
Imperial Minerals, Ltd. ---- Common
(Milton D. Blauner & Co., Inc.) $298,800
Mid-Continent Uranium Corp. ---- Common
(General Investing Corp.) $625,000
Missouri Utilities Co. ---- Common
(Offering to stockholders—underwritten by Edward D. Jones & Co.) 27,420 shares
Nipissing Mines Co., Ltd. ---- Common
(Offering to stockholders—underwritten by Allan H. Investments, Ltd.; Alator Corp., Ltd.; Louis A. Chesler; and Bradley Streit) $2,472,000

January 25 (Tuesday)
Axe Science & Electronics Corp. ---- Common
(W. E. Hutton & Co.; Hemphill, Noyes & Co.; and Kidder, Peabody & Co.) 2,500,000 shares
Burroughs (J. P.) & Son, Inc. ---- Debens. & Common
(Eisele & King, Libaire, Stout & Co.) $830,000
Central National Bank of Cleveland ---- Common
(Offering to stockholders—underwritten by McDonald & Co.) 171,875 shares
Consumers Power Co. ---- Bonds
(Bids 11 a.m. EST) $30,000,000
Rockland-Atlas National Bank ---- Common
(Offering to stockholders—underwritten by The First Boston Corp.) 37,500 shares
United Artists Theatre Circuit, Inc. ---- Common
(Allen & Co.) 400,121 shares

January 26 (Wednesday)
Montreal (City of) ---- Debentures
(Bids to be invited) $35,000,000
Philadelphia Suburban Water Co. ---- Common
(Drexel & Co.) 206,000 shares
United States Plywood Corp. ---- Debentures
(Eastman, Dillon & Co.) $25,000,000

January 27 (Thursday)
Life Insurance Investors, Inc. ---- Common
(White, Weld & Co. and J. C. Bradford & Co.) over $20,000,000

January 28 (Friday)
Automatic Canteen Co. of America ---- Common
(Offering to stockholders—underwritten by Glore Forgan & Co.) 97,481 shares
General Homes, Inc. ---- Common
(S. D. Fuller & Co.) $1,500,000

February 1 (Tuesday)
Bowl-Mor Co., Inc. ---- Preferred & Common
(Aetna Securities Corp.) $1,100,000
British Western America Uranium Corp. ---- Common
(S. D. Fuller & Co. and Vermilyea Brothers) $298,400
Chesapeake & Potomac Telephone Co. of Baltimore City ---- Debentures
(Bids to be invited) $25,000,000
Green Mountain Uranium Corp. ---- Common
(Tellier & Co.) $300,000
Hycalog, Inc. ---- Common
(Keith Reed & Co.) 50,000 shares

February 2 (Wednesday)
General Telephone Co. of the Northwest ---- Preferred
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Pacific Northwest Co.) $3,600,000

February 3 (Thursday)
Allied Stores Corp. ---- Common
(Lehman Brothers) 300,000 shares
Pittston Co. ---- Common
(Allen & Co. and Reynolds & Co.) 285,000 shares

February 8 (Tuesday)
General Motors Corp. ---- Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) approx. $325,000,000
General Telephone Co. of California ---- Bonds
(Bids to be invited) $12,000,000

February 9 (Wednesday)
American Water Works Co., Inc. ---- Preferred
(W. C. Langley & Co. and The First Boston Corp.) $5,625,000
American Water Works Co., Inc. ---- Common
(Offering to stockholders—underwritten by W. C. Langley & Co. and The First Boston Corp.) 540,894 shares

February 14 (Monday)
Dallas Power & Light Co. ---- Debentures
(Bids 11 a.m. EST) $7,000,000
Sheraton Corp. of America ---- Debentures
(Paine, Webber, Jackson & Curtis) $5,000,000

February 15 (Tuesday)
Chesapeake & Colorado Uranium Corp. ---- Common
(Peter Morgan & Co.) $750,000
Kansas City Power & Light Co. ---- Bonds
(Bids to be invited) $16,000,000
Minerals & Chemicals Corp. of America ---- Common
(Lehman Brothers) 435,934 shares

February 23 (Wednesday)
Texas Electric Service Co. ---- Bonds
(Bids 11:30 a.m. EST) $17,000,000

March 15 (Tuesday)
Kansas Gas & Electric Co. ---- Bonds
(Bids to be invited) $10,000,000
Kansas Gas & Electric Co. ---- Preferred
(Bids to be invited) $6,000,000

April 15 (Friday)
Westpan Hydrocarbon Co. ---- Common
(May be Union Securities Corp.) 384,861 shares

May 10 (Tuesday)
Georgia Power Co. ---- Bonds
(Bids 11 a.m. EST) $12,000,000

May 31 (Tuesday)
Alabama Power Co. ---- Bonds
(Bids 11 a.m. EST) $15,000,000

November 9 (Wednesday)
Southern Co. ---- Common
(Bids to be invited) 500,000 shares

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offered in units of one share of each class of stock. **Price**—$5.50 per unit. **Proceeds**—To carry machine leases and finance manufacturing operations. **Business**—Manufactures and distributes by lease and sale, a bowling-pin setting machine. **Underwriter**—Aetna Securities Corp., New York.

● British Western America Uranium Corp. (2/1)
Jan. 13 (letter of notification) 298,400 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Office**—C. A. Johnson Bldg., Denver, Colo. **Underwriter**—S. D. Fuller & Co. and Vermilyea Brothers, both of New York

● Burroughs (J. P.) & Son, Inc. (1/25-26)
Dec. 30 filed $500,000 of 6% convertible debentures and 80,000 shares of common stock (par $1). **Price**—100% and accrued interest for debentures and $4.12½ per share for stock. **Proceeds**—To repay bank loans and cash advances, for payment of income tax obligations, long-term notes and equipment contracts, to reduce accounts payable, increase inventories, purchase equipment and for construction. **Office** — Flint, Mich. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

California Modular Homes, Inc.
Dec. 9 (letter of notification) 196,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For additions to plant and equipment and working capital. **Office** — 3808 22nd St., East Del Paso Heights, Calif. **Underwriter**—United Capital Co., Reno, Nev.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

Canadian Petrofina, Ltd.
Dec. 20 filed 1,751,428 shares of non-cumulative participating preferred stock (par $10—Canadian) to be offered in exchange for shares of capital stock of Calvan Consolidated Oil & Gas Co., Ltd. at the rate of six preferred shares for each 17 Calvan shares. The offer is contingent to acceptance by not less than 51% of the outstanding Calvan stock. **Underwriter**—None.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

★ Casa Piedra Mining Corp., Pueblo, Colo.
Dec. 31 (letter of notification) 40,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. Office—603 Santa Fe, Pueblo, Colo.—**Underwriter**—None.

Century Controls Corp.
Dec. 17 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital. **Business** — Accessory control systems and components for aircraft interest, etc. **Office**—Allen Boulevard, Farmingdale, L. I., N. Y. **Underwriter**—None.

★ Cessna Aircraft Co., Wichita, Kansas
Jan. 3 (letter of notification) 3,000 shares of common stock (par $1). **Price**—At market (estimated at about $18 per share). **Proceeds** — To a selling stockholder **Underwriter**—Francis I. duPont & Co., Wichita, Kansas.

Cessna Aircraft Co., Wichita, Kansas
Dec. 31 (letter of notification) 4,200 shares of common stock (par $1). **Price**—At market (estimated at $18 per share). **Proceeds**—To Dwane L. Wallace, President, the selling stockholder. **Underwriter**—Harris, Upham & Co., Wichita, Kansas.

Chesapeake & Colorado Uranium Corp. (2/15)
Dec. 7 filed 750,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Office** — Washington, D. C. **Underwriter**—Peter Morgan & Co., New York.

Chesapeake Industries, Inc.
Oct. 15 filed 996,304 shares of common stock (par $1) and 33,818 shares of $4 cumulative preferred stock (par $10) being offered in exchange for preferred and common shares of Home & Foreign Securities Corp. and Oils & Industries, Inc., common shares of common stock of Intercontinental Holdings, Ltd. and Intercoast Petroleum Corp. and capital stock of Colonial Trust Co. The offer is subject to deposit of not less than 90% of the stock of Colonial and not less than 80% of the stock of the first three companies mentioned above. The offer will expire on Jan. 27.

Chesapeake & Potomac Telephone Co. of Baltimore City (2/1)
Jan. 11 filed $25,000,000 of 40-year debentures Feb. 1, 1995. **Proceeds**—To redeem $15,000,000 of 3½% debentures due 1984 at 104.52% and accrued interest on March 7, 1955; to repay advances from American Telephone & Telegraph Co. and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; White, Weld & Co. **Bids**—Expected to be received on Feb. 1.

Chillicothe Telephone Co.
Dec. 13 (letter of notification) 4,775 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$50 per share. **Proceeds**—For property additions. **Office**—58 East Maine St., Chillicothe, Ohio. **Underwriter**—None.

Circle Air Industries, Inc.
Nov. 29 (letter of notification) 299,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — For machinery and equipment and working capital. **Name Change**—Company was formerly known as Paley Manufacturing Corp. **Office**—244 Herkimer Street, Brooklyn, N. Y. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

Colonial Acceptance Corp.
Dec. 20 filed $2,500,000 of 6% junior subordinated sinking fund debentures, series B, due Dec. 1, 1968, of which $1,529,550 principal amount will be offered in exchange for $1,390,500 of debentures due 1958 on the basis of $550 of new debentures for each $500 of debentures held. **Price**—At par. **Proceeds**—To retire junior subordinated sinking fund debentures which mature Dec. 1, 1958. **Underwriters**—Straus, Blosser & McDowell and Fairman, Harris & Co., Inc., both of Chicago, Ill.

Colorado Plateau Uranium Co.
Dec. 1 (letter of notification) 1,900,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office** — 824 Equitable Bldg., Denver 2, Colo. **Underwriter**—John L. Donahue, 430 16th St., Denver, Colo.

Consolidated Credit Corp., Charlotte, N. C.
Oct. 25 (letter of notification) $100,000 of 20-year 6% subordinate sinking fund notes and 100 ten-year warrants to purchase 20 shares of common stock to be sold in units of a $1,000 note and one warrant. **Price**—$1,000 per unit (each warrant is exercisable at $10 per share.) **Proceeds** — To repay bank loan. **Office** — 221½ West Trade St., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Consol. Edison Co. of New York, Inc.
April 7, 1954, filed $50,000,000 first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering—Originally set for May 11, but has been postponed because of market conditions. No new date set.**

Constellation Uranium Corp., Denver, Colo.
Oct. 11 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

Consumers Power Co. (1/25)
Dec. 28 filed $30,000,000 of first mortgage bonds to mature Feb. 1, 1990. **Price**—Expected to be not less favorable to the company than a 3¼% basis. **Proceeds**—For expansion and improvement program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Jan. 25 at office of Commonwealth Services Inc., 20 Pine St., New York, N. Y.

Contact Uranium, Mines, Inc., N. Y.
Dec. 7 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—100 West 42nd St., New York. **Underwriter**—Justin Steppler, Inc., New York.

Continental Loan Co., Dallas, Tex.
Dec. 22 (letter of notification) $150,000 of 4% 10-year debentures and 42,000 shares of common stock (par 10 cents) to be offered in units of $1,000 of debentures and 200 shares of stock; remaining 12,000 shares to be purchased by underwriter. **Price**—$1,400 per unit; and $2 per common share. **Proceeds**—To buy common stock of Budget and Mutual and for working capital. **Office**—815 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter**—Securities Management Corp., same address.

Cook Electric Co., Chicago, Ill.
Dec. 31 (letter of notification) 2,000 shares of common stock (par $5). **Price**—At market (estimated at $34 per share). **Proceeds**—To selling stockholder. **Office**—2700 Southport Ave., Chicago 14, Ill. **Underwriter** — Glore, Forgan & Co., Chicago, Ill.

★ Courtney-Adams Sky-Rides, Inc.
Jan. 12 (letter of notification) 54,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For land, construction of plant, tools and equipment and working capital. **Address**—P. O. Box 3009, Tampa, Fla. **Underwriter**—None.

★ Coverboard Corp., Washington, D. C.
Jan. 6 (letter of notification) 236 shares of common stock. **Price** — At par ($100 per share). **Office**—Room 604, 1757 K St., N.W., Washington 6, D. C. **Underwriter**—None.

Cuba (Republic of)
Jan. 7 filed $2,500,000 of Veterans, Courts and Public Works 4% bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co., which received the bonds in payment for work preformed for the Republic or one of more of its agencies. **Underwriters**—To be named by amendment.

★ Dallas Power & Light Co. (2/14)
Jan. 14 filed $7,000,000 of sinking fund debentures due 1980. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Wertheim & Co. (jointly); Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill, Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 14.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds**—For exploration and development expenses. **Office**—524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah
Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—21 Main St., Petersen Bldg., Maob, Utah. **Underwriter**—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

● Duke Power Co.
Dec. 3 filed 218,737 shares of common stock (no par), being offered for subscription by common stockholders of record Jan. 12, 1955 on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire Jan. 28. **Price**—$40 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

Duquesne Light Co. (1/20)
Dec. 21 filed 160,000 shares of preferred stock (par $50). **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (ES) on Jan. 20, 1955 at 15 Broad St., New York, N. Y.

East Tennessee Water Corp.
Dec. 20 (letter of notification) $160,000 of first mortgage 6% bonds dated Dec. 1, 1954. **Price** — At par (in denominations of $1,000 each). **Proceeds**—For purchase of real estate, capital improvements and contingencies. **Office**—306 E. Main St., Johnson City, Tenn. **Underwriter**—D. T. McKee Investment Co., Box 904, Bristol, Va.

★ Eastern Idaho Grain Trading Association's Pool No. 100
Jan. 10 (letter of notification) 150 shares of capital stock. **Price**—$100 per share. **Proceeds**—To finance the trading account on the Chicago Board of Trade, through J. A. Hogle & Co., brokers, Salt Lake City, Utah. **Underwriter**—None (but offering will be handled by Stanley F. Haight, The Garden, Fernley, Nev.

El Morocco Enterprises, Inc., Las Vegas, Nev.
Dec. 29 filed $6,000,000 of 8% sinking fund debenture bonds due July 1, 1967, and 1,950,000 shares of common stock (par 10 cents), each purchaser of bonds to have the right to purchase common stock at par at rate of 10 shares for each $100 of bonds up to $9,900 of debenture bonds purchased, with amount of shares increasing in proportion to amount of bonds purchased. **Price**—100% of principal amount for bonds. **Proceeds**—To pay balance of purchase price of Las Vegas Hotel, Inc capital stock, construction of main hotel building pavilions, swimming pool, furnishings, etc. **Underwriter**—Company may sell debenture bonds and common stock to dealers through brokers.

★ Electronic Specialty Co., Los Angeles, Calif.
Jan. 10 (letter of notification) 100,000 shares of capital stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For working capital. **Office**—3456 Glendale Blvd., Los Angeles, Calif. **Underwriter** — D. A. Lomasney & Co. New York.

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

Electronics Investment Corp., San Diego, Calif.
Dec. 14 filed 2,000,000 shares of capital stock (par $1) **Price**—$5 per share. **Proceeds**—For investment.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share **Proceeds**—For exploration and development expenses **Office**—506 First Security Bank Bldg., Salt Lake City Utah. **Underwriter**—Utah Securities Co., same city.

● Exhibitors Film Financial Group, Inc., New York
Dec. 10 filed 100,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None. Samuel Pinanski, of Boston, Mass., President of American Theatres Corp., will be President of Exhibitors. Statement effective Jan. 10.

Farm & Home Loan & Discount Co.
Nov. 29 filed 320,000 shares of class A common stock (par 25 cents), 214,285 shares of class B common stock (par 35 cents) and 300,000 shares of class C common stock (par 50 cents). **Price** — At par. **Proceeds** — For working capital. **Office**—Phoenix, Ariz. **Underwriter**—None.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. Price—At par ($2 per share). Proceeds—For working capital. Underwriter—E. J. Fountain & Co., Inc., New York.

★ Fleetwood-Airflow, Inc., Wilkes-Barre, Pa.
Jan. 10 (letter of notification) 360,360 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—

urpose not stated. **Office**—421 N. Pennsylvania Ave., 'ilkes-Barre, Pa. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
ug. 16 (letter of notification) 300,000 shares of comon stock. **Price**—At par ($1 per share). **Proceeds**—For xploratory and development expenses. **Office** — 618 ood Avenue, Grand Junction, Colo. **Underwriter** — e Rosenthal, 1669 Broadway, Denver, Colo.

Franklin Mining Corp. (Ind.)
n. 10 (letter of notification) 700 shares of common ock (no par). **Price**—$200 per share. **Underwriter**—one.

Gatineau Uranium Mines Ltd. (Canada)
g. 10 (Regulation "D") 300,000 shares of common stock. rice—At par ($1 per share). **Proceeds**—For exploraon and development costs. **Office** — 100 Adelaide St. est, Toronto, Canada. **Underwriter**—McCoy & Willard, oston, Mass.

Gem Uranium & Oil Co., Salt Lake City, Utah
ec. 9 (letter of notification) 11,000,000 shares of capital ock (par one cent). **Price**—Two cents per share. **Proeds**—For exploration and development of oil and uraum properties. **Office** — 414 Judge Bldg., Salt Lake ty, Utah. **Underwriter**—Utah Uranium Brokers, same ty.

General Engineering & Manufacturing Corp.
ec 31 (letter of notification) a maximum of 50 shares common stock (no par). **Price**—$200 per share. **Proeds**—For mining expenses. **Office**—704 West Wiscon Ave., Milwaukee, Wis. **Underwriter**—None.

General Homes, Inc. (1/28)
ec. 15 filed 300,000 shares of common stock (par $1). rice—$5 per share. **Proceeds**—For plant expansion, new uipment, inventory and working capital. **Office**—untington Station, L. I., N. Y. **Underwriter**—S. D. Fulr & Co., New York.

General Telephone Co. of California (2/8)
n. 10 filed $12,000,000 of first mortgage bonds, series due Feb. 1, 1985. **Price**—To be supplied by amendent. **Proceeds**—To discharge bank loans and for propty additions and improvements. **Underwriter**—To be termined by competitive bidding. Probable bidders: alsey, Stuart & Co. Inc.; Paine, Webber Jackson & rtis and Stone & Webster Securities Corp. (jointly); uhn, Loeb & Co. and Salomon Bros. & Hutzler ointly); White, Weld & Co. and Kidder, Peabody & . (jointly). **Bids**—Expected about Feb. 8.

General Telephone Co. of the Northwest (2/2)
n. 12 filed 144,000 shares of 4.80% cumulative prered stock (par $25). **Price**—To be supplied by amendent. **Proceeds**—To repay bank loans. **Underwriters**—ine, Webber, Jackson & Curtis and Stone & Webster curities Corp., both of New York; and Pacific Northst Co., Seattle, Wash.

General Uranium Corp., Salt Lake City, Utah
t. 27 (letter of notification) 1,200,000 shares of comn stock. **Price**—At par (25 cents per share). **Proeds**—For development and exploration expenses. **Ofe**—404 Boston Building, Salt Lake City, Utah. **Underiter**—P. G. Christopulos & Co., same city.

Globe Metallurgical Corp., Beverly, Ohio
. 18 filed 147,500 shares of common stock (par $5), which 30,000 shares are to be offered to a group mposed largely of stockholders of company (Globe n Co. is parent), and 117,500 shares are to be offered public. **Price**—$10 per share. **Proceeds**—For capital provements and working capital. **Underwriter**—Mcnald & Co., Cleveland, Ohio.

Grand Deposit Mining Co., Salt Lake City, Utah
. 14 (letter of notification) 1,210,018 shares of comn stock (par five cents) to be offered to stockholders record Jan. 14 on a 1-for-2 basis. **Price**—To stockders, 5¼ cents per share; to public, six cents per re. **Proceeds**—To explore, develop and maintain the and Deposit Mine. **Office**—409 Ness Bldg., Salt Lake y, Uath. **Underwriter**—None.

Green Mountain Uranium Corp. (2/1)
v. 30 (letter of notification) 2,000,000 shares of comn stock (par one cent). **Price**—15 cents per share. oceeds—For mining activities. **Office**—618 Rood Ave., and Junction, Colo. **Underwriter**—Tellier & Co., Jer- City, N. J.

Gulf States Utilities Co.
y 14 filed 160,000 shares of preferred stock (par $100). oceeds — To redeem 50,000 shares of $4.50 dividend ferred stock, 60,000 shares of $4.40 dividend preferred k, 1949 series, and 50,000 shares of $4.44 dividend ferred stock at the prevailing redemption prices of 5; $105, and $105.75, respectively. **Underwriter**—To determined by competitive bidding. Probable bid-s: Stone & Webster Securities Corp.; Lehman others and Equitable Securities Corp. (jointly); Kuhn, b & Co.; Glore, Forgan & Co. and W. C. Langley & (jointly). **Bids**—Had tentatively been expected to be eived up to 11:30 a.m. (EDT) on June 15 at The nover Bank, 70 Broadway, New York, N. Y., but ofng has been postponed.

Gulf States Utilities Co.
y 14 filed $24,000,000 of first mortgage bonds due e 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% t mortgage bonds due 1981 and $10,000,000 of 3⅜% t mortgage bonds due 1983, and for general corpo- purposes. **Underwriter**—To be determined by comtive bidding. Probable bidders: Halsey, Stuart & Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fen- & Beane and White, Weld & Co. (jointly); Salo- Bros. & Hutzler and Union Securities Corp.; Kuhn, b & Co. and A. C. Allyn & Co., Inc. (jointly); Lee ginson Corp. and Carl M. Loeb, Rhoades & Co. ntly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gunsite Butte Uranium Corp.
Oct. 25 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—36 West Broadway, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same address.

Highland Uranium, Inc., Casper, Wyo.
Dec. 13 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—208 Turner-Cottman Bldg., Casper, Wyo. **Underwriter** — Casper Brokerage Co., Inc., Henning Hotel Bldg., Casper, Wyo.

Hilton Hotels Corp., Chicago, Ill.
Dec. 23 filed $7,978,900 of 15-year convertible debentures, due Jan. 1, 1970, and $31,915,600 of 15-year debentures due Jan. 1, 1970, to be offered to certain holders and former holders of common stock of Hotels Statler Co., Inc. on the basis of $10 principal amount of convertible debentures and $40 principal amount of nonconvertible debentures for each common share held. **Price**—At 100% of principal amount. **Proceeds**—To prepay bank loan and for working capital. **Underwriter**—None.

● **Imperial Minerals, Ltd. (Canada) (1/24)**
Nov. 23 (Regulation "D") 830,000 shares of common stock (par $1). **Price**—36 cents per share. **Proceeds**—For mining activities. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

International Spa, Inc., Reno, Nev.
Nov. 23 filed 12,000 shares of common stock (no par). **Price**—$500 per share. **Proceeds**—For land, construction, working capital, etc. **Underwriter**—None.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share; and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

Investors Group Canadian Fund Ltd., Winnipeg, Canada
Dec. 13 filed 3,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment principally in stocks of Canadian industries. **Organized**—In November 1954 by Investors Diversified Services, Inc., as a special type of mutual investment company. **Underwriter**—None.

Justheim Petroleum Co., Salt Lake City, Utah
Dec. 9 (letter of notification) 2,650,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For oil and mining expenses. **Office**—318 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

★ **Kansas City Power & Light Co. (2/15)**
Jan. 19 filed $16,000,000 of first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received on Feb. 15, 1955.

★ **Keystone Wholesale Hardware Co., Atlanta, Ga.**
Jan. 13 (letter of notification) 16,666 shares of common stock (no par). **Price** — Approximately $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga. **Underwriter**—None.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

● **Life Insurance Investors, Inc., N. Y. (1/27)**
Dec. 17 field 1,400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Over $20,000,000 for investment. **Business**—A diversified management investment company. **Underwriters** — White, Weld & Co., New York, and J. C. Bradford & Co., Nashville, Tenn.

★ **Lone Star Mining & Development Co.**
Jan. 7 (letter of notification) preorganization subscription certificates for 50,000 shares of common stock, of which 5,000 shares are to be offered for the assets and capital stock of a partnership and 500 shares for legal services. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Port Neches, Jefferson County, Tex. **Underwriter**—None.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of commo stock (no par) to be first offered for subscription b stockholders. **Price**—$20 per share. **Proceeds**—To re imburse treasury for expenditures already made fo additions to property. **Office**—203 West Ninth Stree Lorain, Ohio. **Underwriter**—None.

Lucky-Custer Mining Corp.
Dec. 7 (letter of notification) 50,967 shares of commo stock. **Price**—At par ($1 per share). **Proceeds**—Fo expenses incident to mining operations. **Office**—32 Yates Bldg., Boise, Ida. **Underwriter**—Ernest Lero Bevis, 1414 Arthur St., Caldwell, Ida.

Lucky Strike Uranium Corp.
Jan. 4 (letter of notification) 4,300,000 shares of commo stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—38 South Mai St., Salt Lake City, Utah. **Underwriter**—Seaboard Securities Corp., Washington, D. C.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of com mon stock (par one cent). **Price**—10 cents per shar **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

Marine Midland Corp., Buffalo, N. Y.
Dec. 9 filed 403,082 shares of 4% cumulative preferred stock being offered for subscription by common stockholders of record Jan. 5, 1955, on the basis of one preferred share for each 18 shares of common stock held Rights will expire on Jan. 24. **Price**—At par ($50 pe share). **Proceeds**—For investment in additional capital stock of subsidiary bank, to repay bank loans and fo other corporate purposes. **Underwriters**—The First Boston Corp.; Union Securities Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; and Granbery, Marache & Co.

Merritt-Chapman & Scott Corp.
Dec. 21 filed 3,018,567 shares of common stock (pa $12.50) to be offered in exchange for outstanding stock of New York Shipbuilding Corp., Devoe & Raynolds Co., Inc., Newport Steel Corp., Marion Power Shovel Co., Osgood Co. and Tennessee Products & Chemical Corp. on the following basis: 675,549 shares to holders of the 540,439 outstanding shares of common stock (pa $5) of Tennessee Products & Chemical Corp., at the rate of 1¼ shares for each share of common stock of Tennessee; 755,105 shares to holders of the 453,063 outstanding shares of class A stock (par $2) of Devoe & Raynolds Co., Inc. at the rate of 1⅔ shares for each share of class A stock of Devoe; 242,700 shares to holders of the 182,025 outstanding shares of class B common stock (par $1) of Devoe, at the rate of 1⅓ shares for each of class B common stock of Devoe; 1,290,252 shares to holders of the 1,290,252 outstanding shares of common stock (par $1) of New York Shipbuilding Corp., at the rate of one share for each share of common stock of N. Y. Shipbuilding; 27,907 shares to holders of the 58,605 outstanding shares of common stock (par $1) of Newport Steel Corp., not owned by Merritt, at the rate of one share for each 2.1 shares of common stock of Newport; 26,114 shares to holders of the 17,409 outstanding shares of common stock (par $10) of Marion Power Shovel Co., not owned by Merritt, at the rate of 1½ shares for each share of common stock of Marion; and 940 shares to holders of the 1,410 outstanding shares of class B common stock (without par value) of the Osgood Co., not owned by Merritt or Marion, at the rate of one share for each 1½ shares of class B common stock of Osgood.

Mi-Ame Canned Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

● **Mid-Continent Uranium Corp. (1/24-28)**
Nov. 26 filed 1,562,500 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploratory operations, machinery and equipment, and for working capital and unforeseen contingencies. **Underwriter**—General Investing Corp., New York.

Military Investors Financial Corp.
Dec. 1 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—2310 Main St., Houston, Texas. **Underwriter**—Cobb & Co., Inc., same city.

★ **Minerals & Chemicals Corp. of America (2/15)**
Jan. 14 filed 435,934 shares of common stock (par $1), of which 125,000 shares are to be sold by the company and 310,934 shares by certain selling stockholders including Lazard Freres & Co. and F. Eberstadt & Co. Inc. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of properties and for capital requirements in connection with kaolin catalyst program, and other general corporate purposes. **Underwrter**—Lehman Brothers, New York.

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Minneapolis Gas Co.
Dec. 30 filed 184,523 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds**—For additions to property. **Underwriter**—Kalman & Co., Inc., St. Paul, Minn.

Missouri Natural Gas Co.
Jan. 6 filed 120,336 shares of common stock (par $2.50), of which 114,000 shares are to be for account of company, and 6,336 shares for account of selling stockholder. **Price**—To be supplied by amendment (expected around $8 per share). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

● **Missouri Utilities Co. (1/24)**
Dec. 20 filed 27,420 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 12 at rate of one new share for each 10 shares held (with an oversubscription privilege), for a 12-day standby. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Dealer-Manager**—Edward D. Jones & Co., St. Louis, Mo.

★ **Mizpah Uranium & Oil Corp., Denver, Colo.**
Jan. 11 (letter of notification) 5,000,000 shares of common sotck (par one cent). **Price**—Five cents per share. **Proceeds**—For mining and oil activities. **Office**—Denham Bldg., Denver, Colo. **Underwriter**—None.

★ **Monarch Lumber Co., Minneapolis, Minn.**
Jan. 7 (letter of notification) $23,000 of 6% debentures to be offered to yard managers and key employees as provided by profit sharing contracts. **Price** — At par. **Proceeds**—For working capital. **Office**—900 First National-Soo Line Bldg., Minneapolis, Minn. **Underwriter**—None.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

Montezuma Uranium, Inc., Denver, Colo.
Jan. 5 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development operations. **Office**—Ernest and Cranmer Bldg., Denver, Colo. **Underwriter**—Investment Service Co., same city.

Montreal (City of), Canada (1/26)
Dec. 30 filed $35,000,000 of 1955 U. S. currency issue debentures due serially Jan. 1, 1956-1974. **Proceeds**—To pay for new construction, improvements, etc. **Underwriter**—To be named by amendment. Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart won last issue at competitive sale. Other groups who bid were: Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co., Union Securities Corp. and Blyth & Co., Inc.; Lehman Brothers. **Bids**—Expected Jan. 26.

Nash Finch Co., Minneapolis, Minn.
Dec. 6 (letter of notification) 1,000 shares of common stock. **Price**—At maximum of $18.50 per share. **Proceeds**—To Willis King Nash, the selling stockholder. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn.

National Can Co.
Dec. 22 filed $4,500,000 of 5% convertible subordinate income debentures due Jan. 1, 1976, of which $4,380,400 principal amount are being offered for subscription by common stockholders of record Jan. 11 on the basis of $100 of debentures for each 23 common shares held; rights to expire on Jan. 26. The remaining $119,600 of debentures were publicly offered. **Price**—At 100% of principal amount. **Proceeds**—Together with other funds, to acquire stock of Pacific Can Co., to pay off indebtedness of Pacific, to complete Pacifics planned expansion program and for working capital. **Underwriters**—Bear Stearns & Co. and A. C. Allyn & Co. Inc., both of New York.

New Britain Gas Light Co.
Dec. 15 (letter of notification) 8,572 shares of common stock (par $25) being offered for subscription by stockholders of record Jan. 3 at rate of one new share for each seven shares held; rights to expire Jan. 25. **Price**—$26 per share. **Proceeds**—To repay bank loans. **Office**—35 Court St., New Britain, Conn. **Underwriter**—None.

★ **New Pacific Coal & Oils, Ltd., Toronto, Canada**
Dec. 28 (regulation "D") 275,000 shares of common stock (no par), of which 120,000 shares are to be offered in Canada and 155,000 shares in the United States. **Price**—55 cents per share. **Proceeds** — To selling stockholders. **Underwriter**—L. D. Friedman & Co., New York.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

● **New York Shipbuilding Corp.**
Dec. 6 filed 74,925 shares of common stock (par $1) being offered in exchange for 374,624 shares of common stock (par five cents) of Highway Trailer Co. at rate of one share of Shipbuilding stock for each five shares of common stock of the Trailer company. Offer will expire on Jan. 26, unless extended.

Nipissing Mines Co. Ltd., Toronto, Canada (1/24)
Jan. 3 filed 1,200,000 shares of common stock (par $1—Canadian) to be offered as "speculative" securities for subscription by common stockholders of record Jan. 24, 1955, on a share-for-share basis. **Price**—$2 (Canadian) and $2.06 (U. S.) per share. **Proceeds**—For payment of options, development of properties, and for machinery and equipment. **Underwriters** — Allan H. Investments, Ltd.; Alator Corp., Ltd.; Louis A. Chesler; and Bradley Street; all of Toronto, Canada.

Northeastern Steel Corp.
Dec. 31 filed $4,600,000 of 6% subordinated debentures, series A, due Feb. 1, 1975; 920,000 shares of common stock (par $1); and common stock purchase warrants for 276,000 shares of additional common stock. These securities are to be offered in 92,000 units, each unit consisting of a $50 registered debenture, 10 shares of common stock and a warrant to purchase three shares of common stock at $8.33⅓ per share payable in cash or debentures at par. **Price**—$100 per unit. **Proceeds**—To expand mill, to meet short-term loans borrowed in acquiring that plant at Bridgeport, Conn., and for general corporate purposes. **Office** — Bridgeport, Conn. **Underwriter**—Estabrook & Co., Boston, Mass., and New York., N. Y. **Offering**—Expected today (Jan. 20).

★ **Olympic Development Co., Stamford, Conn.**
Jan. 13 (letter of notification) 29,698 shares of common stock ot be offered for subscription by stockholders at rate of one new share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To retire short-term notes and for working capital. **Office** — 30 Commerce St., Stamford, Conn. **Underwriter**—None.

Onego Corp., Uniontown, Pa.
Dec. 8 filed 150,000 shares of capital stock (par $1). **Price**—$3.50 per share. **Proceeds**—To repay bank loans and indebtedness to company officials; to pay balance of purchase price of New Mexico property; to purchase equipment and wells; and for working capital. **Underwriter** — Langley-Howard, Inc., Pittsburgh, Pa., on a "best-efforts" basis.

Paraderm Laboratories, Inc.
Nov. 12 (letter of notification) 250,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—415 Congress St., Portland, Me. **Underwriter** — Sheehan & Co., Boston, Mass.

Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah.

Pay Day Uranium Co., Las Vegas, Nev.
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—230 Fremont St., Las Vegas, Nev. **Underwriter**—Allied Underwriter Co., the same city.

Pennsylvania Power & Light Co.
Dec. 2 filed 65,455 shares of common stock (no par); 858 shares of 4.40% cumulative preferred stock (par $100); 5,378 shares of 3.35% cumulative preferred stock (par $100); and 4,032 shares of 4½% cumulative preferred stock (par $100) being offered in exchange for securities of The Scranton Electric Co. on the following basis: (a) one share of Pennsylvania common stock for each two shares of Scranton common stock; (b) one share of Pennsylvania 4.40% series preferred stock for each share of Scranton 4.40% cumulative preferred stock; and (c) one share of Pennsylvania 3.35% series preferred stock for each share of Scranton 3.35% cumulative preferred stock, or, at the election of the Scranton shareowners, for each share of Scranton's 3.35% cumulative preferred stock, two shares of Pennsylvania's common stock, or for each lot of four shares of Scranton 3.35% cumulative preferred stock, three shares of Pennsylvania's 4½% preferred stock. Pennsylvania owns approximately 91% of the preferred stock and 91% of the common stock of Scranton. Statement effective Dec. 22.

Petroleum Reserves, Inc., New York
Dec. 27 filed $7,500,000 of 4% debentures due 1970, 100,000 shares of 5% preferred stock (par $25) and 1,000,000 shares of common stock (par 10 cents) to be offered in units of $75 principal amount of debentures, one share of preferred stock and 10 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of properties. **Underwriter**—William A. M. Burden & Co., New York.

Philadelphia Suburban Water Co. (1/26)
Jan. 5 filed 206,000 shares of common stock (par $7.50), of which 106,000 shares are to be sold for account of certain selling stockholders and 100,000 shares by company. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Drexel & Co., Philadelphia, Pa.

★ **Pipecote Service Co., Inc., San Angleo, Tex.**
Jan. 10 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase 800 shares of common stock in Pipelife, Inc. **Office**—201 Chadbourne Bldg., San Angelo, Tex. **Underwriter**—Barney F. Bedford, 506 St. Angelus Hotel, same city.

★ **Pittston Co., New York (2/3)**
Jan. 14 filed 285,000 shares of common stock (par $1), of which 75,000 shares are to be sold by the company and 210,000 shares by the Englewood Corp. **Price**—To be suppiled by amendment. **Proceeds**—To purchase additional assets and for working capital. **Underwriter**—Allen & Co. and Reynolds & Co., both of New York.

Poly-Seal Corp.
Dec. 8 (letter of notification) 40,000 shares of capital stock (par 10 cents) being offered for subscription by stockholders on a one-for-five basis for a period of 30 days from Dec. 29. **Price**—$1.75 per share. **Proceeds**—For machinery and equipment and working capital. **Business** — Manufactures and sells plastic screw-cap closures. **Office** — 405 Lexington Avenue, New York, N. Y. **Underwriter**—None.

Public Service Electric & Gas Co.
Dec. 22 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for construction program. **Underwriters**—Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co. **Offering** — Temporarily delayed.

Rainier Telephone Co., Rainier, Wash.
Dec. 14 (letter of notification) $85,000 of 5½% 20-year sinking fund bonds due Dec. 1, 1979. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To purchase assets of Methow Valley Telephone Co., refund mortgage debt, and for working capital. **Underwriter**—Wm. P. Harper & Son & Co., Seattle, Wash.

★ **Ranger Lake Uranium Mines, Ltd., Toronto, Canada**
Dec. 30 (regulation "D") 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—James Anthony Securities Corp., New York.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

★ **Rio Grande Valley Gas Co., Brownsville, Texas**
Jan. 14 filed voting trust certificates for 2,080,376 shares of common stock to be issued under a voting trust agreement dated Jan. 3, 1955 (which in effect is an extension of the present voting trust which expires on April 10, 1956. **Voting Trustees**—Odbert P. Wilson (President) and two others.

Rushmore Uranium & Oil Corp.
Dec. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses of uranium and oil properties. **Office**—618 6th St., Box 8, Rapid City, S. D. **Underwriter**—Philip Gordon & Co., Inc., New York.

Salt Lake Hardware Co., Salt Lake City, Utah
Dec. 30 (letter of notification) 4,062 shares of common stock (par $10), to be first offered to employees who are not stockholders; then to stockholders; and any unsubscribed shares after Feb. 4, 1955 to public. **Proceeds**—To restore to working capital amount expended for acquisition of these securities. **Office**—105 N. Third West St., Salt Lake City, Utah. **Underwriter** — J. A. Hogle & Co., same city.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

San Miguel Uranium Mines, Inc.
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For mining operations. **Office** — Mineral Bldg., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

Seven Up Bottling Co. of Los Angeles, Inc.
Dec. 14 filed 19,767 shares of capital stock (no par) to be offered for subscription by common stockholders of record Jan. 10, 1955 at rate of one new share for each four shares held. **Price**—$32.50 per share. **Proceeds**—For expansion program. **Underwriter** — Quincy Cass Associates, Los Angeles, Calif.

Silver Pick Uranium, Inc., Reno, Nev.
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Slick Rock Uranium Development Corp.
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended. **Price**—10 cents per share. **Proceeds**—For development and exploration expenses. **Office**—Newhouse Hotel, Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

★ **Sodak Uranium & Mining Co., Inc.**
Jan. 13 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 330, Edgemont, S. D. **Underwriter**—Capper & Co., New York.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

● **State Fire & Casualty Co., Miami, Fla.**
Dec. 23 filed 125,000 shares of class A non-voting common stock (par $1) being offered for subscription by holders of class A and class B common stocks at rate of one new share for each two shares held as of Jan. 13; rights to expire Jan. 27. **Price**—$3.75 per share. **Proceeds**—To enable company to expand its business. **Underwriter**—A. M. Kidder & Co., New York, N. Y. and Miami, Florida.

Stewart Uranium Drilling Co., Inc.
Jan. 3 (letter of notification) 500,000 shares of class A stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Citizens National Bank & Trust Bldg., Baytown, Texas. **Underwriter**—General Investing Corp., New York.

Stinnes (Hugo) Corp., New York
Nov. 22 filed $6,000,000 of notes and an unspecified number of shares of common stock (par $5) to be offered in units of $1,000 of notes and an unspecified number of common shares. **Price**—To be supplied by amendment. **Proceeds**—For retirement of 7% debentures of Hugo Stinnes Industries, Inc., due 1946. **Underwriters**—Halsey, Stuart & Co. Inc. and A. G. Becker & Co. Inc., Chicago and New York. Statement to be withdrawn. Financing done in Germany.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Swedes Uranium Corp., Salt Lake City, Utah
Jan. 5 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Guss & Mednick Co., same city.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tarbell Mines, Ltd. (Canada)
Sept. 24 (Regulation "D") 599,760 shares of common stock (par $1—Canadian). **Price**—50 cents per share.—U. S. funds. **Proceeds**—For exploration and development expenses and acquisition of property. **Underwriter**—H. J. Cooney & Co., New York.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For exploration and development expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

★ **Texas Electric Service Co. (2/23)**
Jan. 19 filed $17,000,000 of first mortgage bonds due 1985. **Proceeds**—To redeem $7,000,000 3⅝% bonds and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Blyth Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp., Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on Feb. 23.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

★ **Texboard, Inc., Dallas, Texas**
Jan. 17 filed $1,500,000 of 6% series A debentures due serially from Feb. 1, 1957 to Aug. 1, 1961, and $1,000,000 of 6% series B convertible debentures due serially from Feb. 1, 1962 to Aug. 1, 1966. **Price**—To be supplied by amendment. **Proceeds**—To construct and operate a manufacturing plant near Orange, Tex., for the purpose of manufacturing insulation building products. **Underwriter**—Emerson Cook Co., Palm Beach, Fla.

● **Texcrete Structural Products Co.**
Dec. 14 filed 350,779 shares of common stock (par 10 cents) being offered for subscription by stockholders of Texas Industries, Inc. of record Dec. 10, 1954 at rate of one share Texcrete for each share of Texas Industries then held (with an oversubscription privilege); rights to expire on Jan. 27. **Price**—$3 per share, to stockholders and $3.50 to public. **Proceeds**—For expansion and general corporation purposes. **Underwriters** — Rauscher, Pierce & Co., Inc., Dallas, Tex., and Russ & Co., San Antonio, Tex. **Offering**—Expected this week for a 14-day standby.

Theatrical Subsidiaries, Inc.
Jan. 4 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Office** — 598 Madison Ave., New York 22, N. Y. **Underwriter**—Jay W. Kaufmann & Co., same city.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

T. M. T. Trailer Ferry, Inc.
Nov. 23 (letter of notification) $295,000 of 5½% convertible debentures due Dec. 1, 1960 and 29,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—To purchase equipment to retire $50,000 of notes and for working capital.

Top Notch Uranium & Mining Corp.
Jan. 5 (letter of notification) 4,000,000 shares of common stock (par two cents). **Price** — Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—94 North Main St., Smithfield, Utah. **Underwriter**—Lewellen-Bybee, Inc., Washington, D. C.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—358 S. 3rd St. East, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., same city.

Turf Paradise, Inc., Phoenix, Ariz.
Nov. 12 filed 83,334 shares of common stock (par $10) and 83,334 shares of preferred stock (par $20) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To construct racing plant and to repay obligations. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration and development costs. **Office**—424 Judge Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed Co., same city.

● **United Artists Theatre Circuit, Inc. (1/25-26)**
Dec. 29 filed 400,121 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital. **Underwriter**—Allen & Co., New York.

● **United States Plywood Corp. (1/26)**
Dec. 22 filed $25,000,000 of 25-year sinking fund debentures due Jan. 1, 1980. **Price**—To be supplied by amendment. **Proceeds**—To redeem $15,000,000 of outstanding debentures and for other corporate purposes. **Underwriter**—Eastman, Dillon & Co., New York.

Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For cost of Driller Boy (drilling equipment which company rents out), and working capital. **Office**—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. **Underwriter**—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Uranium Discovery & Development Co., Wallace, Idaho
Nov. 16 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For core drilling program upon two groups of claims. **Address**—Box 709, Wallace, Idaho. **Underwriter**—Wallace Brokerage Co., same city.

★ **Uranium Oil & Gas Co., Reno, Nev.**
Jan. 4 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil, gas and mining activities. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—None.

Uranium Royalties, Inc., Rapid City, S. Dak.
Dec. 27 (letter of notification) 1,165,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses, etc. **Office**—626 Sixth St., Rapid City, S. D. **Underwriter**—Wendell E. Kindley & Co., same address.

Uranium Shares, Inc., Denver, Colo.
Dec. 22 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—3038 Wyandot St., Denver, Colo. **Underwriters**—Kamp & Co., Fred W. Miller & Co. and Mile High Securities Co., all of Denver, Colo.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—420 Felt Building, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). **Price**—Six cents per share. **Proceeds**—For exploration and development expenses. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid-Continent Securities, Inc., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 289, Wallace, Idaho. **Underwriter**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

★ **Webster Uranium Mines, Ltd., Toronto, Canada**
Dec. 30 (regulation "D") 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—James Anthony Securities Corp., New York.

Wenga Copper Mines, Inc., N. Y.
Nov. 18 (Regulation "D") 900,000 shares of common stock (par five cents). **Price**—30 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Willis E. Burnside & Co., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ **Wolverine Fabricating & Manufacturing Co., Inc.**
Jan. 13 (letter of notification) 35,840 shares of common stock (par $5). **Price**—$6.50 per share. **Proceeds**—To convert and equip plant and to pay manufacturing costs of product. **Office** — 2638 Princess St., Inkster, Mich. **Underwriter**—Goodbody & Co., Detroit, Mich.

Woodland Oil & Gas Co., Inc.
Dec. 21 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment, drilling expenses and working capital. **Office**—42 Broadway, New York, N. Y. **Underwriter**—E. M. North Co., Inc., same address.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Wynn Pharmacal Corp.
Dec. 23 (letter of notification) 85,000 shares of class B common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds** — For production, development and sale of company's products, working capital and other corporate purposes. **Office**—5119 West Stiles St., Philadelphia, Pa. **Underwriter**—Charles A. Taggart & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

Air-Way Electric Appliance Corp.
Dec. 6 directors approved proposals to increase the authorized common stock (par $3) from 400,000 shares to 1,200,000 shares, and to authorize $5,000,000 of preferred stock to carry a dividend rate of not exceeding 5%, with either a $50 or a $100 par value. Both stock issues are subject to approval of the stockholders. Underwriters—Wm. C. Roney & Co., Detroit, Mich., has handled numerous secondary offerings in the past.

Alabama Power Co. (5/31)
Dec. 30 it was announced company plans to issue and sell $15,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); The First Boston

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Corp.; Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 31. **Registration**—Scheduled for May 4.

★ Av's Rent-A-Car System, Boston, Mass.
Jan. 14 it was reported that some financing may result from the acquisition of control of this company by Richard S. Robie for $8,000,000, but details are not yet available. **Office**—Statler Hotel, Boston, Mass. **Underwriter**—Van Alstyne, Noel & Co., New York.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, stated that company plans to issue and sell some additional common stock, par $10 (probably to stockholders). **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly).

★ Central National Bank of Cleveland (1/25)
Jan. 6 it was announced stockholders will on Jan. 25 vote on a proposal authorizing the sale of 171,875 additional shares of capital stock to stockholders on a 1-for-4 basis (with a 21-day standby). **Price**—To be fixed later. **Proceeds**—To increase capital and surplus. **Underwriter**—McDonald & Co., Cleveland, O.

● Central & South West Corp.
Jan. 18 company applied to SEC for permission to issue and sell 600,000 shares of common stock (par $5). **Proceeds**—To repay bank loans and loan from insurance company, and to purchase common shares of subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly) The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly);; Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Expected in March.

Chesapeake & Ohio Ry.
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

Chicago & Eastern Illinois RR.
Dec. 29 the ICC approved plan to offer $15,336,480 of 5% income debentures due Jan. 1, 2054, in exchange, par for par, for the outstanding 383,412 shares of class A stock (par $40). The offer expires Jan. 21, 1955.

Chicago, Rock Island & Pacific RR.
Jan. 11, J. D. Farrington, President, announced that the directors have authorized the issue and sale of not more than $65,000,000 of 40-year income debentures. **Proceeds**—To redeem its outstanding preferred stock (about 640,000 shares). **Underwriters**—If by competitive bidding, bidders may include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers, Lazard Freres & Co. and Bear, Stearns & Co. (jointly).

● Citizens National Trust & Savings Bank of Los Angeles
Jan. 14 stockholders of record Jan. 11 were given the rights to subscribe for 200,000 additional shares of new common stock (par $10) on the basis of two new shares for each five shares held; rights to expire on Feb. 14. **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

★ Colorado National Bank of Denver (Colo.)
Jan. 12, the Bank offered its stockholders of record Jan. 11 the right to subscribe on or before Feb. 1 for 30,000 additional shares of capital stock (par $25) on the basis of one new share for each share held. **Price**—$42.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Bosworth, Sullivan & Co.; Boettcher & Co.; Peters, Writer & Christensen, Inc.; and Earl M. Scanlon & Co.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

First Bank Stock Corp., Minneapolis, Minn.
Dec. 21 it was announced corporation plans to offer 361,922 additional shares of capital stock to its stockholders on basis of one new share for each eight shares held. **Price**—To be determined at time of offering (stockholders meeting will be held Feb. 16 to approve issue). **Proceeds**—To increase capital structures of affiliated banks. **Underwriter**—Blyth & Co., Inc., New York.

Florida Power Corp.
Dec. 31 it was reported company plans to offer to its stockholders about 232,000 additional shares of common stock on a 1-for-10 basis in May or June 1955. **Underwriters**: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Florida Power Corp.
Dec. 31 it was reported company may issue and sell late in 1955 about $10,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp.

★ Franklin National Bank of Franklin Square (N. Y.)
Jan. 11 Bank offered to stockholders of record 133,300 additional shares of capital stock (par $5) at the rate of one new share for each 10 shares held as of Jan. 11, 1955; rights to expire on Jan. 28. Unsubscribed shares (not exceeding 10,000 shares) are to be first offered to employees of the Bank and The Employees' Profit sharing and Benefit Plan of the Bank. **Price**—$32 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blair & Co. Incorporated; W. C. Langley & Co.; Hornblower & Weeks; Bache & Co.; Hayden, Stone & Co.; Grimm & Co. Boenning & Co.; and Hallowell, Sulzberger & Co.

Franklin Trust Co. of Paterson, N. J. (1/21)
Jan. 6, William H. Dillistin, Chairman of the Trustees of the Segregated Assets of this company, announced that approximately 20,540 shares of capital stock (par $10), and in any even not less than 20,000 shares (out of 30,000 shares presently outstanding) will be offered at public auction at 2 p.m. (EST) on Jan. 21 in the Passaic County Court House at Paterson, N. J. The starting bid is not to be less than $28 per share.

● General Motors Corp. (2/8)
Jan. 3 it was announced company plans to offer to common stockholders additional commn stock on basis of one new share for each 20 shares held (at last accounts 88,513,817 shares were outstanding); rights to expire about March 17. **Price**—To be determined shortly before offering. **Proceeds**—About $325,000,000 for capital expenditures and working capital. **Underwriter** — Morgan Stanley & Co., New York. **Subscription Agents**—J. P. Morgan & Co. Incorporated, New York, N. Y.;; National Bank of Detroit, Detroit, Mich.; Continental Illinois National Bank & Trust Co., Chicago, Ill.; and Bank of American N. T. & S. A., San Francisco and Los Angeles, Calif. **Registration**—Expected about Jan. 20, for signing about Feb. 7.

General Telephone Co. of California
Dec. 15 company applied to California P. U. Commission for authority to issue and sell 200,000 shares of 4½% preferred stock (par $20). **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—May be Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Georgia Power Co. (5/10)
Dec. 30 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds due 1985. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 10. **Registration**—Scheduled for April 13.

★ Hanover Fire Insurance Co.
Jan. 12 it was announced stockholders will vote March 7 on authorizing an offering to stockholders during the latter part of March of 100,000 additional shares of capital stock on the basis of one new share for each four shares held. **Price**—To be named later. **Proceeds**—To expand activities in the casualty and multiple line fields. **Underwriters**—The First Boston Corp. and R. W. Pressprich & Co., both of New York.

Harvard Brewing Co., Lowell, Mass.
Dec. 31 the Alien Property Office of the Justice Department said it is anticipated that the government's holdings of 345,760 shares of capital stock (par $1), out of 625,000 shares outstanding, will be offered for sale early in 1955.

Holly Corp., New York
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing by Holly Uranium Corp. has been arranged to be followed by a public offering early in 1955 after which Holly Corp. plans to distribute part of its holdings of Holly Uranium Corp. stock to its stockholders.

★ Hycalog, Inc., Shreveport, La. (2/1)
Jan. 10, it was announced public offering of 50,000 shar of common stock (no par value) is planned. **Und writer**—Keith Reed & Co., Dallas, Tex.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans to issue and s $10,000,000 of first mortgage bonds due 1985. **Proceeds** For construction program. **Underwriter** — To be dete mined by competitive bidding. Probable bidders: Halse Stuart & Co. Inc.; Glore, Forgan & Co. and Goldma Sachs & Co. (jointly); Blyth & Co., Inc. and The Fi Boston Corp. (jointly); Union Securities Corp. and Sto & Webster Securities Corp. (jointly); Lehman Broth and Bear, Stearns & Co. (jointly); Kidder, Peabody Co. and Merrill Lynch, Pierce, Fenner & Beane (jointl Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointl **Bids**—Expected March 15.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans sale of 60,0 shares of preferred stock (par $100). **Proceeds**—For n construction. **Underwriter**—To be determined by co petitive bidding. Probable bidders: Lehman Brothe Blyth & Co. Inc.; Union Securities Corp.; White, Weld Co. and Shields & Co. (jointly); Kidder, Peabody & and Merrill Lynch, Pierce, Fenner & Beane (jointl **Bids**—Tentatively expected March 15.

M and M Wood Working Co.
Dec. 27 it was announced company's National Tank Pipe division will enter the plastic pipe business o production basis on or about March 15. Plans for nancing a substantial addition to the company's pl in Portland's Kenton district have been approved by directors and construction will begin immediately. **U derwriter**—Kidder, Peabody & Co., New York, und wrote previous public financing.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 5 000 shares (par five cents) to the motorist and gene public shortly after completion of the current offer of 100,000 shares to service station owners and operat **Office**—Room 717, 141 Broadway, New York 6, N. Y.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer its stockholders of record March 1, next, 511,205 ad tional shares of capital stock (par $100) on a 1-fo basis. American Telephone & Telegraph Co., its par owns about 69% of presently outstanding shares. **P ceeds**—To repay temporary borrowings. **Underwr**—None.

★ New York Telephone Co.
Jan. 17, Keith S. McHugh, President, announced t the company will have to raise more than $100,000 of new capital money to aid in carrying out its exp sion and improvement program which will cost proximately $200,000,000. **Underwriter**—For and bo to be determined by competitive bidding. Proba bidders: Morgan Stanley & Co.; Halsey, Stuart & Co.

North Penn Gas Co.
Dec. 17 it was announced 420,000 shares of com stock (par $5) will soon be offered to public. **Pri** To be named later. **Proceeds**—To The Post Publis Co., publisher of The Boston Post. **Underwriter**—E man, Dillon & Co., New York. **Registration**—Expe early in January.

★ Northern Indiana Public Service Co.
Jan. 12, D. H. Mitchell, President, announced that company plans to raise approximately $12,000,00 new money (which may be done through sale of ferred and/or common stock). **Underwriters**—Prob Central Republic Co. (Inc.), Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

Pacific Northwest Pipe Line Corp.
Dec. 20, C. R. Williams, President, announced that planned to offer publicly $16,800,000 of 6% interim due May 1, 1956 (convertible into preferred stock at turity) and 280,000 shares of common stock (par $1 units of $60 principal amount of notes and 10 share stock. **Price**—$70 per unit. **Proceeds**—Together with o funds, to finance construction of a 1,400-mile natura pipeline between Ingancio, Colo., and Sumas, Wash the Canadian border. In addition, 1,659,200 share common stock would be offered for subscriptio present stockholders who already own 700,000 sh **Underwriter**—White, Weld & Co.; Kidder, Peabod Co.; Dominion Securities Corp.; Union Securities **Offering** — Expected to be completed in first ha February, 1955.

Pacific Power & Light Co.
Oct. 19 stockholders approved a proposal to auth 200,000 additional preferred stock of $100 par v which are to be sold in series. **Proceeds**—For new struction. **Offering**—Not imminent.

★ Perkin-Elmer, Inc. (Conn.)
Jan. 17 it was reported that about 50,000 share common stock will soon be registered with the **Price** — Around $19.50 per share. **Proceeds** — To se stockholders. **Underwriters**—Lehman Brothers and Whitney, Goadby & Co.

Porter-Cable Machine Co., Syracuse, N. Y.
Jan. 7, De Alton J. Ridings, President, announced the company is planning to issue a new block of mon stock (no par value) to finance further expa in the United States and Canada. **Underwriter**—Wi N. Pope, Inc., Syracuse, N. Y.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issu sell 100,000 shares of new preferred stock (par $ **Underwriter**—To be determined by competitive bi Probable bidders: Harriman Ripley & Co. Inc. Central Republic Co. Inc. (jointly); Smith, Barn

Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**—Expected in April or May, 1955.

Rockland-Atlas National Bank, Boston (1/25)
Dec. 15 it was announced company plans (following 2-for-1 stock split) to offer stockholders of record Jan. 25 the right to subscribe for 37,500 additional shares of captial stock (par $10) on the basis of one new share for each 5 14/15 shares held; rights to expire on Feb. 9. **Price**—To be named later. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

Sheraton Corp. of America (2/14-18)
Dec. 13 it was reported company may be planning sale of $5,000,000 of debentures (with warrants). **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Southern Co. (11/9)
Dec. 30 it was announced company plans to issue and sell to the public 500,000 additional shares of common stock (par $5). **Proceeds**—To repay bank loans and for investment in additional stock of subsidiary companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Ladenburg, Thalman & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Blyth & Co., Inc., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively scheduled for Nov. 9. **Registration**—Not expected until Oct. 12.

★ Southwestern Gas & Electric Co.
Jan. 17 it was reported company is planning to issue and sell $6,000,000 of cumulative preferred stock (par $100). **Proceeds**—To prepay bank loans and for construction program. **Underwriters**—To be determined by competitive bididng. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected in April or May, 1955.

★ Texas Eastern Transmission Corp.
Jan. 12, it was reported that company plans to issue and sell this year $20,000,000 of preferred stock and $15,000,000 of common stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

Textron Incorporated, Providence, R. I.
Jan. 6 filed an application for qualification of a trust indenture pursuant to which $21,392,595 of 15-year 5% subordinated sinking fund debentures due Feb. 1, 1970 are to be issued to stockholders of American Woolen Co., in a statutory merger of said American Woolen Co. and Robbins Mills, Inc., into Textron.

Transcontinental Gas Pipe Line Corp.
Nov. 24 Tom P. Walker, President, announced that the construction program for 1955 and replacement of bank borrowings made in 1954 wil require financing during 1955 of about $85,000,000. It is planned to offer publicly in either March or April $10,000,000 to $12,000,000 of preferred stock. About $60,000,000 of bonds wil be sold later this year (may be done privately). **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp.

Union Trust Co. of Maryland
Jan. 6 stockholders of record Jan. 6 were given the right to subscribe on or before Jan. 24 for 100,000 additional shares of capital stock (par $10) on the basis of one new share for each 10 shares held. **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Alex Brown & Sons; Baker, Watts & Co.; John C. Legg & Co.; Stein Bros. & Boyce; Robert Garrett & Sons; Mead, Miller & Co.; Baumgartner, Downing & Co.; George G. Shriver & Co., Inc.; and Simon J. Block & Son.

★ West Texas Utilities Co.
Jan. 5 it was reported company plans the sale of $7,000,000 30-year first mortgage bonds (probably in May, 1955). **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Kidder, Peabody & Co.; The First Boston Corp.

★ Western Auto Supply Co. (Mo.)
Jan. 12 it was announced that stockholders on March 15 will vote on approving a proposal to create an issue of 100,000 shares of preferred stock and $5,000,000 of bonded debt, and on increasing the authorized common stock from 1,335,000 shares to 2,500,000 shares. The company may raise about $10,000,000 through the sale of $5,000,000 preferred stock and $5,000,000 bonds to finance the purchase of 140 retail stores owned by Gamble-Skogmo, Inc. **Underwriter** — Merrill Lynch, Pierce Fenner & Beane, New York.

Western Light & Telephone Co., Inc.
Nov. 24 it was announced company plans to issue and sell $3,000,000 first mortgage bonds due 1985 and about 40,000 additional shares of common stock (the latter to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—May be Dean Witter & Co. and The First Trust Co. of Lincoln, Neb. **Offering**—Expected in January. Bonds may be sold publicly or privately, depending on market conditions.

Westpan Hydrocarbon Co. (4/15)
Dec. 11 it was reported Sinclair Oil Corp. will ask for bids for 384,861 shares of Westpan stock about April 15, 1955, if it has not been able to dispose of these holdings before that date. **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

A record attendance of the majority of 350 members and 150 out-of-town guests is expected at the annual dinner of the Bond Traders Club of Chicago to be held Jan. 24.

The Executive Council of The National Security Traders Association will have their meeting on Sunday, Jan. 23, at 1:00 p.m. under the direction of Mr. John W. Bunn of Stifel, Nicolaus & Co., Inc. of St. Louis, who is the presiding officer.

The National Committeemen will meet on Monday, Jan. 24, at 10:00 a.m. and it is expected their 32 affiliated organizations will be represented at this meeting.

On the afternoon of the 24th, the regular Bond Traders Bowling Tournament will be held. It is expected that teams representing Cleveland, Detroit, Milwaukee, Minneapolis and New York will compete against Chicago teams for special trophies.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York has announced the following corrections on STANY Committees:

Bonds: John D. Ohlandt, New York Hanseatic Corporation.
Publicity: William D. O'Connor, Shelby Cullom Davis & Co.
Advertising: Irving L. Feltman, Mitchell & Co., should be added as a member.
National Committee: Harold B. Smith, Pershing & Co., should be added.

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

There will be a meeting of all National Committeemen of the National Security Traders Association on Monday, Jan. 24, 1955, at 10 a.m., at the Hotel Sherman in Chicago. This is an open meeting and any member of NSTA is cordially invited to attend.

Bankers Offer New England Power Bds.

A group comprising Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp., and Wood, Struthers & Co., yesterday (Jan. 19) offered $25,000,000 of New England Power Co. first mortgage bonds, series F, 3¼%, due Jan. 1, 1985, at 101.931% and accrued interest, to yield 3.15%. Award of the issue was won by the group at competitive sale on Jan. 18 on a bid of 101.475%.

Net proceeds from the financing will be used by the company to pay in part, for the purchase of the properties and other assets of Connecticut River Power Co., a subsidiary of the New England Electric System.

The new series F bonds will be redeemable at regular redemption prices ranging from 104.94% to par, and at special redemption prices receding from 101.94% to par, plus accrued interest in each case.

New England Power Co., a Massachusetts corporation, is a subsidiary of New England Electric System. The company is a public utility engaged in the business of generating, purchasing, transmitting and selling electric energy in wholesale quantities to other electric companies doing a retail distribution business and to large industrial consumers. It has no residential or commercial customers.

Combined earnings statements of New England Power Co. and the Connecticut River Power Co. for the year 1953, showed total gross operating revenues of $40,886,677 and combined net income of $4,186,728. For the 12 months ended Oct. 31, 1954, combined gross operating revenues were $42,432,540 and combined net income was $6,381,279.

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Mutual Funds

reports that continuous public offering of its shares is now being made by investment dealers in all parts of the country who are members of a selling group organized by Vance, Sanders & Co., the principal underwriter.

The initial offering of 3,250,000 shares of Canada General Fund (1954) Limited, at public offering price of $10 a share, was completed last August. In November, the former Canada General Fund, Inc. was merged into the Canadian corporation through an exchange of shares.

The objective of Canada General Fund (1954) Limited is to seek long-term growth of principal through investments in the resources and industry of Canada, by means of diversified holdings of Canadian stocks, and through reinvestment of all net earnings at low tax cost.

Commenting on the action of the directors whereby the Fund has become a completely open-end mutual investment company, Henry T. Vance, President, stated: "We welcome this opportunity to broaden the service of Canada General Fund (1954) Limited to United States investors interested in the long-term investment opportunities which exist in Canada. We believe that the ability of the Fund to retain and plow back earnings, with little or no tax dilution, makes it an ideal vehicle for participating in that country's dynamic economy."

A STRONG RISE in security prices and increased sales gave the four mutual funds in the United Funds, Inc. group both record assets and sales in 1954.

Total assets jumped more than $84½ million during 1954, compared with a gain of about $14¾ million in 1953. Sales gained $11¼ million in 1954, while a year before the gain was only about $½ million. The gains were in face of larger share repurchases than in the previous year. Included in the United Funds group are the United Income Fund, United Accumulative Fund, United Continental Fund and United Science Fund.

The greatest gains during the year were in the Accumulative Fund and its periodic plan. Sales of the Accumulative Fund rose to $15,745,996, compared with $9,853,412 in 1953. United Continental also showed a marked growth, with sales rising from $1,616,700 to $5,768,614.

The total sales of all the funds for 1954 amounted to $38,258,177, against $26,880,351 for 1953. At the close of 1954 total assets were approximately $197,251,000.

Net assets of United Income Fund at the end of 1954 were $113,114,492, equal to $17.60 a share, compared with $72,669,668, or $12.05 a share a year earlier.

Net assets of United Accumulative Fund were $48,608,085, equal to $9.19 a share, against $21,726,155, or $5.96 a share.

Net assets of United Science Fund were $23,902,953, equal to $8.82 a share, compared with $14,819,583, or $5.82 a share.

Net assets of United Continental Fund were $11,625,439, equal to $6.81 a share, compared with $3,396,143, or $4.36 a share.

TOTAL NET assets of three mutual funds managed by Investors Diversified Services, increased more than $275,000,000 during 1954.

As of Dec. 31, 1954, combined total net assets of the three funds, Investors Mutual, Inc., Investors Stock Fund, Inc., and Investors Selective Fund, Inc., were $858,571,220 as compared with $582,997,850 at the close of 1953. A total of 218,700 investors owned shares in the three funds at the close of 1954, an increase of 28,500 shareholders over the 190,200 reported at the end of 1953.

Net assets of Investors Mutual increased $220,131,583 during 1954, 30.06% over the 1953 year-end figure.

Investors Stock Fund, Inc., reported that during the past year its assets increased $47,670,761, 82.67% over its Dec. 31, 1953 assets.

Investors Selective Fund, Inc., recorded a net assets increase during 1954 of $7,771,026, a 58.79% increase.

The combined increase in total net assets of the three funds during 1954 amounted to $275,573,370, equivalent to 47.27%.

Gross sales of the three I. D. S. affiliated funds during 1954 totaled approximately $162,573,414, on the basis of preliminary unaudited figures. Redemptions for 1954 totaled $35,038,171.

Thus, 1954 redemptions in the three funds amounted to 21.6% of the gross sales.

With Merrill Lynch

FT. WAYNE, Ind.—Gordon D. Nelson is now associated with Merrill Lynch Pierce, Fenner & Beane 229 West Berry Street.

Charles A. Day Adds

BOSTON, Mass.—Richard B. Wilson has become affiliated with Chas. A. Day & Co., Inc., Washington at Court Street members of the Boston Stock Exchange.

DIVIDEND NOTICES

Continued from page 5

Washington... and You

plain that the forthcoming "investigation" of the securities markets is a "study" and actually will not be an investigation.

The new Chairman of the Banking Committee is soft-spoken and reasonable in his questioning. There is none of the when did you stop robbing your grandmother approach in in his questioning. In that sense he is a Liberal as the term has been understood for some three centuries.

It is partly because of this ancient Liberalism that Senator Fulbright came to be one of the two or three outstanding enemies of Senator Joe McCarthy. However, he believes Congressional inquiries should have limited objectives, such as showing the need for changing the form of RFC's management. It has been reported to this correspondent by competent sources, that had the RFC inquiry been pursued more vigorously, certain individuals onetime prominent in the affairs of government, might today be benefiting from the unique form of social security which derives from living in Federal penitentiaries.

But no, it is believed, that is not the attitude of the Senator from Arkansas. It is said that he would leaves properly to the courts the determination of guilt and punishing of wrong-doing.

Was Maligned

Because his academic detachment is often misunderstood, Senator Fulbright has been the butt of cruel jests. Mr. Truman, for instance, smarting under the suggestion that he should have quit the White House for a Republican, is said to have referred to Senator Fulbright as "that over-educated so and so."

Senator Joe McCarthy, who is probably a genius at insulting his colleagues, once publicly called him "Senator Halfbright," a gratuitous jest that the Arkansas Senator naturally has not forgotten.

Provide Education

So Senator Fulbright, with a candor which is exceptional in Congress, probably means explicitly what he says when he indicates that the purpose of the securities market study is as much to educate himself and the public as it is to turn up anything. The Senator and his assistants believe that this approach of public education about what has been happening on the securities exchanges will prove to be as welcome to the stock exchanges as to any one else.

Williams Assists

Mr. Williams, as head of the Banking Committee's professional staff, will have a substantial responsibility for the securities study. Mr. Williams also is a professional student of government, or, as it is called in academic circles, "political science."

However, Mr. Williams has had several years of practical experience in the art of governments as legislative assistant to Senator Paul H. Douglas (D., Ill.). Prior to that he taught political science at the Illinois Institute of Technology. He has earned all his credits for a Doctor of Philosophy Degree at the University of Chicago. His thesis subject is on the control of Federal expenditures, and is not unrelated to the problems of today.

Led Commitmennt For Collective Action

A showing of Senator Fulbright profile, as it were, is incomplete without listing his background in foreign relations.

In the early 1940's, after the United States got into war, Senator Fulbright, than a comparative youngster in the House, proposed the "Fulbright resolution." This reflected the thinking of the time, which was that if the United States had just joined the League of Nations and backed Western Europe, Germany would have been frightened out of starting World War II.

This resolution in a loose sense committed the Congress to the notion that after World War II was won, the United States would join with other like-minded nations in a world organization to preserve the world peace. In other words, this resolution gave all world statesmen confidence that they could go ahead and plan for the organization which is now the United Nations.

In the Senate the resolution, as is customary, bore the name of the then Chairman of the Senate Foreign Relations Committee, Senator Tom Connally (D., Tex.). Nevertheless, as the years have passed by, it has been more widely known as the "Fulbright resolution," and the Arkansas Representative, now Senator, is credited with leading in the making of this foremost commitment in national policy.

When a man young in public life acquires an outstanding reputation for leadership in a given field, he often tends to hold tenaciously to this same field in his later public life. In this respect the totally dissimilar records and personalities of the conflicting Senators McCarthy and Fulbright are paradoxically alike. Senator McCarthy has been inclined to interest himself in little but Communist-hunting; Senator Fulbright in anything but prompting collective action.

Jet Fuel Use is Large

Figures revealed here indicate that the use of jet fuel by the military is by no means as insignificant a quatity as one would gather from the occassional flock of jets which fly by overhead.

Last year the military bought 70 million gallons of this fuel, compared with three million gallons of gasoline used a day on all accounts, air, water and land, in the United States.

Ike Avoids Coalition Revival

There will unlikely be even a semblance of the old Republican-conservative Democratic coalition of the Roosevelt and Truman days this year, except on perhaps the coverage of minimum wages and perhaps also on public housing, in the view of seasoned observers.

The much over-publicized "coalition" worked best against the Taft-Hartley Act, fair employment practices legislation, and other legislation which tended to build up submerged groups in the South and threaten the political control southern Democratic machines had over their bailiwicks.

Mr. Eisenhower threatens to back Taft-Hartley Act amendments but anything sweeping will have tough going. Other than T-H, the President specifically avoided such things as an FEPC proposal which would drive conservative Democrats into even an informal working arrangement with the abandoned and isolated conservative Republicans.

It looks as though the White House, while proposing to boost the minimum wage only 15 cents to 90 cents an hour—appearing superficially non-controversial—will drive for a widened coverage for retail and service industries—a controversial issue.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Six months ago you said 'buy'—four weeks ago you said 'sell'—now you say 'buy'—a fine advisor! Can't you learn to make up your mind?"