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EDITORIAL

As We See It

Someone has rather aptly described the situation as it developed in this country during the latter half of 1953 and the first half or so of 1954 as "the depression that did not happen." The President of the United States in the annual reports to Congress required of him by law has in effect undertaken to explain why the depression did not happen, or at least to describe what did happen in lieu of the threatened depression. He recites continued high consumer spending, record building construction, high expenditures for capital goods, ample private credit, construction programs by states and localities, "active ease" by the Federal Reserve authorities, and tax reductions by the Federal Government.

Of course, the President does not present all of these as "causes" of the failure of the predicted depression to appear. Had he done so he would have in some instances been saying that the depression did happen because it did not happen. There can, however, be no doubt that he believes that ample private credit, the sharply altered Federal Reserve policy, and such reduction in taxes as occurred were helpful in preventing a recession from burgeoning into a depression. It is equally clear that the President is in a self-gratulatory mood in reviewing the developments of the past year or two.

He is, obviously, not alone in feeling a sense of relief that we seem to be moving away from any threat of an early depression, and quite possibly crossing the threshold of another strong upward movement in the rate of business activity, employment and in general what is termed "prosperity." There will be little disposition to

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Our National Economy During the Next Decade

By GROVER W. ENSLEY*

Staff Director, Joint Committee on the Economic Report

Dr. Ensley describes and discusses economic projections of the leading factors in the economic outlook for the next decade as assembled by the research staff of the Joint Committee on the Economic Report. Surveys various economic forces that have bearing on the future outlook, and gives a projected estimate that the total national production potential for 1965 could be about $535 billion, at present prices, or 50% more than the present rate. Lists as background for this optimistic outlook, our spirit of enterprise, continuing demand for higher living standards, and the new mechanics along with the development of skill for making economic adjustments.

From earliest times Americans have liked to set goals for themselves. Actual developments have usually exceeded these goals; particularly is this true in the economic area.

Grover W. Ensley

In the late 1920's, when the Nation was thinking in terms of "a new era," I doubt if many visionaries thought, or economic analysts assumed, that in the short span of the following 25 years, while overcoming the twin disasters of deep, prolonged depression and an exhausting world war, we would:

Increase population nearly one-third;

Reduce the average work-week four hours;

Increase output per man-hour 75%;

Double national production in constant prices; and

Raise real disposable incomes per capita nearly 50% on the average.

Perhaps one reason achievements have typically exceed-

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*An address by Dr. Ensley before the Eighth Annual Forecasting Conference, Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Jan. 13, 1955.

The Outlook for Automobile Exports

By WALTER H. DIAMOND*

Editor, McGraw-Hill "American Letter"
Economist, McGraw-Hill International Corporation

Discussing the outlook for U. S. foreign trade in 1955 with special reference to automobile sales abroad, Mr. Diamond points out grounds for optimism. Notes easing of foreign controls on U. S. exports, and predicts roughly 410,000 vehicles will be sold abroad in 1955, representing an increase of 5%. Looks for greater U. S. imports under President's foreign trade program, and describes marketing opportunities in various countries. Concludes aggressive competition from Western Europe will require American auto exporters to adopt new and more alert approach in selling abroad.

The American foreign trade outlook for 1955 is one of the most cheerful in many years. For the third time since the end of World War II, both commercial exports and imports will climb in the same year. This first occurred in the recovery period of 1947 when the pent-up demand caused by the war inspired a huge jump in U. S. sales abroad as well as in our purchases from other nations. It was not until 1951, following the outbreak of war in Korea, that exports and imports simultaneously rose again. It is my firm conviction that this year we will attain this desirable goal for the third time in the postwar era. The significant point to remember is that, from present indications, it will be accomplished in a more normal peacetime economy.

Walter H. Diamond

Commercial exports in 1955 should rise about 3% above last year's level of $12.7 billion, thus further reflecting the relaxation of controls on American goods which was initiated by foreign

Continued on page 64

*An address by Mr. Diamond before the Overseas Automotive Club, New York City, Jan. 13, 1955.

MORE BUSINESS FORECASTS IN THIS ISSUE—Starting on page 6 will be found those business forecasts for 1955, especially written for the "Chronicle," which could not be accommodated in the "Annual Review and Outlook Issue" of Jan. 20.

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.)

This Week's Forum Participants and Their Selections

F. W. Wolworth Company—Bertram M. Goldsmith, Partner, Ira Haupt & Co., New York City. (Page 2)

Paramount Pictures Corporation—August Huber, of Spencer Trask & Co., New York City. (Page 2)

BERTRAM M. GOLDSMITH
Partner, Ira Haupt & Co., New York City
Members: New York Stock Exchange and American Stock Exchange

F. W. Woolworth Co.

Some years ago I suggested the purchase of Carrier Corp. at about $19 per share in these columns as the security I like best. In choosing a security one likes best today, the security must have defensive qualities as well as possibilities of unusual enhancement in value. F. W. Woolworth at its present price of 51½ (New York Stock Exchange) appears to have both of these attributes.

B. M. Goldsmith

A good, if perhaps difficult, system of investing today is to try to find a stock that will be a favorite investment among the many Mutual Funds, Pension Funds and Insurance Companies, at some time in the near future. At the time of recommendation, Carrier Corp., was owned by only two or three Mutual Funds. As more and more of them became interested, the stock rose a great deal more in price than mere earnings might have dictated. Woolworth is one of the few really "blue chips" available which is not heavily owned by institutions. It has lacked the growth factor wanted by such professional investors. At these high market levels they may start looking for "blue chips" which have not risen with the market, and which are intrinsically cheap. These conditions definitely apply to Woolworth, but I also believe that there is a new growth factor that can be of utmost importance.

First of all let us look at Woolworth's intrinsic worth and then let us study the new growth factor.

F. W. Woolworth Company has outstanding 9,703,606 shares of common stock. Dividends have been paid continuously since 1912. Since 1947 the annual dividend has been $2.50 per share. The stock sold at 65⅜ in 1937 and at 103⅞ in 1929. The lowest price at which it has sold since 1945 is 40⅜ in 1954. Woolworth's sales are over $700 million per year, and their net working capital $127 million. They have a current ratio of better than 3½ to 1. The more than 2,000 stores they operate in the United States and Canada and the 52.7% interest they hold in Woolworth Ltd. of Great Britain (operating over 800 stores) makes F. W. Woolworth, by far, the largest variety chain store operation in the world.

Woolworth's holdings in Woolworth Ltd. present an unusual picture of hidden values. Woolworth Ltd. has outstanding 90,000,000 shares of common. Woolworth's 52.7% interest is represented by 47,430,000 shares. At its present market price of about 9½ (on the American Stock Exchange) this holding represents value of over $450 million. This stock is carried on Woolworth's books at only $30,880,000. In other words—this one holding, if valued at its market price, is worth 46½ per share of Woolworth. This means that you actually can buy the American F. W. Woolworth for only about $5.00 per share.

Now let us discuss the new growth factor—self-service. Woolworth's earnings for the past few years have shown some slight decline, and this fact has been a matter of concern to the management. As is typical of this top notch management, however, they are doing something about it. Approximately 249 self-service stores are now in operation, some of these representing conversion of old stores to more efficient self-service. Profit margins have been improved by this move. Over 100 new stores were opened in 1954, and present plans call for 150 new stores in 1955. To facilitate this expansion and improvement program, Woolworth borrowed $35 million in 1953 and an additional $40 million recently. This money was borrowed solely on the notes of the company at an exceptionally attractive interest rate. This shows the high regard the lending institutions have for this company. The loans have no dividend restrictions and will be repayed leisurely from 1958 through 1973.

Contrary to much of the talk around financial circles, this $75 million represents all the borrowing the company contemplates for the foreseeable future. The expedited improvement and expansion program will be completed in 1956, and normal improvements thereafter will be paid for out of profits. Actually, the only reason this borrowing was necessary was the time lost by restrictions on building during the period 1941 to 1946.

A natural question is—what are the immediate prospects for Woolworth? The answer is—excellent! Many of the new stores opened in 1954 began operations late in the year, and their full earnings will be felt in 1955. Sixty-seven new stores are in the process of being built now, and will be in operation in the near future; pouring additional earnings into the company.

The Woolworth operation is divided into 12 main districts, each supervised by an able manager who is responsible directly to the top management. These districts have from 65 to about 300 stores in them depending on where the district is located. The district covering the area from Kansas City down the Mississippi River to New Orleans has 196 stores. This predominately farming area has been hard hit by drought for the past three years. This year moisture has been prevalent, and the sales of these stores should improve materially.

While self-service has improved the volume of sales per square foot of selling space and is an important factor tending to improve earnings, of perhaps equal importance has been Woolworth's wise choice of locations. Particularly in recent years, a large percentage of the new stores opened have been in the new suburban shopping centers. These stores are built, to the company's specifications, by the center and usually include air conditioning, lighting fixtures, various automatic belt machines for moving merchandise most economically, and other items which relieves the company from having to assume these capital expenditures. This leaves extra working capital for the additional merchandise necessary to stock these many new and enlarged stores.

All indications point to a considerable improvement in earnings for 1955. Increased sales coupled with improving profit margins should make this stock more attractive to institutional investors. An awareness by the investing public of the underlying values and growth potential of F. W. Woolworth Co. will undoubtedly bring new interest into this stock. And what an amazing value—to purchase each of the more than 2,000 domestic Woolworth stores for only $24,000 per store.

AUGUST HUBER
Spencer Trask & Co., New York City, Members New York Stock Exchange and American Stock Exchange

Paramount Pictures Corp.

Well situated from the standpoint of tangible assets—about $31 per share — selling at approximately ten times estimated 1954 earnings of $3.60 per share and with an encouraging outlook along with a favorable yield of 5.3% on the regular $2 dividend rate, which may be moderately increased, Paramount can be regarded as an attractive issue around its present price of 37½.

August Huber

Business

Paramount is a major producer of moton picture films with worldwide distribution. Through ownership of Paramount International Films, the company has a major interest in Famous Players Canadian Corp. Ltd. (reduced from 67½% of the outstanding stock to 51.1% through the sale of a portion of these shares last Spring). This enterprise is the leading Canadian theatre chain, operating over 400 theatres, which accounts for about half of the total Dominion theatre gross and also has a 50% interest in two Canadian television stations.

Paramount Pictures also owns all the stock of Paramount Television Productions Inc., which operates television station KTLA in Los Angeles. It also has a large stock interest in Dumont Laboratories, owning 43,200 class "A" shares and 560,000 class "B" shares (about 25% of total Dumont stock outstanding).

Other factors in the Paramount enterprise are (1) ownership of the Paramount Building in New York City; (2) 50% interest in Chromatic Laboratories (developers of the Lawrence Color Television tube); and (3) 64% ownership in International Telemeter Corp. (owning a coin-operated device which permits a transmitting station to charge patrons for television programs).

Basic Value of Assets

The values of the company's

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What About Investment Markets in 1955?

By THOMAS GRAHAM*
President, The Bankers Bond Co., Louisville, Ky.

Commenting on the persistently rising equities market, prominent Mid-West investment banker finds no adequate explanation for it, but infers that prudence may require a sobering down to get things in proper perspective. Sees basis, however, for economic optimism, and points out business improvement in recent years has been better than that of the stock market. Finds principal stock market threat in 1955 may come from the field of industrial relations, but says any correction that we may have to make is likely to be short and not too extensive. Looks for a "selective," but not a major market decline in 1955.

I have a fiscal phobia against predictions concerning securities markets. After 35 years on "Fifth Street" I have many times felt the need for a "tea leaf reader."

Thomas Graham

The Dow-Jones Averages have been trumpeting good times for many months. The equities market, in particular, oozes optimism from every pore . . . including Standard and Poors. I wish I knew what brand of hypodermic needle or narcotic was being used to stimulate stocks to unprecedented levels — up 50% during 1954 and 100% since 1951. Even the recent two slight dips in the Averages have diminished only slightly the optimism of the "Wall Street" groups.

Both Equities and Bond Market Strong in 1954

As you know, 1954 brought that relatively rare phenomenon — a rapidly rising equities market alongside a strong bond market. As far as the latter is concerned, I have no reason to doubt its continuance. Particularly in the "municipal" sector. Both here in the Commonwealth of Kentucky and throughout the nation people long since have decided they will get more adequate housing . . . bigger and better municipal services . . . roads . . . improved educational facilities . . . all to match the baby boom of the past decade and the long-term demand that brings on.

At this point, let me quote our own Dr. Charles Williams, Vice-President of the Federal Reserve Bank in Richmond, Virginia:

"I do, however, want to hang out for a moment the blinking warning light—when everybody, or nearly everybody, gets out the big drum, as seems to be the case today, and beats it loudly to the accompaniment of the theme song, 'Happy Days Are Here Again,' history seems to whisper that the prudent thing to do is to sober down and get things in proper perspective."

As you know, during the past year or longer, both stock and bond markets were very active. Stocks in particular were violently active . . . you might say "radioactive." This, to many analysts, was mysterious because business was *less* good; by and large, profits were thinner, especially in smaller businesses, and inventories were reduced rather than accumulated. All of which means that many securities prices were responding to something other than the known facts of life.

What Are the Facts?

What does the market see to tickle its fancy in such heavy-fingered fashion? Inflation? Easy money? Ever-continuing growth to support a never-ending boom? I would respectfully throw in an audible *caveat* to each of these assumptions. None is an odds-on bet in my book. What are the facts? Surplus capacity in most industries . . a stable price level . . . razor-sharp competition. All of which can be expected to forestall or at least curb credit or price inflation in the coming months. Easy money, as you know, is in part at least an artificial situation resulting from a phenomenal savings rate on the part of the American public. And a deliberate policy of monetary ease ("active ease" they call it in Washington) that has provided excess bank reserves throughout the late recession period.

The Federal Reserve Board recently increased margin requirements — largely a psychological factor. The public—always fickle in its stock market attitude—as a result of this and possible further action could suddenly quit accumulating at a pace that has been going dizzily along for 18 months and even start cashing in its chips.

One of the anachronisms of the present is that the Treasury Department has opposed changing and lowering the "Capital Gains Tax" which is now the big supporting factor in the market and which makes many investors unwilling to take profits because of "capital gains" inhibitions. The present tax system, as espoused by the Treasury Department—another arm of the government—has, in effect, locked in the selling

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*Remarks by Mr. Graham in connection with panel discussion of "The Business Outlook for 1955" at the January Forecast Meeting of the Purchasing Agents Association of Louisville, Louisville, Ky., Jan. 18, 1955.

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The Outlook for Department Store Profits in 1955

By MALCOLM P. McNAIR*
Lincoln Filene Professor of Retailing,
Harvard Graduate School of Business Administration

Stressing the high level of consumer spending as aiding business readjustment in 1954, prominent retail store analyst reviews department store operations during past year and the influences contributing to the very moderate character of business adjustment. In looking into the future, Prof. McNair discusses such factors as: (1) government spending; (2) capital outlays for plant and equipment; (3) inventories; (4) construction, and (5) fiscal, monetary and credit questions. Concludes, on the whole, we are probably headed for another year of stable prices, and there is ample justification for predicting good business conditions during next six months.

Last year at this time apprehension was voiced in regard to the possible extent and consequences of the business readjustment which was then clearly under way. It was widely agreed that one of the critical questions was how well the volume of consumer spending would be maintained. In the report of the Committee on Dynamic Retailing in the Modern Economy, which we presented to you at this gathering last year, we emphasized particularly the thought that the attitude of retail merchants toward consumer spending must not be a merely passive one. In other words, consumer spending is something that retailers can and should do something about. To quote from the introduction to that report: "Thus the fundamental concept is that retailing as a highly significant factor in the total economy must at all times (except in the event of war) carry the burden of promoting a steady and increasing flow of goods and services into the hands of consumers."

Prof. M. P. McNair

Now, one year later, it is clear that the maintenance of a high level of consumer spending was one of the most important reasons why the business readjustment of 1954 turned out to be a relatively mild one. The major facts, namely, that the readjustment compared with other similar periods was moderate and that much stability was contributed by the maintained high level of consumer spending, cannot be gainsaid. As to how much credit for the maintained high level of consumption can be given to the activities of retailers, opinions will differ. For my own part I think that the answer is "more than a little;" but in the same breath I hasten to say that in my opinion not all this "more than a little" credit can be appropriated by the department stores. I would even say that some of it probably belongs to the discount houses, and certainly some of it goes to the supermarkets.

Leaving aside the question of where credit belongs, the fact is that the department store business in 1954 behaved substantially according to forecast:

(1) Sales were down about 3% in the spring season. Somewhat irregular recovery ensued in the fall; and Christmas business, in most regions of the country, at least, reached new high figures. In total, for the usual fiscal year ending Jan. 31, department store sales on a national basis apparently will be just a shade short of the 1953 figures, almost certainly by less than 1%.

(2) The gross margin percentage during the year exhibited practically no change. Slightly higher markdowns in the early part of the year were overcome by a somewhat better cumulative markon.

(3) The expense rate, continuing a tendency manifest for several years, again moved up, particularly in the spring season, though less noticeably in the fall.

(4) The net result when the books are closed at the end of this month thus will be an earnings figure after taxes slightly less favorable, on the average, than the 1953 results.

This outcome is close to the predictions made by many observers a year ago, and such a department store performance for 1954 is obviously consistent with the character of the general business readjustment which took place in that year. If anything, it is somewhat better than might have been expected.

At this point it is appropriate to comment briefly on the general balance of factors in the 1954 business situation in order to sketch a background for estimating the probable balance of factors which will control the 1955 business picture.

In total the Gross National Product for 1954 (calendar-year basis) was approximately $356 billion, as against the 1953 total of about $365 billion, a decline of only about 2½%.[1] Meanwhile the Federal Reserve Index of Industrial Production dropped about 7%. The principal influences operating to pull down the gross national product include the following:

(1) Government spending for national defense purposes has decreased sharply; by the third quarter of the year, defense spending was running at an annual rate $12 billion less than in the second quarter of 1953.[2]

(2) Inventory reduction by business was a second major depressant. Getting under way in the latter part of 1953, inventory reduction has aggregated more than $4 billion,[3] the effect on production as between the high point and the low point, of course, being substantially double that amount, since production loses both the amount of the previous increase and also the amount of the ensuing decrease.

(3) Capital goods expenditures by business have been edging down throughout 1954, reaching a point in the fourth quarter nearly $2½ billion less at the annual rate than for the third quarter of 1953.[4]

Against these depressing influences in 1954 several powerful sustaining factors were operative.

(1) Private housing, contrary to the prediction of many experts, continued its strong growth, particularly under the impetus of easier credit provided under the new legislation passed in August. In October, for instance, the number of new housing starts was one-fifth greater than in October, 1953; and for the year as a whole the total number of new starts apparently will be approximately 1,200,000. Needless to point out, this activity involves a substantial expansion of credit.

(2) The major plus factor, as indicated earlier, was strongly sustained consumer spending, running at an annual rate of $235 billion as of the third quarter.[5] Total consumer income declined slightly as a consequence of somewhat greater unemployment and the lessening of overtime. On the other hand, increases in dividends and the flow of unemployment benefits served as counterbalancing factors. Hence the net decrease was not great, and when it came to consumer disposable income the effect of the reduction in personal taxes was sufficient to give consumers actually more dollars to spend in 1954 than in 1953. On top of the increase in consumer disposable income there has also been a decrease in savings during 1954. Between the beginning and end of the year the savings figures at the annual rate have dropped by more than $3 billion, from $21.8 billion to $18.4 billion.[6] This decline betokens both maintained consumer confidence and also the effectiveness of manufacturers' and retailers' merchandising and promotion.

(3) Partly offsetting the decline in Federal spending for national

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

1 Council of Economic Advisers, *Economic Indicators*, December, 1954, p. 2.
2 *Survey of Current Business*, November, 1954, p. 2.
3 Council of Economic Advisers, op. cit., p. 19.
4 Ibid, p. 16.
5 Ibid, p. 2.
6 Ibid, p. 24.

Observations . . .

By A. WILFRED MAY

CONGRESSIONAL INVESTIGATION VERSUS SCIENTIFIC STUDY

Of the seven specific questions announced by Senator Fulbright as forming the basis of his Banking and Currency Committee's forthcoming "friendly investigation" of the recent "very unusual, almost perpendicular" rises in security prices, a majority of four have to do with the discrepancy between the stock price movements on the one hand, and the concurrent business and economic factors on the other—to wit:

A. Wilfred May

J. W. Fulbright

"Why, when carloadings were down, indicating a weakened distribution of consumer products, investment in the securities affected appeared to go up?"

"Why, with steel production below that of 1952 and 1953, steel stocks went up?"

"Why, with a similar situation reflected in rails, oils, chemicals and other products, the securities of those industries boomed?" . . . .

"Does a comparison of the volume and quality of stock transactions on credit now outstanding with that of 1929 suggest reasons for caution now?"

Actually, the hard fact is that constantly through the years has there been a lack of "logical" correlation between effective market sentiment affecting the price structure, and the external factors.

Earlier Divergence

During the wartime commodity price inflation of 1917, the stock averages declined a full 50% during a seven-month period.

In the 1920's, even before the onset of the Speculative Embroglio, security prices behaved counter to the course of both industrial production fluctuations and commodity prices.

Again, in the SEC de-manipulated markets of the mid-30's, the great bull market of 1935-37 had little foundation in either general business conditions or the trends of particular industries. During the first quarter of 1936, in the face of a decline of 27% in industrial production, the common stock averages rose by 8%. The price of wheat, corn, rye, oats, eggs, and tin all dropped appreciably in the 12 months following April 1935—a period when the market value of all stocks listed on the Stock Exchange rose by 60% (from $32 billion to $51 billion), and the New York "Times" average of 50 stocks advanced from 78 to 125. The sudden change in the market community's valuation ideas was manifested in the 12-month rise in the price-earnings ratios of many issues from 15 to 35 and 40. The average of dividend yields declined to 3.62% from 4.71%.

The succeeding market decline during the third and fourth quarters of 1937 far outran the concomitant business recession.

Market Credit Not Controlling

And, Senator Fulbright, please note that that bull movement with a long succession of 3-million-share days rested on a cash basis of non-marginal purchases.

On Feb. 1, 1936 the margin limits were made more stringent through a lowering of maximum loan value from 55% to 45%; and conversely, in the following October, the maximum loan value was raised from 45% to 60% of market value—all without effect on the course of stock prices.

During the following decade of the 40's, stock prices in general and market sentiment once more failed to show correlation with production, commodity prices or the level of corporate profits. From 1946 to 1947 the per share earnings on the issues comprising the Dow-Jones Industrial Average rose by 40% (from $13.63 to $18.80), yet the mean of their market price range fell by 7%. During the four postwar years share prices gained only 4% midst a doubling of over-all corporate profits. Midst the great industrial production rise and general business boom of 1946, the average of stock prices actually declined by 22%.

From the peak of 1950 the average of company earnings in general has fallen, while the stock averages have doubled.

Thus, there is nothing at all new about the recent divergences between stock market sentiment and prices, and the course of seemingly relevant business and financial factors.

The questions which are intriguing Senator Fulbright have been puzzling stock market observers for over a century. They should be pursued (in the absence of accompanying manipulative practices) not in the halls of the Congress, but in a wholly non-political environment and with the appropriate facilities of scientific research—with the generous cooperation of psychology departments including those working in the field of crowd behavior!

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 nation as a whole in the period ended on Wednesday of the past week was about 5% higher than in the corresponding period a year ago.

Gains in the production of bituminous coal, electric power, automobiles, crude oil, lumber, paperboard and meat brought industrial output above the level of the preceding week.

The latest reports on unemployment insurance claims were discouraging, however. Continued claims filed in the week ended Jan. 1 were 10% higher than in the prior week and 11% above a year ago. Plant shutdowns for inventory taking and rescheduling of claims for the new year contributed to the increase. Initial claims filed in the week ended Jan. 8 rose 11% above the previous week and were 8% below the corresponding period of 1954. Post-Christmas layoffs in retail trade and seasonal reductions in outdoor work, food processing and the production of textiles and apparel accounted for the weekly rise.

The steel industry is now producing at an annual rate of 107,000,000 net tons per year, compared to 87,300,000 tons actually produced in 1954, states "The Iron Age," national metalworking weekly this week.

Steelmaking operations the current week are scheduled at 84.0% of rated capacity, up one point from last week's revised rate. Still higher rates may be anticipated. Within the next few weeks the steelmaking rate is expected to pass 85% of rated capacity.

It should be remembered that about a fifth of the official rated capacity is being carried as a defense reserve. So, according to this trade journal, the steel industry is really operating at 100% or more of its peacetime capacity.

In many instances the defense reserve capacity would have been scrapped if the government had not asked steel companies to keep it standing so that it could be used in event of war or extreme emergency. Much of this reserve capacity is old or inefficient. Steel companies will employ it only when demand becomes so strong they are compelled to bring it back into production, continues this trade magazine.

It is admittedly difficult to draw an exact line through the industry's capacity and say that all to the left of it is marginal reserve. But a careful check of industry sources by "The Iron Age" places the marginal capacity conservatively at 15,000,000 to 20,000,000 or more net tons. The industry's official capacity this year is rated at 125,800,000 net tons.

Evidence of steel gray market activity continues to accumulate. "The Iron Age" has confirmed gray market reports from Pittsburgh, Cleveland and Chicago, as "fast buck" brokers attempt to capitalize on the very tight market for flat-rolled steel. Products affected are cold-rolled sheets, galvanized sheets and enameling sheets, it reports.

In the automotive industry an all-time peak at General Motors, a postwar record at Ford Motor Co., plus the strongest Independent volume in 57 weeks were vital factors in last week's second-highest passenger car production in United States history.

"Ward's Automotive Reports" estimated Jan. 17-22 car output would be second only to the 164,876 completions during the week ending June 17, 1950 and added: "but for the lack of major components at Chrysler Corp., the past week's car volume would have established a new all-time record."

The latter shortages permitted only DeSoto to operate Saturday among the Chrysler car divisions. Elsewhere, Ford Division had all 16 of its assembly plants working six days, while Lincoln-Mercury had all assembly workshops going Saturday except Los Angeles.

Spearheading the near-top industry mark, however, was General Motors. Chevrolet, Pontiac, Oldsmobile and Buick were

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Section 7 of Federal Reserve Act Still Violated!

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

Dr. Spahr presents data supporting his contention that by turning over to the Treasury an undue proportion of the net earnings of the Federal Reserve Banks, the Federal Reserve authorities have violated Section 7 of the Federal Reserve Act, which provides that, after cumulative dividends of 6% per annum have been paid to the shareholders, "the net earnings shall be paid into the surplus fund of the Federal Reserve Bank."

Following is a press release by the Board of Governors of the Federal Reserve System, Jan. 5:

"Preliminary figures received from the Federal Reserve Banks indicate that during the year 1954 their current earnings amounted to $438 million, a decrease of $75 million compared with 1953. This decrease was very largely the result of lower average yield on holdings of U. S. Government securities. Earnings from discounts for member banks were $3 million, compared with $15 million in 1953.

Walter E. Spahr

"Current expenses in 1954 were $110 million ($4 million below 1953), leaving current net earnings of $328 million, compared with $398 million in 1953.

"Payments of statutory dividends to member banks amounted to $16 million. In accordance with System policy, under which the bulk of net earnings is transferred to the United States Government, the Federal Reserve Banks paid $276 million to the Treasury as interest on Federal Reserve notes. Remaining net earnings of $36 million were added to surplus."

Section 7 of the Federal Reserve Act, devoted to "Division of Earnings" reads: "After all necessary expenses of a Federal reserve bank shall have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid into the surplus fund of the Federal reserve bank."

The meaning and intent of Section 7 should be clear. They were always understood in official Federal Reserve circles and by close students of the Federal Reserve System, and they were always respected by Federal Reserve authorities, until the Board decided in 1947 that it wished to give a large portion of the earnings of Federal Reserve banks to the United States Treasury without waiting to recommend to Congress an amendment of Section 7 to authorize such action. The Board's plan was to give to the Treasury approximately 90% of these earnings (after dividends) most of which were derived from the heavy investments by these banks in government securities.

Instead of presenting to Congress a proposal for amendment of the Federal Reserve Act, as proper procedure required, Chairman Eccles of the Board stated that the Board had been advised by its lawyers that its proposal to give away 90% of the earnings of the Reserve banks could be justified on the ground that such payment could be regarded as "interest" on Federal Reserve notes under Section 16 (4) of the Act. (*Direct Purchases of Government Securities By Federal Reserve Banks*, Hearings Before the Committee on Banking and Currency, House of Representatives on H.R. 2233, March 3-5, 1947, p. 30. It should be observed that the *Hearings* were devoted to a different issue; Eccles injected his proposal into these hearings, and later, in a similar manner, in hearings, mentioned below, before a Senate Committee.)

There is no proper sense in which this dissipation of Federal Reserve earnings could be treated as "interest" in accordance with the provision, intent, or history of that Section. Eccles evidently recognized this to be a fact, but chose to act in accordance with an opinion of one of the Board's lawyers. Said Eccles at the hearings of the House Committee cited above: "Although the authority in the original act to charge a rate of interest on note circulation that was unsecured by gold was not meant for that particular purpose, our lawyers advise us that the Board could use that authority—I have a memorandum here from one of our lawyers on that question." Later in hearings on *Federal Reserve Assistance In Financing Small Business*, by the Committee on Banking and Currency, United States Senate, on S. 408 (April 17, 1947), he said, pp. 22-23, that the Board had the authority under Section 16 to pay "possibly 90%" of the earnings of Federal Reserve banks to the Treasury, and that "I am merely mentioning it here today as what we are intending to do. . . ."

On April 23, 1947, the Reserve Board issued a release (Z-2040) in which it stated that it "has now decided to establish such rates of interest as will make it possible to transmit to the Treasury approximately 90% of the net earnings after dividends of each of the Federal Reserve Banks for 1947." The release said specifically that "The purpose of this interest charge is to pay into the Treasury approximately 90% of the net earnings of the Federal Reserve Banks for 1947."

Despite the clear and well-recognized meaning of Section 7, and of Section 16 (4), and the fact that any competent Federal Reserve official should have recognized the erroneous quality of the opinion of the Board's attorney, or attorneys, the Board has had the temerity to state, year after year, beginning in 1947, as illustrated by the press releases of 1947 and 1955, that such payment to the Treasury is made "as interest on Federal Reserve notes."

It seems reasonable to suppose that because members of the House and Senate Banking and Currency Committees demonstrated in 1947 that they did not understand the significance of the Board's plan at that time, or, in any event, were not disposed to make an issue out of this violation of law, no difficulties for the Board or Reserve banks should be expected

Continued on page 66

Business and Finance Speaks After the Turn of the Year

K. S. ADAMS

Chairman, Phillips Petroleum Company

The statistical position of the oil industry in the closing months of 1954 was improved over that prevailing previously during the year. The demand trend turned upward in the last quarter with a higher level of general business activity and colder weather. Inventories of crude oil and refined products, which had been excessive since mid-1953, at year-end were below the same period a year earlier for the first time in four years. Prices, which showed local area weaknesses during most of last year, strengthened at year-end. During 1955, U. S. demand is expected to resume its normal long-term growth pattern with an increase of between 4% and 5%. Meanwhile, two vital problems facing the petroleum industry in the year ahead pose serious dangers to future supplies of the industry's two basic resources—natural gas and crude oil.

K. S. Adams

One of these problems resulted from last June's decision of the United States Supreme Court that independent producers' natural gas sales to interstate gas pipelines are subject to regulation by the Federal Power Commission under the Natural Gas Act. This decision reversed the oft-stated opinion of the Federal Power Commission that these sales were not subject to the Act.

This regulation, imposing for the first time public utility status on the sale of a commodity produced and sold competitively, with none of the characteristics of a utility, is not only of direct concern to each independent oil and gas producer but to all competitive businesses. With respect to gas previously committed to the interstate market, regulation creates many problems for producers. Contracts made in open competition may be altered in many vital phases by the action of a Federal agency whose personnel is subject to frequent changes.

An even more serious consequence confronts the millions of people outside the producing states who depend on natural gas as fuel for home and industrial use and the additional millions who are desirous of obtaining natural gas. This is the certain reduction of interstate gas supplies for the future as producers channel more and more of their gas into rapidly developing intra-state markets. Gas-consuming industries are moving to producing states in increasing numbers, and as this demand grows producers will have even less incentive to find and develop gas supplies for interstate sales.

As a matter of sound business judgment following the Supreme Court's decision, efforts have been made to market new supplies of gas within the producing states rather than to sell them in interstate commerce. The immediate effect was curtailment or abandonment of several projected new interstate pipelines. Thus, gas consumers outside the producing states, because of regulation, face a dwindling of their future supply, and as a result, eventually higher prices. At the most they could expect only a very small temporary saving from regulation since producers receive on the average only about 10% of the amount household consumers pay for natural gas.

So long as it operates in the shadow of Federal regulation of natural gas production, the petroleum industry and other competitive industries face a more serious threat which endangers the nation's historic economic system of free enterprise. That threat is that Federal control will be extended eventually to all other competitive industries.

The only solution to this problem is the enactment of Congressional legislation which will clearly exempt independent gas producers and gatherers from Federal regulation in language which no one can misinterpret.

Another major industry problem is posed by continued excessive importation of crude oil. Throughout the year, the spotlight was on the need to adjust imports to levels that would not discourage domestic discovery and development activities. Domestic producers have been badly hurt by greatly reduced allowable production rates as foreign crude oil has supplanted domestic crude oil to an alarming extent.

Total United States crude oil supply during 1954 was 2% below the level of 1953. After many months of excessive inventories, the relationship of supply to demand has improved in recent months. However, total imports, which were already excessive in 1953, were increased. Thus, domestic producers largely bore the brunt of the reduction of supply even though some major importers reduced their volumes of imports during the year. As a consequence, the domestic producing industry must face curtailed exploration and development activity unless a remedy is soon applied.

Some solution to the problem of excessive imports must be found, not only for economic, but also for national security reasons. The nation can not risk a major defense emergency with foreign supplies cut off and with the domestic industry too far behind in developed production to provide promptly the crucial petroleum products essential to survival.

The recent improvement in nationwide business activity has caused a general revival of optimism about the outlook for the future. Long-term growth prospects for both the conventional phases and the chemical aspects of the petroleum industry are excellent. Those companies with a firmly laid groundwork of diversification in both of these fields backed up by plentiful reserves of raw materials are in a particularly strong position to continue in the forefront of this growth.

MORE BUSINESS FORECASTS

For various reasons some of the 1955 business forecasts prepared for the CHRONICLE could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Thursday, Jan. 20. The remaining unpublished statements appear in today's issue, starting on this page.—EDITOR.

MALCOLM ADAM

President, The Penn Mutual Life Insurance Company

Rarely has there been such a complete consensus among those who predict business conditions for a new year as there is this year. Practically every forecast is bullish and the prophets of doom and gloom have disappeared. Perhaps this unanimity of opinion should be a warning to us, but insofar as the insurance business itself is concerned, we can be included among the optimists.

Malcolm Adam

Although exact figures for 1954 life insurance business are not yet available, there is no doubt that total sales exceeded those of all other years by substantial margins and that insurance in force also reached a record amount. The ordinary insurance in force in this country is about $200 billion and group and industrial is in the neighborhood of another $130 billion. Due to better medical care and higher standards of living the death rates for the industry were, we believe, the lowest on record. For The Penn Mutual we know that to be the case. Only in the rate of return on investments are life insurance earnings on the low side. It is estimated that the average rate of interest after Federal income taxes for the industry as a whole for 1954 was 3.23%. True, this is an increase of a quarter of one percent in the last three years, but it is still far from the levels which used to be considered normal.

Looking to 1955, we believe the mortality experience should continue favorable. Also, there is every reason for sales of insurance to increase. Assuming general business is at least as good as in 1954, the insurance industry will provide more insurance protection through greater sales efforts. It should be realized that the potential market for insurance is still very inadequately covered. On the average, life insurance per family is the equivalent of only a little more than one year's annual income.

It is in the investment field that conditions appear uncertain and only fairly satisfactory. There should be an ample supply of mortgages, particularly guaranteed mortgages, and also of tax exempt revenue issues. On the other hand, the demand for money by corporations for new plants and equipment will probably be lower because first, it is expected that new corporate construction will decline slightly when compared to 1954 and second, due to accelerated amortization plus greater depreciation, it is probable that corporations will be able to generate internally larger amounts of dollars. On the money supply side, we expect the gradual increase of funds seeking investment to continue. Whether there will be an imbalance between the demand and the supply, time will tell. Perhaps, however, the most important factor affecting the level of interest rates will be the attitude and actions of the Federal Reserve. From the middle of 1953 until very recently, the policy of the Federal Reserve has been one of "active ease" which has resulted in a substantial decline in interest rates. At present the Federal Reserve is "cushioning" the market. This may allow interest rates to increase somewhat overall. Taking everything into consideration, through the purchases of mortgages, revenue bonds and so-called term loans and the disposition of governments and other investments made during the period of extremely low rates, we are hopeful that the investment earnings of the life insurance industry will maintain the gradually improving trend of the last five years.

The problem that should be of greatest concern to policyholders and, in fact, to every American is that of inflation. In recent years when an industry runs into difficult times, the tendency has been for those affected to run to Washington and demand help or protection. This ordinarily means spending more dollars directly or indirectly and in turn larger governmental deficits. Over a long period of time, this can result only in further deterioration in the purchasing power of the dollar. Each person must do his utmost to prevent this trend and to support sound fiscal policies.

Overall, our conclusion is that 1955 should be a good year for the insurance business with sales at a new record high, death rate satisfactory and interest earnings low but improving slightly.

HARRISON L. AMBER

Chairman of the Board, Berkshire Life Insurance Co.

The gloom which seemed to be settling over business began to lift about the middle of 1954 and as we move in to 1955 there is greater reason for optimism in business than at the beginning of 1954.

Much has been said and written about the increase in population and its resulting effect on business. The trick seems to be to keep an even balance, or better, between purchasing power and production. Purchasing power should, for healthy business, keep ahead of production, otherwise the market might be glutted with goods, and prices and profits would decline. A decline in earnings of business tends to reduce employment so that the problem will be to keep a proper balance between the two. It is the farmer's problem applied to business.

Harrison L. Amber

Barring a war it seems likely that with our savings at an all-time high and employment remaining steady the need for increased goods and services, because of the large increase in population, should bring posperous business conditions for 1955.

Competition is already becoming quite keen and no doubt will increase. However, the American salesman is the best in the world. Any company that has a good sales organization and which constantly seeks ways to improve its product should not have much trouble in 1955.

It is time that we take a good look at our product and sharpen our pencils for the fight for business which lies ahead. It can be a good year but it will take brains, ingenuity, and a lot of hard work to make it so. This makes for a healthy and prosperous business outlook. The sales manager and the production manager have their work cut out for them in 1955 and for many more years in the future.

Naturally, we in the life insurance business are much interested in the overall economy of our country because we depend on the margins between living costs and salaries, or wages, for our business. People will save if they can and from the experiences of the past we have had no difficulty in showing that there is no better way to save than life insurance. Also, with the size of families increasing there is becoming a greater and greater need for more and more protection and life insurance is the best protection at the lowest cost. We look forward to 1955 with optimism and confidence.

F. J. ANDRE

President, Congoleum-Nairn, Inc.

Nineteen fifty-five can be a banner year for the smooth surface floor covering industry, according to every indication apparent at this time. Our business is dependent on two factors—the replacement market and the new construction market. All signs point to heightened activity in each of these areas.

F. J. Andre

According to a joint construction industry survey by the U. S. Commerce and Labor Departments, an estimated 1.3 million new home starts are forecast for 1955. This would be 100,000 more new "starts" than in 1954, and the largest total for any year since the 1950 peak of 1.396 million starts. Further, new records are expected in 1955 in certain segments of the public and commercial construction fields, such as schools, hospitals, churches, shopping centers and office buildings, all of which are excellent prospects for smooth surface floor coverings. In addition to new construction, a factor favoring the industry's outlook is the building rehabilitation market, including the "do-it-yourself" field. Approximately 50 million American buildings, including homes, need some sort of renovation or rehabilitation, and aggressive moves are underway on the part of builders, banks, and other mortgage loan institutions to develop this market further. Many of the homes involved will require new smooth surface floor coverings in the kitchen, bathroom, living and dining rooms, and all through the house.

We at Congoleum-Nairn are engaged in an aggressive advertising, promotion and sales campaign to bring our products to the attention of more people, and to take full advantage of all sales possibilities. We foresee increasingly competitive conditions within the industry for 1955. However, we also feel that with our complete line, to cover all price brackets, our improved styling and new products, our chances for securing a larger share of the available business are excellent.

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Dutch Bulbs

By IRA U. COBLEIGH
Enterprise Economist

A $350 million company passed in review—the Netherland counterpart of General Electric, Westinghouse, or perhaps Radio Corp. of America.

Some of you may feel that today's title is just a little bit elusive. You may have thought that we were going to talk about Holland's tulip bulbs—the speculative market sensation of the 17th Century that sold as high as $5,000 apiece in 1630, and then faded in price with lethal velocity, like a plump ice cube in hot rum. Well, if you feel that poetic license has been invoked in the headline—relax. We're not referring to tulip bulbs but to light bulbs: and let's face it, isn't our lead-off line more ingratiating, more persuasive to readership, than N. V. Philips' Gloeilampenfabrieken (glow lamp maker to you!), the official name of the largest, most efficient, and most prosperous electronic company on the Continent? Well, that's our real subject—Philips' Lamp Works, and it's really quite a company.

Ira U. Cobleigh

Holland owned and managed, it went underground just before the German invasion in World War II, and lodged its ecumenical assets in three baskets: (1) in a trust shepherded by Hartford National Bank & Trust Co. (Hartford, Conn.) for all the properties in North and South America, (except Canada); (2) in a trust operated by the Midland Bank, Ltd., London, for deploying all British Empire assets; and (3) the Home Company to own and control Holland properties and all those elsewhere in the world, not accounted for above.

It is indeed a tribute to a management of great ability, resiliency, and durability that today, only ten years after World War II, Philips' Lamp Works has not only reassembled itself after years of German occupation, but gone on to become one of the leading electronic, chemical, and atomic enterprises anywhere. As a producer of incandescent bulbs, it is comparable with General Electric or Westinghouse, and in the broader field of electronics, it bears considerable resemblance to Radio Corporation of America.

As a matter of fact, today, light bulbs account for probably something less than 50% of gross. The most impressive sector of Philips' growth appears to be in electronics where, for years, production has been large and expanding in electronic tubes for TV, radio, marine and celestial navigation. The company was quick to perceive the new vistas opened up by germanium dioxide and transistors. In all the related fields of production—equipment for telegraph, radar and telephone, the recording, amplifying and broadcasting of sound; in the delivery of the adjuncts of the atomic age such as Geiger counters, scientillometers, neutron generators and vacuum controls—in all these kindred fields Philips has pioneered, produced, progressed and prospered.

Patents come by the dozens in electronics and Philips not only has hundreds of its own but shares patents under working agreements with Western Electric, International General Electric, American Tel. & Tel., Westinghouse, General Railway Signal Co. for its extensive railway communication signal, and dispatching business. Production of chemical pharmaceutical, radioactive isotopes, industrial materials, plus, of course, TV and radio sets, round out the line of this diverse and dynamic organization. Producing virtually everything from a spark to a network, Philips employs 120,000 people, manufactures in 30 European factories (and eight more through an American subsidiary) and sells and distributes its diverse output in 41 countries—virtually everywhere on the non-Communist segments of this Earth's crust.

Of course, it's impossible in an article so short as this to delineate, in any detail, the broad scope of this Dutch domain, but enough has been set down to suggest that the company, founded in 1891, is here to stay. Barring large scale war, Philip gives great assurance of continued profitable penetration of the major world markets for electric and electronic goods.

If this observation seems over optimistic, it might prove interesting to examine the financial data about Philips in the postwar era; and to make such comparisons with similar American companies as may seem relevant. For example, the year 1953 revealed net sales for Philips of $421 million—the largest total in its history, and up 146% from the $171 million reported for 1948. In the same time interval, General Electric increased net sales 91.5%, Westinghouse 63% and R. C. A. 138%. The related comparison applied to net income is even more exciting. Philips showed a 1953 net of $23 million, against $3 million for 1948, an increase only a few points shy of 800%! During the same span of years, General Electric increased its net by 34%, Westinghouse by 41% and R. C. A. by 46%. Nothing here should be construed as assuming that such relative performance favoring Philips may continue — we just wanted to review with you, the record.

Actually, net sales of the first nine months of 1954 were $338 million, up $56 million over the corresponding 1953 period; and comparable net was $4.18 against $2.78 applying against each 50 guilder share (using a conversion value of 26.3 guilders to the dollar).

A look at the balance sheet might be logical. Company's net assets at the 1953 year-end totaled up to $350 million and to those of a geographical turn of mind they were distributed roughly 40% in Holland, 16% in the British Empire, 12% in the U. S. and 32% elsewhere.

Capitalization as of Dec. 31, 1953 (but corrected for the 1-for-3 stock dividend distributed in June of last year) involved $99.5 million of long-term indebtedness, 110,000 shares (1,000 guilder par) 6% participating preference shares, and 232,090, 1,000 guilder par ordinary shares. This latter issue converts into 4,641,800 shares of the 50 guilder variety, more commonly traded, and currently available over-the-counter in New York at 42¼. Present dividend rate is $1.85. There were recently offered subscription rights to holders permitting purchase of one new share for each three old ones held, at around $13.15 in American money. These rights expired Jan. 10, 1955 and the present quote is therefore "ex-rights" and reflects the subscription to the new shares.

The North American Philips Company, the American subsidiary, acquired late last year the dominant interest in Reynolds Spring Co., fabricator of precision springs, timing and electronic devices. No separate report on North American Philips Co. is publicly available, nor are its shares, but Reynolds Spring (its name was changed Dec. 31, 1954 to Consolidated Electronics Co.) common has been listed for some time on NYSE (present price 41) and the shares seem to be reflecting, in a parochial sort of way, the benefits of Philips' management — up from 5 to a high of 44 in the past 12 months.

Some overall comment on Philips' Lamp Works may be pertinent. The company has displayed a postwar rate of growth considerably outpacing its American counterparts. On a price earnings basis of roughly 12 to 1, Philips' Lamp shares are demonstrably cheaper than GE or Westinghouse; and in respect to research, a vital ingredient in any major electronic or nucleonic enterprise, Philips is well staffed, and has gained international renown and respect.

Then, too, a corporation so vast and geographically spread out, generates obvious needs for expansion capital. It is not enough that it sequesters and retains some 60% or so of net earnings; much larger amounts may well be required. In that event, where better seek funds than in the American market? What I'm leading up to is that the shrewd financial judgment of the management might well be ruminating on listing Philips' shares, in due course, on NYSE. You have no doubt noted that Royal Dutch Petroleum (written up in this column six weeks [May 20, 1954] prior to its listing) has been warmly received by American investors, and has advanced 20 points in the past eight months. This pleasing phenomenon has surely not gone unnoticed by the top brass of Philips, at Einhoven, Holland.

Thus we conclude our brief salute at Philips' Lamp Works, eminent maker of Dutch bulbs, and a leading and profit-prone international organization in the production of a dazzling array of things electric, electronic, chemical and atomic.

Two With Edward D. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Frank O. Bittner, Jr. and Frank L. Key have become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Three With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Thomas J. Blank, John W. Fitton and Harry P. Perkins have been added to the staff of Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Booklet on natural resources of the Utah area —Utah Power & Light Co., Dept. M., P. O. Box 899, Salt Lake City 10, Utah.

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

Commercial Financing—8 page brochure—A. J. Armstrong Co., Inc., 60 East 42nd Street, New York 17, N. Y.—paper—on request.

Comparative Yields of U. S. Treasury Issues—Tabulation—Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, New York.

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

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.

Japanese Stocks Favored by Foreign Investors—List of 60 issues and 1954 price range—The Nikko Securities Co., Ltd, 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Leverage vs. Non-Leverage Stocks — Tabulation — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

New Orleans Bank Stocks—Comparative figures—Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La.

New York Banks and Trust Companies—Figures as of Dec. 31, 1954 on 17 leading banks and trust companies—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Banks—Comparative analysis as of Dec. 31, 1954—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

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

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.

Preferred Stock Offerings in 1954—Brochure—Union Securities Corporation, 65 Broadway, New York 6, N. Y.

Secondary Issues with speculative merit—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Taxability of Dividends on various investment funds for 1954—Taussig, Day & Company, Inc., 509 Olive Street, St. Louis 1, Mo.

Textiles — Review with particular refernce to **Cannon Mills, Cone Mills, M. Lowenstein & Sons, J. P. Stevens, United Merchants & Manufacturers,** and **Beaunit Mills**—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a leaflet on **Washington Waterpower Co. and General Precision Equipment Corp.**

Trend of Deposits — New York City, Nassau & Westchester Counties—M. A. Schapiro & Co., Inc., 1 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.

What Price Railroad Stocks?—Reprint of article by James P. Wall—Cohu & Co., 1 Wall Street, New York 5, N. Y.

* * *

American Maracaibo Co. — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Aztec Oil & Gas Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Texas Eastern Transmission Corp.**

Byron Jackson Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Central Vermont Public Service—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Westinghouse Airbrake**

Chrysler—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Dewey Portland Cement Co.—Memorandum—G. H. Walker & Co., 503 Locust Street, St. Louis 1, Mo.

Investors Diversified Services, Inc.—Memorandum—Lloyd E. Canady & Co., Commercial Building, Raleigh, N. C.

Kewanee Oil—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Koehring Company—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, U. Y. In the same bulletin is data on **Consolidated Cement Corporation.**

Merrill Petroleums Ltd.—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Mesabi Iron Co.—Memorandum—Cady, Roberts & Co., 488 Madison Avenue, New York 22, N. Y.

Pyramid Electric Company—Report—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

F. C. Russell Company—Analysis—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Theodore Gary and Company—Analysis—Gerstley, Sunstein & Company, 121 South Broad Street, Philadelphia 7, Pa.

Wagner Electric Corp.—**Memorandum**—White & Co., Mississippi Valley Building, St. Louis 1, Mo.

Webb & Knapp, Inc.—Analysis—Dreyfus and Co., 50 Broadway, New York 4, N. Y.

$35,000,000 Montreal Debs. to Reach Market

A syndicate jointly managed by Shields & Company; Halsey, Stuart & Co. Inc.; Savard & Hart and Salomon Bros. & Hutzler, subject to clearance by the Securities and Exchange Commission, is expected to offer on Jan. 28 a new issue of $35,000,000 The City of Montreal (Canada) 1955 United States Currency issue debentures. The debentures are offered at prices scaled to yield from 2.50% to 3.65%, according to maturity.

The total offering of $35,000,000 of debentures is comprised of $7,361,000 debentures for local improvements, due Oct. 1, 1956 to 1973, inclusive, and $27,639,000 of debentures for public works, due Oct. 1, 1956 to 1974, inclusive. The City of Montreal has set coupon rates on the debentures ranging from 2¼% to 3⅝%.

Debentures of each issue will be direct and unconditional obligations of the City of Montreal. Proceeds from the sale of the local improvement debentures will be applied by the City, among other things, toward the payment or reimbursement of the cost of sewers, pavements, and sidewalks, and the extension and widening of certain streets. Proceeds from the sale of the public works debentures will be applied, among other things, toward the payment or reimbursement of the cost of various public works, including slum clearance, road and highway construction, public garages, parking grounds and markets, trunk sewers, parks, playgrounds, and construction of a civic center and concert hall.

The debentures will be redeemable as a whole or in part, at the option of the City of Montreal, at prices ranging from 100⅛% to 102%, plus accrued interest. In the opinion of counsel, income taxes presently imposed by Canada will not be payable in respect of the debentures or interest thereon by owners who are non-residents of Canada.

The City of Montreal, in the Province of Quebec, has the largest population of any city in Canada and occupies a leading position in the commercial, industrial and financial life of Canada. As estimated by the City Assessors' Department, the population of Montreal as of April 30, 1954, was 1,314,641, equal to about 25% of the population of the Province of Quebec, and to 7% of the population of Canada. Leading industries in Montreal include women's clothing, slaughtering and meat packing, men's clothing, tobacco, cigars and cigarettes, foods, electrical equipment, leather boots and shoes, and printing and publishing. Montreal is the head office location of many business organizations, and six of the 11 Canadian Chartered Banks have their main offices in Montreal.

Also participating in the offering are: Coffin & Burr Incorporated; Eastman, Dillon & Co.; Hornblower & Weeks; Kidder, Peabody & Co.; Bell Gouinlock & Company Incorporated; Burns Bros. & Denton, Inc.; Mills, Spence & Co. Inc.; Stroud & Company Incorporated; Swiss American Corporation; Tucker, Anthony & Co.; R. A. Daly Co. Limited; Hirsch & Co.; The Milwaukee Company; New York Hanseatic Corporation; Shearson, Hammill & Co.

Courts & Co.; H. Hentz & Co.; Johnston, Lemon & Co.; McDonald & Company; F. S. Smithers & Co.; Adams & Peck; Freeman & Company; Charles King & Co.; Mullaney, Wells & Company; Singer, Deane & Scribner; Thomas & Company; Arnhold and S. Bleichroeder, Inc.; Byrd Brothers; Mackall & Coe; A. E. Masten & Company; Moore, Leonard & Lynch; Arthur L. Wright & Co., Inc.; F. S. Yantis & Co. Incorporated; Julien Collins & Company; Allison-Williams Company; Ferris & Company; First of Iowa Corporation; Grenier, Ruel & Co. Inc.; John Kormendi Company; McDonald-Moore & Co.; McMaster Hutchinson & Co.; Wm. J. Mericka & Co. Incorporated; Newhard, Cook & Co.; Patterson, Copeland & Kendall, Inc.

Piper, Jaffray & Hopwood; Raffensperger, Hughes & Co. Incorporated; Seasongood & Mayer; Walter Stokes & Co.; Sweney Cartwright & Co.; Aspden, Robinson & Co.; Burns, Corbett & Pickard, Inc.; Goodwyn & Olds; John B. Joyce & Company; Kenower, MacArthur & Co.; J. A. Overton & Co.; Roger S. Palmer Co.; Townsend, Dabney & Tyson; and Zuckerman, Smith & Co.

With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wilbur A. Barton has been added to the staff of H. L. Jamieson Co., Inc., Russ Building. He was formerly with Waddell & Reed, Inc.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas K. Code has become affiliated with Reynolds & Co., 425 Montgomery Street. He was previously with Davies & Mejia.

Calif. Investors Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Robert C. Biggs has been added to the staff of California Investors, 3924 Wilshire Boulevard.

Metropolitan St. Louis Add

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill.—Clement R. Coggin has joined the staff of Metropolitan St. Louis Co. of St. Louis.

Joins Green, Erb

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Frank Nachtigal is with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Who Will Help the Railroads?

By FRED SMITH*

President, Fred Smith & Co., Inc., New York City

Asserting, for the first time in many years, there is a tangible interest in the plight of railroads, Mr. Smith outlines a program of railroad rehabilitation. Lists as recommendations: (1) the railroads should be permitted to set their own rates; (2) a new formula for railroad financing that will encourage underwriters and investment companies to provide funds for railroad modernization; (3) some moderate form of subsidy to railroads; (4) a re-assessment of the rail labor situation, and (5) a stock-piling program of railroad materials and equipment

As most of you know, I was given a substantial sum of money, as Director of the Committee of Railroad Suppliers, to find a new approach to public understanding of the broad problems of the railroad industry. Fortunately, those who financed the Committee — General Electric, Westinghouse, the foundries, locomotive builders and several others — were without preconceived ideas and without prejudice; they were convinced only that something could be done which had not been done before; something that perhaps would have more of a "bite"—that could lead to constructive action. This is not to infer that the propaganda which has been organized so ably and continuously by the railroad industry is inefficient or in error. My friends simply wanted to take a fresh look, and I was elected Vice-President in charge of finding the new look.

Fred Smith

For more than eight straight months, we did nothing but research the field. We talked to railroad presidents, to suppliers, to shippers, to a wide variety of business and financial leaders, and, on an extremely informal basis, to government officials. We were interested to know how people felt about the railroads, in the first place; and in the second place, whether there was an inherent spark of interest in minds of key people which might be kindled into some kind of action on behalf of the railroads if action at some later date were called for.

This investigation was not the kind that can be, or even that ought to be, tabulated. It was the kind of investigation that helps to crystallize thinking; that provides the raw material from which constructive ideas can be built.

I should say at this point that I was not without experience around the fringes of the railroad industry. For four or five years preceding this investigation, I had worked closely with shippers, and with some railroads, in connection with the introduction of the General American damage-free car. Through this, I encountered a wide variety of criticisms of the railroads' traffic activities and of what many shippers believed was a remarkable disinterest, on the part of the railroads, in damage. Yet, through it all, it was not difficult to find a genuine interest in the railroads. I have yet to talk to a shipper who would not prefer to ship by railway if the price, service and safety factors were approximately equal. This is an asset of inestimable value to the railroad industry, and one which in the end will prove their salvation.

*An address by Mr. Smith before the Convention of the Association of Railroad Advertising Managers, Chicago, Ill., Jan. 21, 1955.

Business and Financial Community More Interested in the Rails

My investigations during the past year found the same rich vein of interest lying deep in the business and financial community. Many businessmen lack confidence in the management of the railroad industry in an instinctive way; most businessmen do not appreciate the full significance of the hurdles placed in the way of efficient railroad management, and some are inclined to feel that the railroads overestimate their difficulties and under-apply their talents. In spite of this, they have a fundamental interest in the railroad business and would be more than willing to lend a hand if they felt they could provide any productive assistance.

In the financial community, of course, railroads generally are not very exciting. Railroad investments are not considered among the most promising. Yet you will go a long way before you find a financial man who will refuse to warm up to discussion of the future of railroads "if only they could be modernized."

What we found in our investigations might be explained, and over-simplified, as a latent willingness to help, along with a deep suspicion that the railroads themselves are not doing as hard-headed a job of selling, servicing, pricing, and management as they should. Some of this feeling came about, or was deepened, over the past few years, by widely publicized and often unjustified criticisms of railroad managements. Doubt has been deepened, too, by the fact that the average business and financial man, who lives in a changing world, cannot understand why there is so little visible change in railroad stations, cars, or rights of way. The automobile manufacturer, who spends millions every year simply to keep customers interested and who apparently finds it profitable to pitch his entire sales story on "The Forward Look," for example; or the heavy goods manufacturer who knows about his own vast investments in fabricating equipment in order to save a small percentage of his overhead; or the financial man who sees billions of dollars poured into industrial improvements year after year—such men are surprised and discouraged when they see the same old trains, coming over the same old track beds, into the same old stations, year after year after year.

As you well know, the railroads have not been as niggardly as they look in making investments for improvement. You know what goes on behind the scenes. You know how the financial men on the railroads sweat it out, year after year, trying to trim budgets to fit income, and still meet necessary maintenance problems. You have seen such basic considerations as rail replacements being postponed from year to year because there are insufficient funds for investment —and no place that more money can come from.

We attempted to tackle this situation in the Committee of Railroad Suppliers' campaign. We felt that people who are important as potential railroad boosters would be inclined to be less critical and more enthusiastic if they knew more about the situation. And we have plenty of evidence that we made the point in many important quarters.

Now let's look for a moment at what lies behind the campaign which we started last year.

Getting Something Done About the Railroad Situation

What some of us had in mind in planning this campaign was a long-range program to actually get something done about the railroad situation. We knew we would have to start slowly, and parlay our progress into a series of successive steps which would culminate in returning the railroad industry to the free enterprise system.

It appeared that the steps in this campaign might be taken about as follows:

(1) We would first capitalize on the fact that many of the most effective people have an inherent interest in the railroad industry, and want to see it prosper. We felt this interest could best be nourished by building confidence in railroad management. Therefore, our first campaign was an optimistic one: it was keyed to progress which is now being made in spite of the hurdles; we highlighted the progress, not the hurdles.

(2) If anything is to be done about the railroads, action sooner or later will be necessary on the part of Congress. The only intelligent way to inspire Congress to act in these days of high-priced lobbyists is to stake out, educate, and fire into action an important minority group, who will help create a public demand for reform. Our most logical minority group — other than the railroads and their employees, which constitute a large mass of votes, but would be relatively ineffective as self-pleaders—is the business and financial community. The business and financial community can have an important influence in politics, and, since we know that the people who make up the business and financial community are already inherently interested in the railroads, it is obvious that these are the people who should be cultivated and, in a sense, organized for our cause. We therefore addressed our first campaign to these people.

(3) We faced the fact at the outset that business and financial men are not easy to fool; they are accustomed to understand a situation before doing anything about it. Therefore, it is not enough to spell out the plight of the industry; it is equally important to relate the welfare of the railroad industry to the welfare of their own businesses. The effect of the railroads upon the rest of the economy had to be clearly shown. Ben Fairless made a start on this in his speech at our opening dinner when he pointed out that some 15,000 steelworkers were out of jobs solely because of the depressed conditions of the railroads.

(4) The next step in our campaign would logically be to detail the relationships between the railroad industry and other industries; and to make it clear beyond doubt that the railroad industry will remain a threat to the entire economy until it is returned to the free enterprise system—until it is enabled to operate profitably enough in good times to accumulate a backlog against bad times. On the other hand, a prosperous railroad industry is an important anchor to windward.

(5) When business, industry and the financial community become sufficiently concerned with the railroad industry, it would then be time for someone to come forward with a plan — concrete steps which could and should be taken in order to give the roads the freedom they must have if they are to operate effectively. Under such a plan, specific bills would have to be introduced into Congress, and specific assignments could be allocated to the thousands of important people who would be more than willing to lend a hand if they felt their energies were being channeled in an organized way.

A Look At the Long-Range Program

Now for a moment, let's take a look where we are in this long-range plan—a plan which, I must admit, is still in the minds of a few men—and I am certainly not here today to announce that progress is going ahead according to schedule. I can hope that it will; but at this writing, we have nothing more impressive than hope to offer.

If we proceed, we know that we will be able to tie the railroad industry into all other major industries, and provide a real reason for the leaders of other industries to get in and help.

While we are doing this, however, steps should be taken to develop a formula which can be translated into legislation—to be understood by Congress and supported by the friends of the railroads.

We are fortunate that a program may already have been developed for the whole transportation business, including railroads. The Cabinet Committee appointed by President Eisenhower has made its recommendations and there is reason to believe the Administration will make a recommendation to Congress. This means that we are well along the way toward a legislative program —much further than we had any reason to hope for in the earlier days of our planning.

The bulk of testimony in Congress and elsewhere would tend to the belief that, if the President's recommendations are at all far reaching, they will include provisions that would permit transportation to "price" its prod-

Continued on page 64

Coming Legislation and Business Prospects

By HON. STYLES BRIDGES

U. S. Senator from New Hampshire

Chairman, Senate Republican Policy Committee

Senator Bridges, noting for the first time since Benjamin Harrison's Administration, a Republican President must deal with a Congress controlled by the opposition party, holds, despite this, forthcoming legislative program, because of the President's popularity and the soundness of his program, will promote free flow of goods and capital. Says only difficulty looming in economic legislation is desire to grant further tax cuts.

Not since the Administration of Benjamin Harrison has a Republican President had to deal with a Congress in which both Houses are controlled by the opposition party. Therefore, in any legislative outlook we must consider two things—the political popularity of the President and the overall soundness and appeal of his program. The first is important because it must be remembered that legislation is, and properly so, a matter of political climate and from now on we are pointing toward the Presidential campaign year of 1956. In that regard it is interesting to see the Democrats and their apologists try to adopt the Republican President as their own and also try to predict that his legislative program will have better results in their hands. They are obviously relying on the polls in regard to the President's popularity and if they believe in statistics they should also recognize the statistics that the Republican members in the last Congress naturally have a better voting record on the President's proposals than do the Democrats and the same will unquestionably be true in the present Congress.

Sen. Styles Bridges

Since specific legislative measures have not yet been submitted to the Congress I can not pinpoint particular bills but can only discuss legislative areas in general. Even in broad scope any predictions can be upset from day to day by shifts in Democratic party policy, not to mention the fluid situation of the "cold war" peace in which we find ourselves.

In the field of foreign economic policy I would expect the President's trade agreement powers to be extended provided sufficient safeguards are included to protect adequately domestic manufacturers. Generally speaking, I feel that legislative implementation will be forthcoming to promote the free flow of goods and capital including such concomitants as technical cooperation, trade fairs and international travel.

For the most part I think the President's military preparedness program has been well received. Legislation and appropriations to maintain the utmost in mobile striking power consistent with a long pull "cold war" should receive favorable treatment including an extension of the President's induction authority. While on the national defense I feel that the proposals to make military service more attractive as a career will be substantially supported. On the production side I believe the Defense Production Act should and will be extended.

On the domestic economic scene, the President's program calls for a vigorous growing economy which should set new records for production and business activity in general. Legislation designed to promote a favorable business climate will in general receive Congressional endorsement. To further augment the favorable business outlook a large, well conceived and vitally needed public works program is proposed, highlighted by a Federal road program. So far there have not been too many danger signals raised in regard to this program.

The only difficulty looming in regard to economic legislation is the desire to grant further tax cuts. Desirable as they are, the President proposes that they should not be made at the expense of unremitting effort toward a balanced budget.

Continuation of the Small Business Act and strengthening of Federal disaster assistance programs would seem to have ample support. Some attempt may be made to vary flexible price supports but the program is working well, adjustments have been made fairly smoothly, and there appears to be less likelihood of change now than previously.

Finally, in the humanitarian field, public welfare legislation involving health, narcotics and problems of the aging and aged would seem to have sufficient support for passage.

As a final hedge in the divided situation which I have hitherto pointed out; where favorable legislative action is indicated it may be varied considerably from the original proposal but some positive action I feel will be taken.

In summation—a banner year for all phases of our economy.

Bateman V.-P. of Pacific Northwest

SEATTLE, Wash. — Homer J. Bateman, manager of the trading department of Pacific Northwest Company, Exchange Building, has been elected a Vice-President of the firm, it was announced by Lyle F. Wilson, President.

Homer J. Bateman

A native of Seattle, Mr. Bateman began his career in the investment business with Pacific Northwest Company in 1932. He served as trader for several years in the Portland office prior to entering service during World War II. He became manager of the trading department at the firm's headquarters in Seattle after the war and has served in that capacity for the past eight years.

Bateman is a past President of both the Portland and Seattle Traders Association. He is a member of the National Security Traders Association.

United Artists Stock Offered at $17 a Sh.

Allen & Co. yesterday (Jan. 26) headed a syndicate offering 400,121 shares of United Artists Theatre Circuit, Inc. common stock at a price of $17 per share. This offering was quickly oversubscribed and the books closed.

Of the total net proceeds from the sale of the common shares, approximately $5,200,000 will be used by the company to retire outstanding bank indebtedness under two collateral bank loans with Bank of America N. T. & S. A. and The Marine Midland Trust Co. of New York. The balance of the net proceeds will be added to the company's working capital.

United Artists Theatre Circuit, Inc. is primarily engaged in the motion picture exhibition business. Based solely upon the number of theatres in which the company, its subsidiary corporations and the corporations in which it has an interest, have an interest (some 350 theatres in all), the company ranks in size among the top 10 motion picture exhibitors in the United States. In addition to its theatre interests, United Artists Theatre Circuit, Inc. has an investment in Magna Theatre Corp. and believes that the investment of UATC in Magna Theatre Corp. was made upon the belief that the income to be derived (a) from the exhibition in UATC threatres of Todd-AO pictures and (b) from Magna Theatre Corporation directly and (c) through the Todd-AO Corp., from Oklahoma and subsequent pictures produced in Todd-AO, whether by Magna Theatre Corp. or others, would be considerable and that UATC and United California Theatres, Inc. would benefit substantially therefrom. The company and its subsidiaries also act as lessors of various commercial properties which form a part of the theatre buildings or properties which they own.

Associated with Allen & Co. in the offering are—Salomon Bros. & Hutzler; Carl M. Loeb, Rhoades & Co.; E. F. Hutton & Co., and Sutro Bros. & Co.

H. C. Wainwright Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Francis B. Dnnn is now affiliated with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

Joins Tifft Brothers

SPRINGFIELD, Mass.—Jay C. Roberts has become associated with Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—G. Simon de Montfort and Truman N. Thompson have joined the staff of B. C. Morton & Co., Penobscot Building.

With C. D. Mahoney Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Faner C. Wonderly has become connected with C. D. Mahoney & Co., Baker Building.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Russell L. Douglas and Edwin R. Eklund have become affiliated with Minneapolis Associates, Inc., Rand Tower.

State Bond Adds Two

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Richard P. Carey and Larry W. Curtiss are now with State Bond & Mortgage Co., 28 North Minnesota Street.

From Washington Ahead of the News

By CARLISLE BARGERON

You have heard a lot, in fact, until recently, you scarcely heard anything else, about the hatchet methods and one-man hearings of the McCarthy Sub-Committee. But in no quarter have I heard any word of protest against the widely publicized report of the Senate Anti-Monopoly Sub-Committee.

Carlisle Bargeron

Although it purports to be a serious study of the recent unusual number of mergers in industry and comes up with the ominous warning that it is the third great wave of mergers in the country's history, the report is really a thinly disguised attack on the private electric power industry, provoked by the celebrated Dixon-Yates contract. It springs from the anger of the Public Power lobby over the dent in the expansion of the TVA which the contract makes. If the contract can't be headed off the thing to do is to make life uncomfortable for the private power industry. Teach it a lesson.

Thus the report charges that "Wall Street" is once again finagling with the industry and nullifying the reform legislation of the 30's. It is submitted as the studied conclusions of an arm of the Senate.

What it really is, is a political document of two Senators, Langer of North Dakota, and Kefauver of Tennessee, and is based upon no more than five or six hastily called one-sided hearings designed to head off the Dixon-Yates contract. Senator Kilgore of West Virginia, who shares the views of Langer and Kefauver on public power, joined with these two in signing the report but he took little if any part in the hearings. Indeed, Kefauver was not present all of the time. They were mostly one-man hearings conducted by Langer. Senator Dirksen of Illinois, another member of the sub-committee, but having more worthwhile things to do, did not, I am pretty sure, attend a single hearing.

The hearings were strictly hatchet jobs. Not a single witness friendly to the Dixon-Yates contract was called. The hearings were confined to this contract, yet the report attacks the whole industry and urges a further investigation of the industry. What is wanted is such a raking over the coals as the industry experienced in the 30's.

Bluntly, if this report has made no more of a study of mergers in industry than it did of the Dixon-Yates deal it is, insofar as adding to the knowledge of the public or of Congress is concerned, not worth the paper it is printed upon.

I think I can say without fear of contradiction that no hearing McCarthy ever held was shoddier or more cruel than the work of this sub-committee, mostly Langer, at the instigation of Kefauver. But you hear no outcry of indignation by the "Liberals," no call for decency and fair play towards American citizens. We hear nothing of the alleged hysteria and witch-hunting which is likely to destroy our most cherished institutions. Presumably none of our professors feel in the slightest cowed by this episode.

Why? Well, Messrs. Dixon and Yates are not hiding behind the Fifth Amendment, they are not suspected of being Communists. They are not "Liberals." They are simply American industrialists with their reputations and dollars and cents at stake. Apparently American businessmen are the legitimate prey of one-man Congressional hearings, of demagogues. It is all clean fun and wholly within the American tradition to smear them. But go easy on suspected Commies, on fellow travelers, Leftists, "Liberals."

The perpetual sophomore, the newly elected Senator from Oregon, Richard L. Neuberger, made a recent purely social event the occasion for an attack upon Vice-President Nixon. He professed to be revolted by the type of campaign Nixon had made in his State. Nixon only pointed out how the Communists had come to saturate the Washington government during the 20 years of Roosevelt and Truman.

Yet on other occasions Neuberger has proudly told of the skill with which he conducted his own campaign. He spent the first part of it, he says, discrediting his opponent, a very upstanding man. How does he discredit him? Why, by portraying him as in league with a sinister gang that is bent upon giving away the "natural resources of the people" to greedy, selfish interests, a gang that is utterly impervious to the needs of the little school children, to the common people as a whole.

I'll take the Dixons and Yates and Nixons. You can have the Neubergers.

Joins Atkinson Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Dom S. Provost has been added to the staff of Atkinson and Company, U. S. National Bank Building.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — William P. Jones is now with Walston and Company, 621 Southwest Morrison Street.

Slayton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Adrian J. Ehler has become affiliated with Slayton & Company, Inc., 408 Olive Street.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Hobart L. McKeever is now with Interstate Securities Corp., Commercial National Bank Building.

With Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Earl Carrick has joined the staff of Smith, Clanton & Co., Southwestern Building.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CANTON, Ohio—John V. Stahl is now with Merrill Lynch, Pierce, Fenner & Beane, First National Tower.

Bond Club of Chicago Nominates Officers

Henry W. Meers

Donald B. Stephens

Edde K. Hays

CHICAGO, Ill.—The Bond Club of Chicago has received the following slate of offices to be voted on at the annual election to be held Feb. 10:

President: Henry W. Meers, White, Weld & Co.

Secretary: Donald B. Stephens, Cruttenden & Co.

Treasurer: Edde K. Hays, Central Republic Company.

Nomination is tantamount to election.

Monthly Investment Plans Total 28,800

Keith Funston, President of the New York Stock Exchange, reveals plans now in effect represent an investment of $11½ million, and, if completed, means total investment of sixty-eight million dollars.

Keith Funston, President of the New York Stock Exchange, announces that the Monthly Investment Plan rounded out its first year of operation on Jan. 25 with about 28,800 Plans in effect. The Plans, he said, represent an investment of $11,500,000—and, if all Plans were completed it would mean a total investment of $68,000,000. The Monthly Investment Plan was introduced to the public on Jan. 25, 1954. The Plan provides for the purchase of securities listed on the New York Stock Exchange on a pay-as-you-go basis. As little as $40 per month or per quarter may invested or as much as $999 per month. The Plan was devised by member firms of the Exchange to satisfy the investment needs of small to medium income investors.

G. Keith Funston

In discussing operation of the Plan during its first year, Mr. Funston disclosed that well over 300,000 shares of stock have already been purchased.

Monthly Plans, Mr. Funston added, are only slightly more popular than quarterly Plans—around 15,500 as against 13,300 quarterly.

MIP investors, he continued, are putting an average of $65 monthly into the Plan while quarterly investments are averaging $82. New Plans are coming in at the rate of about 100 daily.

"It is interesting to note," Mr. Funston said, "that the percentage of MIP investors who prefer to have their dividends automatically reinvested has steadily climbed, from a low of 74.3% at the inauguration of the Plan to the latest figure of 78.6%."

Approximately 17% of the Plans started during the first year were completed or terminated for various reasons—to switch into another stock, to take a profit, to get cash for an emergency, or because the term of the Plan had run its course, Mr. Funston said.

The following stocks were the most popular among MIP investors as of Dec. 31, 1954:

Name of Stock—	Number of Plans
Radio Corp.	1,541
General Electric	1,361
Dow Chemical	1,337
General Motors	1,164
American Tel. & Tel.	977
Standard Oil of N. J.	802
Tri-Continental Corp.	636
duPont de Nemours	451
Long Island Lighting	373
International Nickel	361
Union Carbide & Carbon	332
Gulf Oil	327
National Biscuit	327
U. S. Steel	326
Westinghouse Electric	318
Socony-Vacuum Oil	288
Carrier Corp.	286
Pacific Gas & Electric	270
Eastman Kodak	260
Consolidated Edison	249
Canadian Pacific Ry.	236
Southern Co.	201
Greyhound Corp.	191
American Radiator	187
Chrysler Corp.	184

Joins Harris, Upham Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Thomas T. Ellsworth has become associated with Harris, Upham & Co., 523 West Sixth Street. Mr. Ellsworth was formerly with First California Company and J. R. Williston, Bruce & Co.

Marache, Dofflemyre Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Francis R. Bowen has become connected with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Merrill Lynch

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Eugene P. Cadenasso is now with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Schwabacher Adds to Staff

(Special to The Financial Chronicle)

OAKLAND, Calif. — Wayne C. Arnette has been added to the staff of Schwabacher & Co., Central Bank Building.

Stephenson Leydecker Add

(Special to The Financial Chronicle)

OAKLAND, Calif. — Lawrence G. Cappelli has become connected with Stephenson, Leydecker & Co., 1404 Franklin Street.

What About Aviation in 1955?

By MUNDY I. PEALE

President, Republic Aviation Corporation

Prominent aviation executive predicts 1955 will be neither peak nor bad year for aircraft manufacturing. Maintains the entire industry is on way to long-term stability.

In 1955 the aviation industry will be facing an unusual period of trial—not a trial by crisis but an attempt to reach a type of stability which has long been enjoyed by other industries. The manufacture of military aircraft, which makes up about 90% of the industry's present production, is expected to decline gradually through the year, from a rate of about 900 aircraft per month in January to about 800 per month by next December.

Mundy I. Peale

This is a result of the end of the Korean War and a general easing of international tension, as well as the fact that the peak of the scheduled build-up toward an Air Force of 137 wings by 1957 has now been passed. From now until then, the industry will be concentrating upon sustaining the scheduled build-up and bringing into production the first of the new planes and missiles that will be required from 1957 onward.

The outlook at Republic itself is generally typical of that for the entire industry. The firm is mass producing for the U. S. Air Force and our allies overseas the swept-wing F-84F Thunderstreak, a very high-speed fighter-bomber capable of delivering nuclear weapons, and the RF-84F Thunderflash, photo-reconnaissance counterpart of the Thunderstreak. At the same time, the company is beginning production on a very advanced and top secret fighter designated as the F-105. Our backlog is slightly less than $1 billion.

So 1955 appears to be the year in which the aircraft industry, which has always throughout its history been subjected to ups and downs and feasts and famines, will attempt to find something approaching a steady level of production and to plan into the future for itself and its employees.

In its efforts to arrive at a degree of stability, the industry will enjoy one new advantage in 1955. The nation has now adopted a policy which looks toward the maintenance into the foreseeable future of a large and modern Air Force which will be continually kept up to date in line with the startling developments of aeronautical science.

Heretofore, the industry has been called upon to produce huge quantities of aircraft one year, and none the next. To maintain a nucleus of skilled executives and employees, to achieve satisfactory financing, to provide for buildings and equipment in the face of such circumstances has required extraordinary agility on the part of the entire industry.

In 1955 the industry will be wrestling with these problems in an atmosphere of less excitement and urgency. With its production base relatively fixed for the year, it should be able to maintain employment at or near the 755,000 persons now engaged in the manufacture of aircraft and components. Some individual companies may have sales figures that will be larger than those of the past year, but they will deliver fewer aircraft. This will in part be due to the fact that many aircraft now being built and delivered are more complex and require more work.

As the history of the industry goes, 1955 should not be a bad year for aircraft manufacturing. By the same token, it will not be a peak year. As new planes come into production, it may be necessary to adjust employment in many companies.

But all in all, the year should offer the entire industry an opportunity to continue its march toward the degree of stability which it has long believed to be commensurate with the increasing importance of airpower as the nation's prime means of survival in a nuclear age.

Milton Powell Adds

(Special to The Financial Chronicle)

PASADENA, Calif.—Walton L. Greiner is now with Milton C. Powell Co., Security Building. Mr. Greiner was formerly with Morgan & Co. and Fewel & Co.

With Richard Harrison

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Arthur L. Barnes and John G. Gates are now with Richard A. Harrison, 2200 Sixteenth Street. Mr. Gates was previously with Paul C. Rudolph & Co.

Joins Reynolds Staff

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — H. Newell Andrews is now with Reynolds & Co., 919 Tenth Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Interest of most bank stockholders in recent weeks has centered around the annual reports of the different institutions now being distributed.

In New York there has been considerable excitement concerning the proposed merger of Chase National and the Bank of Manhattan to form the largest bank in the City and second only to Bank of America in the country. Also the annual meetings of the various New York banks and the statements of optimism about the coming year made by various officials has attracted attention.

These developments have affected relatively few stockholders, however, and are of interest primarily in New York City. In other areas the interest of bank investors has been focused upon the operating results for the year just ended.

On this point most bank stockholders have reason for feeling satisfied with the results for 1954. With very few exceptions, all of the major banks in the different business centers have reported a good gain in operating earnings for the year just ended as compared with those of 1953. Deposits are up as are earning assets.

The general operating pattern has been similar throughout the country although, of course, there are individual exceptions and some banks show larger percentage gains than others. On the whole, judging by results published so far, 1954 was the best or one of the best years in the history of most banking institutions.

In the tabulation presented below we have listed 17 of the major banks in different parts of the country that have announced or published earnings and show the net operating earnings on a per share basis for the past two years.

	Per Share Net Operating Earnings 1954	1953
American Trust (San Francisco)	$3.29	$2.75
Bank of America	2.65	2.31
Central National of Cleveland	3.06	2.93
Cleveland Trust	18.83	20.68
Continental Illinois National	7.21	7.64
Detroit Bank	6.13	6.07
First National Bank of Boston	4.59	4.30
First National Bank of Chicago	17.85	16.86
First National Bank of Philadelphia	3.16	2.93
Harris Trust & Savings Bank	38.99	35.57
Manufacturers National Bank	8.46	7.53
Mellon National Bank	6.10	5.93
National Bank of Detroit	4.78	4.20
National City Bank—Cleveland	4.26	3.79
National Shawmut Bank	3.87	3.46
Peoples-First Pittsburgh	3.95	3.72
Security-First, Los Angeles	4.76	4.07

Where appropriate adjustments have been made for stock dividends and splits so that present figures are on a comparable basis.

Also in one or two instances particular banks do not publish net operating earnings but just show a net profit figure. The latter usually includes profits on sales of securities and recoveries as in the case of First National Bank of Chicago, is after transfers to and from internal reserves.

This makes exact comparisons with some of the other banks not entirely valid. For example had Continental Illinois National of Chicago, shown net profits rather than net operating earnings, the figure for 1954 would have been $8.06 as against $7.94 in 1953. Thus, instead of a decline in operating earnings for 1954 the Company showed a gain in net profits because of the larger profits realized on securities in 1954. Other than Bank of America and First National of Chicago, all of the other banks in the above list show net operating earnings.

It is time, of course, that many of the other banks in the above list had substantial security profits which if added to operating earnings would further increase per share results.

Thus, on the whole 1954 must be considered a good year for banking. The results now being published helped to account for the stock dividends and larger cash payments made or contemplated by the various institutions as well as the optimism expressed for the coming year.

Continued from page 2

The Security I Like Best

holdings may be calculated approximately as follows:

	Per Share
Net working capital, after deducting debt, minority interest, etc.	$10.00
Market value Dumont holdings (after capital gains tax)	3.00
Television Station KTLA	3.50
Amortized film (minimum valuation)	4.50
Market value Canadian holdings	9.65
Total	$30.65

It will be noted that for "conservative" purposes, this tabulation does not include the company's other assets such as the Paramount Building, the company's recently released films, the large production facilities in Hollywood, and the interests in Chromatic Laboratories and International Telemeter Corp.

Earnings and Outlook

Revenues and net profits showed further improvement in 1954. Estimated operating earnings, exclusive of 38 cents per share security profits, reached about $3.60 per share which were the highest recorded in many years, with the exception of the abnormal 1946 period.

Theatre attendance is reported to have improved considerably due to (1) the better quality and calibre of motion pictures and (2) refinements and improvements in motion picture projection techniques (Vistavision and Cinemascope). The halving of the Federal excise tax on motion pictures also enables the company to earn higher rentals since most pictures are rented to theatres on a percentage basis.

In all, Paramount's 1955 net earnings should show some further improvement over the estimated $3.60 per share for last year. The consent decree, of some years back (outlawing "block" booking), has been decidedly in favor of the movie producer as against the exhibitor. The present method of bidding for film has increased percentage rentals substantially. Whereas the average formerly ran around 35%, most good pictures now bring from 50% to 60%, and higher in the case of some exceptional films.

Paramount, it should be observed, has recently introduced a number of good pictures which should continue to accumulate substantial gross revenues through 1955. These include such films as "Sabrina," "Rear Window," "The Country Girl," and "Knock on Wood." Paramount's first "Vistavision" picture — "White Christmas"—had the largest run of any film yet shown at the Radio City Music Hall and is now in general theatre distribution.

Paramount's "Vistavision" and Twentieth Century Fox's "Cinemascope" in a broad sense are not strictly competitive since most theatres, with the necessary equipment, can show either of the two systems. These new projection mediums have had most beneficial effects on the movie going public with attendance showing good gains when films made by the new processes have been shown.

On Paramount's schedule of new films is a new Cecil B. DeMille production of "The Ten Commandments" which will be filmed in Egypt. It is probable that a good part of production costs will be financed out of Paramount's substantial accumulation of restricted foreign earnings.

It is understood Paramount has 20 high-budgeted films scheduled for production this year, with the likelihood that several more will be added. The company's most recent introduction, "The Bridges of Toko-Ri," premiered recently in New York and was favorably reviewed by the critics.

Capitalization—Finances

Long-term debt	$20,262,000
Minority interest	$9,341,000
Common ($1 par)	2,208,133 shares

Finances are healthy. Total current assets (Jan. 2, 1954) of $74.7 million were more than five times total current liabilities of $12.7 million, leaving net working capital of $62.0 million. Cash items of $28.8 million were alone more than double total current liabilities.

Summary

Strong financially, and with substantial tangible value, Paramount's earnings have been trending upward and, at a price of around 37½, the regular $2 dividend provides a favorable return of 5.3%.

Outlook for 1955, and beyond, aided by better quality pictures, improved projection techniques and higher rentals per picture (along with television and electronic affiliations) suggests a continued favorable trend in basic earning power. With some moderate increase in dividend payments, under such conditions, also in prospect, Paramount appears to have much to recommend it at the current price. The stock is listed on the New York Stock Exchange.

Stock Market in Good Shape, Says Mrs. Roebling

President and Chairman of the Trenton Trust Company commends brokers for simplifying Wall Street to the widening list of newcomers. Maintains the many watchful eyes on the market's operations are effective insurance against trouble.

SAN ANTONIO, Texas—With a pat on the back for the Stock Exchange and the securities and investment brokers, a plea for wide dispersal of skilled labor for defense reasons and a message of business confidence, Mrs. Mary G. Roebling, President and Chairman of the Board of the Trenton (N. J.) Trust Company, spoke Jan. 20 before the joint luncheon of the San Antonio Manufacturers' Association and the City Federation of Women's Clubs.

Mary G. Roebling

Speaking on "Today's Challence," Mrs. Roebling said, "There are those who ask the question—What is the challenge that covers our responsibility toward a widening list of newcomers in the stock exchange field — many of them women? I was one of the first in the country to awaken stock brokers to the realization that it was desirable to do away with the mysteries of stock exchange dealing and plan a campaign to invite all who could afford to do so to buy an interest, small or large, in American industry—its railroads, its oil wells, its pipelines, its utilities, its manufacturing plants, every ligitimate company that could pass the examination of certified accountaints and whose financial statements would comply with existing statutes.

"I am not overly concerned about the stock market," she continued. "The Stock Exchange is one of the best organizations we have, is well managed and anxious to operate the Exchange with rules of conduct that are admirable, and the Securities and Exchange Commission is keeping a watchful eye on the listings and the screening of companies.

"Of course no prophet can foresee what the emotions of people can do—boom or bust is possible, but not likely. Adjustments will appear from time to time, confidence can beget a buying fever, but the cold calculating facts will come out and no great harm can be done. There are too many many watchful eyes on the operations of the market.

Nothing Seriously Wrong

"Nothing is so wrong with the buying and selling of stocks and bonds that a cold shower of margins and threatened investigations won't cure. If our foreign relation were in as good shape as our stock market, the nation could rest easier, but even our diplomats should be credited with the sincerity they bring to their profession and perhaps an era of peace and quiet throughout the world will come to pass and once again we will be talking about the "Brotherhood of Man."

Turning to problems of big business and the national defense, Mrs. Roebling asked, "Is big business too big, and abusing the privilege of corporate enterprise; crushing competitors as ruthlessly as the boots of a man stamp out the lives of thousands of ants in an ant hill?

"Are men in high places looting business by means of mergers that deny labor its opportunity to work, by dismantling plants instead of building them up; selling out inventories and local properties; moving elsewhere, leaving ghost towns with unemployed skilled workmen and small business on the borderline of suicide?

Skilled Labor Must Be Fluid

"We have in this nation an arsenal of skilled workmen surpassed by no nation in the world. This great asset must be preserved for in time of national peril the assembling of our labor forces to perform special tasks must be immediate. With atomic weapons in the hands of a potential enemy, the men who can quickly be transferred from machines of peace to those of protective warfare must be readied without delay, and this manpower should be in many geographical areas at one time. The destruction of one area by a sudden enemy thrust must not find us helpless, by having our finest machines congested in a section under atomic fire. Skilled labor must be fluid in its distribution over the entire country.

"As this idea dawns upon our people, fuller appreciation will go to the problems of small and medium sized manufacturers, who are an important unit in the skilled labor pool if and when such a movement becomes necessary.

"We must keep our minds constantly on this subject, and if existing or planned tariff changes affect the manufacturers, relief of some kind must be forthcoming."

With Weber-Mitchell

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Clarence E. Hasselbach is now with Weber-Mitchell & Co., 411 North Seventh Street. Mr. Hasselbach was formerly with Waddell & Reed, Inc. and A. A. Tibbe & Co.

Smutny Named Director

Rudolf Smutny, senior partner of Salomon Bros. & Hutzler has been elected Director of the Rail-Trailer Co. of Chicago, it was announced by Eugene F. Ryan, President of the Rail-Trailer Co.

Mr. Smutny has been an investment banker for the past 38 years and currently is Chairman of the New York Group, Investment Bankers Association of America.

Merrill Lynch Adds

(Special to The Financial Chronicle)

CANTON, Ohio—David T. Reynolds has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, St. Francis Hotel Building.

McDonald Adds to Staff

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Everett Shively is now with McDonald & Company, 50 West Broad Street.

With Gallagher Roach

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Leo M. Chase is now connected with Gallagher-Roach and Company, 1683 West Lane Avenue.

Correction

In listing the members of the Board of Directors of the Trenton Trust Company in their Statement of Condition, the corporate affiliation of Mr. William C. Ehret was shown as William C. Ehret; the proper form is Wm. C. Ehret.

The Role of the Security Analyst In Stockholder Relations

By WILLIAM G. MAAS*
White, Weld & Co., Chicago, Ill., Members, N. Y. S. E.

Stating "the importance of friendly stockholding groups has never been more apparent than at the present time," Mr. Maas holds corporations, to secure stockholders' cooperation, should be willing to furnish sufficient information to eliminate distrust or misinterpretation. Stresses value of work of the security analyst as aid to stockholders regarding factual information and intelligent analysis, and discusses the nature and limits of a company's story that should be presented to financial analysts. Combats claim an expanded corporate publicity gives aid and comfort to competitors.

May I make a few generalizations.

There has been considerable improvement in both the quantity and the quality of corporate information being made available to stockholders — or their representatives — by the managers of these corporations which the stockholders own. While in too many cases in earlier years the information became available as a result of being "pried" out of the corporate managers by government agencies, happily for the most part at the present time, such information is being given out more and more willingly.

The security analyst has become increasingly important as the central figure whose duty it is to obtain such corporate information and interpret it for the benefit of the stockholder. The stockholder looks to him for advice and counsel and as a result he has become extremely important to the corporation management who must hope for a friendly and sympathetic attitude on the part of the stockholder.

The importance of friendly stockholding groups has never been more apparent than at the present time. For much too long a time has the attitude of business organizations been defensive. Intelligent cooperation with stockholder groups should be a great help in taking business off the defensive and enable it to adopt a more positive attitude.

The friendly spirit of cooperation must be based on a willingness to give the stockholder—or his representative, the security analysts — sufficient factual information to eliminate a feeling of distrust—or worse than that—a misinterpretation of the existing situation in the corporation's picture.

The successful corporation executive can no longer ignore public and stockholder relations. He must be willing to discuss the corporation's affairs with the stockholder and his representative both individually and before groups of security analysts. He should feel free to present the facts concerning operations and finances, without attempting to gloss over existing problems. In many cases this requires even greater disclosure of information than is now being done. The stockholder is the owner of the business and he has a right to know. And unless the security analyst can have access to sufficient factual information he is stymied in his attempt to complete an intelligent analysis.

The Presentation of a Company Story Before a Group of Financial Analysts

I just mention that to an increasing extent, corporation managements—probably stimulated by their public relations officials or their public relations counsellors, are becoming interested in presenting their stories to groups of financial analysts.

First of all, who should present the story?

Obviously, there is considerable prestige value in assigning the job to the President, or chief executive officer. However, it so often happens that the successful top corporation executive seems to "wilt" before a large audience — particularly of outsiders. I would say, pick the executive who can best present your story to an audience, even though he not be the top man of the organization.

I would say that he should be "flanked" by one or two other executive officers — including at all times—a financial executive; the Financial Vice-President, the Treasurer or the Comptroller. This is of particular importance from the standpoint of the informal "question" period, following the more formal presentation.

What Not to Say

It is important that in preparing a company story for a group of security analysts, the management refrain from using up time to talk about things that are hardly pertinent to intelligent analysis. A meeting of the type arranged by Financial Analysts Societies, is obviously limited as far as the time factor is cencerned.

Let me suggest a few subjects which can be eliminated, or held to a bare minimum, as far as discussion is concerned.

(1) **Long Corporate History**—This may be of importance in a sales meeting; a meeting to stimulate public relations of the community in which the company operates. But in a meeting with security analysts, it just uses up time which can be used to much greater advantage in presenting information concerning current operations, future programs, management policies and other matters of much greater help to the analyst.

(2) **"Re-Hash" of Annual Reports**—The Security Analyst has available to him all the published financial information of a corporation. It is one of his jobs to analyze the financial data. A re-evaluation on the part of a corporation executive of material already available is solely a waste of time for all the people concerned.

(3) **Enumeration of Plants and Properties** — Once again, please remember that an analyst has available to him factual information of this type, unless there is something of particular importance to discuss in connection with plant facilities—particularly new plants—there is little to be gained in using time to list the number and location of plants and facilities—information the analyst has available to himself.

(4) **Industry Statistics and Figures** — Industry statistics are now also available for the most part to financial analysts. To load a 40 minute talk with a recapitulation of industry statistics which the listener cannot possibly take down in notes and still listen to the talk is, in my opinion, a waste of time. If it is desired to include such data in a written copy of the talk, to be distributed subsequently, this method would be much more valuable.

At the same time, should there be interesting statistical data on the industry or the company, which is not available through regular sources, analysts would welcome a careful—and interesting—presentation of such data.

(5) **Flag Waving** — Too many corporation executives feel that it is important to expound the advantage of the "Traditional American Way of Life" and the benefits of free enterprise. While I am not acquainted with the political philosophies of all of the members of the National Federation of Financial Analysts Societies, or of the Investment Analysts Society of Chicago, I strongly doubt that it is necessary to educate them in this respect. Actually many of our members resent including such references in a talk designed primarily to give such analysts a better "feel" of the company and its management.

(6) **Sales Talks** — Above all do not attempt to make a glowing sales talk. It is not necessary, and quite often has an effect directly opposite its aim.

Subjects That Should Be Discussed

My discussion here today is concerned primarily with industrial companies. It is in this field that we encounter the greatest variation of types, quality and quantity of information available. Information and data concerning public utilities and railroads—financial and otherwise—are more complete and more standardized. At the same time this does not infer that managers of such types of enterprises should not attempt to provide financial people with additional corporate information. This is far from being the case.

Financial Information—First of all, let us discuss financial information. One of the first subjects of importance is that of Sales. Too many corporation executives still say to me: "Why are you so insistent on sales information? Aren't earnings your final and most important consideration?" I can give many reasons, but remember that in all cases profit margins are one of our most important facts used in a financial analysis of a company's operations. As a result of many completely legitimate accounting treatments, earnings figures alone can actually mislead stockholders.

I am talking, of course, primarily of interim sales data. As you know, the SEC has rescinded its 9-K requirements for reporting quarterly sales. The matter of quarterly sales data is considered extremely important to financial analysts. Since rescinding of the order many companies have discontinued the practice of publishing quarterly sales figures. The National Federation of Financial Analysts Societies first made efforts to get such corporations to publish this data. Such efforts were unsuccessful. As a consequence the Federation has filed a formal appeal to the SEC requesting that Form 9-K be reinstated and even be broadened to include in addition to sales, net income before taxes and net income after taxes, with supplementary information as to special charge-offs, reserves, and special non-recurring profits.

Interim Statements—Even those that are now published require more interpretation and explanation by the management. Such explanation will go far toward preventing misinterpretation on the part of stockholders. And interim statements are necessary. Much can happen within a year's time and the interim statements give a worthwhile clue as to the trend of a company's operations between annual reports.

Another important type of information is the so-called "sales breakdown." The majority of industrial companies whose stock is held publicly are now engaged in the production of many different products. These can be grouped into broad overall divisions. For the purpose of intelligent analysis, the security analyst is naturally interested in a breakdown of the total published sales figures in various ways, such as:

(a) By major divisions
(b) By types of operations
(c) By customer classifications

Obviously, such a breakdown aids him in his analysis and projections.

The principal objection of corporate managers to the disclosure of interim sales and to sales breakdowns is that such disclosure will benefit competition.

Speaking for the analysts, I think I can say that this objection falls on deaf ears. Isn't this a sign of weakness on the part of those managements who make such an objection? Particularly so, when, in so many cases, we find a number of successful organizations engaged in an extremely competitive industry willing not only to give such information to a stockholder or his representative but also to publish the information in its widely circulated annual report!

Let's face the facts. The experience of many analysts indicate that by some means or other the competition usually knows with a relatively high degree of accuracy just what its competitors' sales are in any particular division of the latter's business.

This might carry through as far as earnings are concerned, as well. True, this is a little more delicate situation, but at least there can be no harm in offering some generalizations on the relative importance of divisions to the earnings picture, and the possible special factors which might affect the earnings of any one division.

Companies also seems averse to publishing interim balance sheets. Why—it is difficult for us financial analysts to understand. An analyst worthy of the name understands seasonal characteristics —he takes them into consideration when watching — for example — the trend of cash position.

New Products — From an analyst's point of view this is an extremely important subject. Discussion of new products means much in determining the progress being made by the company, particularly under competitive conditions. The analyst is always conscious of the "growth possibilities" of an organization. What is its competitive position? Is an expansion program justified? New products mean "life" to the organization.

Next to a description of new products themselves, it is important to get an idea of when they may be expected to become commercially available.

This leads to the question of **Research.** A favorite question among financial analysts is "How much is spent on Research?" or "What proportion of sales is expended on Research?" Frankly, I believe the analyst is wrong in using this approach. To me it is even more important to learn how the Research organization is set up. What type of research is done? Is it aimed at development of new

Continued on page 58

*An address by Mr. Maas before the Chicago Chapter of the Public Relations Society of America, Chicago, Ill., Jan. 18, 1955.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association have elected the following new officers:

James E. Moynihan, J. B. Maguire & Co., Inc., President; Gilbert M. Lothrop, W. E. Hutton & Co., Vice-President; Edward F.

James E. Moynihan

Gilbert M. Lothrop

Edward Hines

Carl V. Wells

Frederick V. McVey

Hines, Chace, Whiteside, West & Winslow, Treasurer; Carl V. Wells, Paine, Webber, Jackson & Curtis, Corresponding Secretary; and Frederick V. McVey, Childs, Jeffries & Thorndike, Inc., Recording Secretary.

Members of the Board of Governors are: Francis R. Cogghill, White, Weld & Co.; John A. McCue, May & Gannon, Inc.; Lewis D. McDowell, Chas. A. Day & Co., Inc.; Leo F. Newman, American Securities Corp.; Joseph F. Robbins, F. S. Moseley & Co.; and John L. Shea, Jr., Shea & Co.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold its 31st annual winter dinner at the Parker House on Friday, Feb. 11. Tariff of $14 includes cocktails, dinner and entertainment. However, capacity is 300 so reservations should be made immediately.

Members of the Dinner Committee are Edward F. Powers, Hodgdon & Co., Chairman; Arthur C. Murphy, A. C. Allyn & Co., Frank S. Breen, Schirmer, Atherton & Co.; T. Edmund Williams, Hooper-Kimball & Co.; Louis V. Zucchelli, J. B. Maguire & Co., Inc.; Wallace D. Dexter, Jr., Stone & Webster Securities Corp.; Philip D. Winn, Salomon Bros. & Hutzler. Ticket Reservations: Raymond V. Coppens, Blair & Co., Incorporated. Room Reservations: John J. Donohue, Donohue & Sullivan.

The dinner will be preceded by a Members' Luncheon for out-of-town guests to be held at 12:15 in the Hawthorne Room at the Parker House.

ALABAMA SECURITY DEALERS ASSOCIATION

The annual meeting of the Alabama Security Dealers Association was held in Birmingham on Jan. 21, at the Mountain Brook Country Club. A banquet was held at which time election of officers for the coming year was held. The outgoing President,

James S. Crow

John B. Cox, Jr.

Lewis J. Odess, rendered a report of the activities of the Association for the past year. Mr. John Bunn, President of the National Security Traders Association, national affiliate of the Alabama Security Dealers Association, made the principal address of the evening. Mr. Bunn is of the firm Stifel, Nicolaus & Co. of St. Louis.

The new officers for the coming year are as follows:

President: James S. Crow, First National Bank of Birmingham.

First Vice-President: John B. Cox, Jr., Birmingham Trust National Bank.

Second Vice-President: E. S. Hydinger, Carlson & Co. (Birmingham, Ala.).

Secretary: George M. Wood, Jr., George M. Wood & Company (Montgomery, Ala.).

Treasurer: Milton Royce, Merrill Lynch, Pierce, Fenner & Beane (Birmingham, Ala.).

The following were elected to the Executive Committee: Rucker Agee (Sterne, Agee & Leach, Birmingham); Elbert Martin (Odess, Martin & Herzberg, Birmingham); Frank B. Frazer (Shropshire & Company, Mobile); Hugo Marx, Jr. (Hugo Marx & Company, Birmingham); William Countt (Thornton, Mohr & Farish, Montgomery); Leo Turner (Jamison & Co., Birmingham); Howard Hayworth (Merrill Lynch, Pierce, Fenner & Beane, Birmingham); Clyde Ulmer (Courts & Co., Birmingham).

SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Jan. 20, 1955, Final 1st Half:

Team	Points
Donadio (Capt.) Hunter, Fredericks, Demaye, Saijas, Kelly	54
Leone (Capt.), Nieman, O'Mara, Forbes, Greenberg, Murphy	50
Kaiser (Capt.), Hunt, Werkmeister, Kullman, McGovan, O'Connor	49
Barker (Capt.) Brown, Corby Weseman, Whiting, Fitzpatrick	47½
Manson (Capt.), Jacobs, Siegel, Topol, Frankel Tisch	46
Bean (Capt.), Meyer, Bies, Pollack, Leinhardt, Weiler	46
Mewin, G. (Capt.), Define, Gavin, Montanye, Bradley, Huff	42½
Growney (Capt.), Alexander, Eiger, Valentine, Burian, Craig	42
Serlen (Capt.), Rogers, Krumholz, Wechsler, Gersten, Gold	41½
Meyer (Capt.), Murphy, Frankel, Swenson, Dawson, Smith, Kuehner	37
Krisam (Capt.), Clemence, Gronick, Stevenson, Weissman, McCoud	27½
Klein (Capt.), Rappa, Farrell, Vocolli, Strauss, Cohen	27

200 Point Club

Art Burian	225
Nat Krumholz	201

5 Point Club

George Leone

With Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

UKIAH, Calif. — Joseph W. Hampton is now associated with Hannaford & Talbot, 105 North Main Street.

With Harris Upham

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Bernard J. Frankenheimer is now connected with Harris, Upham & Co., 25 North Sutter Street.

COMING EVENTS

In Investment Field

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

Feb. 16, 1955 (Detroit, Mich.)
Bond Club of Detroit annual dinner at the Detroit Boat Club.

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.

J. Knox Fiscal Agent For Fed. Land Banks

John T. Knox, Deputy Fiscal Agent for the 12 Federal land banks, 12 Federal intermediate credit banks, and 13 banks for cooperatives, will become their Fiscal Agent, Feb. 1, according to Robert B. Tootell, Governor of the Farm Credit Administration. Mr. Knox succeeds Macdonald G. Newcomb who is retiring on Jan. 31.

Mr. Knox joined the Fiscal Agent's office as an assistant in 1935 and since 1949 has been Deputy Fiscal Agent. Previously, he had worked for the Federal Reserve Bank of New York, commercial banks, and an investment security firm, and has a wide acquaintance with dealers and bankers throughout the country. He has resided for many years at Closter, N. J. The office of the fiscal agency has recently been moved from 31 Nassau Street to 130 William Street, New York City.

Mr. Newcomb joined the Farm Credit System when he became Treasurer of the Federal Land Bank of Springfield, Mass., in 1929, coming there from western New York where he had been President of the State Bank of Hilton. He served the Springfield Bank as Executive Vice-President and President before coming to the fiscal agency.

What's Ahead in 1955 For Real Estate?

By STEPHEN G. THOMPSON*
News Editor, "Architectural Forum," New York City

Foreseeing a rising real estate market and an increase of 5% in construction, Mr. Thompson looks for constant cost increases in labor and materials. Finds grounds for easy mortgage credit and comments on the "warehousing" deal of Prudential Insurance Company with New York commercial banks to hold $350 million of FHA and VA mortgages with a view to future purchase by that insurance company. Finds this plan aiding the real estate market. Lists as other aids, construction of new shopping centers and urban redevelopment.

To give my summary first and supporting data or background following, the outlook can be summed up in four words: More of the Same. Or to be extravagant, and use six words, More and More of the Same. *More* meaning a continued rising market. The speaker's field is primarily construction reporting but in general the real estate market will also mirror most conditions that prevail in the construction market.

S. G. Thompson

To begin with, it is difficult to recall a single authoritative (or even unauthoritative) source predicting or forecasting a *decline* in construction volume this year. The accepted forecasts all say construction volume will rise — starting with the first, released in September by "Architectural Forum," which said total dollar volume would go up about 5%—to $38.75 billion. This proved a little conservative. When Commerce-Labor Departments issued their estimates in November, they projected a $39.5 billion year for 1955.

Along with the increased volume will come two other conditions: Continued edging up of building materials prices, influenced as much as anything else by continued increase in labor costs. These labor costs often go right back to scratch. In lumber, for instance, there was the 7½ cents an hour increase just recommended for woods workers in the Northwest. That will go into higher lumber prices, along with any other increased expenses along the line. (By way of commentary: we frequently hear these days of all the "built-in" stabilizers to prevent a depression. Offhand, appraisers might adopt this same terminology to describe constant cost increases for labor and materials as the "built-in stabilizers" for today's venturesome appraisers. They mean constantly increasing reproduction costs, frequently running ahead of depreciation, so any over-appraisal eventually gets cut down to size by this slow, consistent inflationary action.)

Since the year-end deluge of business forecasts there have also come a whole new crop of other "indicators" of expanded business to support expectation of continued rise in construction and the real estate market.

The President's several messages to Congress have indicated even larger public works programs than anticipated last fall—in almost all fields except public housing.

Schools, particularly, have received the Presidential blessing, with special message on this problem to go to Congress Feb. 15.

***Summary of a talk by Mr. Thompson at the January Meeting of the Greater New York Chapter, American Society of Appraisers, New York City, Jan. 18, 1955.**

Highways are being recommended to the tune of $101 billion, over an extended period.

Locally, New York City is trying to mount a $600 million bridge-tunnel-highway program to start within a year or two.

The evening papers on Jan. 17 also carry rosy prediction of record year by General Motors' President Harlow Curtice.

An important element here is that most of this type of production is not of the service type, but creative type. Every mile of highway calls for cement, steel, lumber, making a whole line of jobs all the way back to the mill and mine. This kind of spending bolsters manufacturing, and in turn, of course, many service jobs as well, after the factory workers receive their wages, etc. This is a strongest type of support you can have for solid prosperity, which is one of main requirements for sustaining real estate market — including all existing property, not simply new construction.

But one of the most significant indicators of all drew only passing mention a few weeks ago. Until now this speaker has not seen its full importance for real estate market presented.

If ever a flag was put up to signal the confidence of one of the country's biggest bellwether investors in the future of real estate, this speaker thinks it was the announcement by the Prudential Insurance of its "warehousing" deal for Irving Trust and other commercial banks to hold up to about $350 million of FHA and VA mortgages for it into the middle of 1956. This sum is the equivalent of almost $1 million a day, including Sundays, or practically $1.4 million every Monday to Friday business day. Prudential described it simply as a plan to help "stabilize" its mortgage purchasing program — but closer study points to much more important considerations.

Back in December, Prudential issued a report of its economic research staff predicting total national spending in 1955 would not only be above 1954, but probably be the biggest year in history. A "warehouse" deal would seem to be deliberate, calculated move to capitalize on an expected boom, and get the biggest share of it possible for Prudential.

In essence, smart, conservative Prudential through its "warehouse" mortgage deal, is establishing a line of credit, or for practical purposes *"borrowing"* money!

But why would mighty Prudential, of all institutions, become a *borrower?* One publication naively said the arrangement meant the Prudential was "running out of funds." But this would only be true if one added the explanation that it was only running out of funds to expand its investment beyond its ordinary rate of income inflow, and it was borrowing to make bigger and faster investments—particularly in *real estate.*

Ironically, similar big warehousing mortgage operations in 1953 were arranged to help tide over builder-borrowers until insurance companies and other permanent investors in mortgages would accept their paper in a tight money market. But today it is reverse: The Prudential warehouse deal is arranged for sake of the "lender" to corral more mortgages more certainly than if it only bought them as fast as income inflow allowed.

Also, ironically, this would seem to be the kind of arrangement where the more Prudential borrows, the more it can earn. Reporterly, it pledges mortgages as a collateral, and Prudential draws their regular interest rate of 4½% — minus servicing while in the warehouse. But presumably, on its pledged to pick up every one of them, Prudential pays closer to prime loan rate to commercial-bank warehouse institutions—and reportedly may clear as much as 1% on the spread between long-term mortgage and short-term commercial money rates.

Other Implications for Real Estate

On reflection, this arrangement would have an influence on far more than the FHA and VA mortgage market.

If Prudential is enabled to leave up to $350 million of these mortgages in storage, by the same token it has that much more of its own funds available to serve the conventional mortgage market—or divert to other investment fields. It means the conventional or non-residential mortgage-seeker coming to Prudential has a greater chance of getting a loan—or to the extent Prudential has taken in that extra volume of mortgages, *other* mortgage *lenders* are subject to less demand for their funds, and therefore more likely to grant an application for a loan: on other new construction, or for refinancing existing real estate.

It is elementary that the *availability of mortgage financing supports the price of real estate.*

Thus any Prudential borrowing for its FHA-VA warehousing program amounts to direct support for real estate by Prudential—and indirect support to the extent other lenders have a smaller supply of mortgages to satisfy their mortgage investment demands.

Not only does the Prudential action broadcast to the whole world its confidence in FHA-VA real estate in particular, and other real estate in general—but also a confidence in the entire economy. How incredible it would be to contemplate Prudential borrowing money to buy mortgages if it was anticipating a downturn!

What About Interest Rates?

Does the Prudential deal indicate it might expect FHA and VA interest rates to decline, and it wants to line up as many mortgages as possible before a decline? In reply to this question, Dr. Marcus Nadler said he foresaw no change in these rates, but rather expected Prudential might be figuring that "mortgages will be harder to ge by the end of the year." That, of course, states it in another way. If mortgages are harder to get—(for the *lender* to get!)—that points to smaller discounts, or bigger premiums, in lieu of any change in interest rate. Any lender who has been able to pile up any in a warehouse at the prices or yield when they were easier to get will be that much ahead of the game.

At the risk of repetition—from the real estate borrower or consumer's end this translates into—"mortgages" will be *easier* to get—and that much more support for a stable or rising real estate market.

Constructing New Shopping Centers

Another current sign of expansion and real estate activity: Allied Stores announcement of its $237 million shopping center program across the nation.

On a longer range look ahead, "Architectural Forum" also is anticipating a major market in the coming years in urban redevelopment — the revitalization of our central cities. This will not be achieved overnight. The problem has many elements: traffic congestion, obsolete buildings. But the cities also have a tremendous asset in their existing utilities and community facilities, etc. The big $600 million program for new bridges, tunnels and highways recently announced for New York is one sign of what is to come.

Political jockeying may delay this, so it takes ten years rather than five—but over the long pull this redevelopment seems inevitable. In other cities it is getting off to faster starts, perhaps, but it will come for New York too.

Last week at the Building Trade Employers Association dinner, the speaker was privileged to talk with Joseph McMurray, the new New York State Housing Commissioner, who formerly was executive officer for the Senate Banking and Currency Committee, and in that position practically wrote the last several Federal housing laws. Mr. McMurray knows as much as anyone what can be done under the new urban renewal statutes. While details cannot be given yet, it can be safely stated that he contemplates some unusual urban renewal steps that could be undertaken in New York and other large cities and may soon make public some of his recommendations in this field that could have a tremendous influence in halting urban decay and conserving and restoring city real estate values.

Accordingly, considering all factors, we can expect a bigger construction volume; easy financing, and continued government manipulations to sustain or stimulate employment if an economic downturn is indicated. It is hard to imagine how anyone can anticipate the 1955 real estate market moving in any direction except upward — (barring such major changes in the entire economic picture as war, or serious collapse across the board, of course).

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry J. Diacou has become associated with Shearson, Hammill & Co., 208 South La Salle Street. Mr. Diacou was formerly with Rodman & Linn and Faroll & Co.

Magnus Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Julian A. Magnus, Jr. is now with Magnus and Company, Dixie Terminal Building.

Business Man's Bookshelf

Global Strategy for Trade and Tea — Chester Bowles and Anthony Hyde—Tea Council of the U. S. A., 500 Fifth Avenue, New York, N. Y. (paper).

Research Center Association of American Railroads — Annual Report — Research Center, Association of American Railroads, c/o Illinois Institute of Technology, Chicago, Ill (paper).

We Accuse! — The Case of J. Robert Oppenheimer — Joseph and Stewart Alsop — Simon and Schuster, Inc., New York (paper), $1.00.

THE MARKET... AND YOU

By WALLACE STREETE

The stock market continued in a reactionary rut again this week, the situation at Formosa contributing mostly caution coupled with a bit of strength in the aircrafts despite official declarations that there will be no changes in defense business at least for the moment.

* * *

It wasn't entirely the Asian situation for a couple of the better acting aircrafts. A new split proposal, plus good dividend treatment, helped Douglas Aircraft put on one of the better shows although it had some highly erratic moments when profit-taking moved in. General Dynamics, on the successful completion of the early tests of the new atomic-powered submarine, also had more than future hopes to bolster it.

* * *

"War Babies" Erratic

Defense issues that managed to snare some popularity included a few of the textiles, American Ship Building and Bath Iron Works in addition to such plane makers as Boeing, United and Lockheed. However, despite many attempts to make it a "war market" the strength in the war babies that had no otherwise solid base for investor preference was erratic at best. While the Chinese situation was a topic piece and was being watched carefully, it set off no great portfolio switching that would change the nature of the market.

* * *

Automotive shares were far from distinguished. Aside from occasional weakness in the stocks of the independent makers, there was little action in the group. High production schedules were offset to a degree by reports that prices were being shaded to move the new cars, keeping investors wary.

* * *

For the individual action of the week that gave the market its best lift, U. S. Steel's hiked dividend and stock split proposal was the highlight. Before this action the group had been inclined to lag when other sections were buoyant and to sag rather badly when the going was rough.

* * *

Merger Disappointment

One of the larger disappointments, apparently, was the merger proposal between Mid-Continent Petroleum and Sunray Oil, which is one of the larger unions in the petroleum industry in years. The combination would make a new colossus with assets of nearly half a billion dollars. But the conversion of Mid-Continent stock into common and two new preferreds of the merger corporation was met with enough chagrin to lop several points off the stock. In anticipation of the merger the stock had been one of the strong ones adding nearly 15% in price over the final posting last year. Sunray also dipped sympathetically after it, too, had reached new high territory on the high expectations.

* * *

Rails were back in their familiar old pattern of backing and filling for the most and mild strength in Southern Rail on a dividend increase failed to spark anything elsewhere. New York Central continued to back away from its recent high and trading in it dried up to where it disappeared from the list of most active issues. Pennsylvania Rail did a little better pricewise and held among the busier issues on recurrent rumors of a proxy fight brewing. Denver & Rio Grande was more prominent on selling than most of the other issues and Missouri Pacific which had shown good progress at the turn of the year had settled down into something of a rut.

* * *

Monopoly Attack Slows Utilities

The threat of Congressional investigation of power company "monopolies" which was raised early in the week was enough to keep the utilities uncertain. Commonwealth Edison was somewhat softer than its associates in sympathy with a poor market reception for a rather large bond issue. Panhandle Eastern Pipe and People's Gas, the wide moving members of the utility group, did most of their moving on the down side.

* * *

More erratic than most was Mengel Co., which has been reactionary lately after a good outburst of strength. On one session this week it backed up rather abruptly at first but then put on a good head of steam later to erupt into new high territory with a range for the day of nearly eight points, an excessive swing for a stock selling in the 40's.

* * *

Cement issues were much more buoyant than the general list, but without any great fanfare and without too much disposition to challenge their old highs at the moment. Alpha Portland, however, with the help of a stock split proposal, was able to make a couple of appearances on the list of new highs and did a fair job of resisting the downpull when selling predominated.

* * *

Chemicals presented a ragged pattern with little definite to it. On the whole they maintained their balance well in what appeared to be a consolidation phase without any distribution too apparent. The bulk of the oil shares acted similarly, although this group ignored the benefits of lots of market comment forecasting a good year for the petroleum companies.

* * *

Some Strength in Electronics

Some of the electronics companies fared well on occasion, none more than Consolidated Electronics, the former Reynolds Spring. The 455% appreciation in this issue last year was the best percentage improvement of any common stock on the Stock Exchange. This issue which sold last year as low as $5 reached $44 this week before turning reactionary.

* * *

Paper shares continued to enjoy a good enough following to project one or the other of the group into prominence per session, although the newly listed Federal Paper Board on its second day of trading was—at least technically—the week's first issue to reach a new low. It had bowed in on a range of merely a fraction so the achievement was without significance.

The play in the glass issues had run its course, at least temporarily, so that a few issues in this section, notably Owens Illinois Glass, were somewhat prominent on the heavy side but, again, the implications were minor in view of the all-time highs reached by some of these issues recently.

* * *

Among the special issues, Crane Co. stood out on high activity and good gains, reaching its best price since 1946. The impetus here was a financial service recommendation pointing out the potentials of its new titanium operation underway for better than half a year.

* * *

Technical Aspects

Technically there was little in the market's action to indicate any real conviction. Volume moved back to the three million share level for the first time in a week but it was on a day of mixed prices. Rallies have taken place on declining volume but, on the other hand, selling has been on a descending scale as far as volume is concerned too.

* * *

Majority opinion still favors more correction before any worth while advance takes place, or at least a testing of the lows posted by industrials and rails last week, barring any sudden change in the Formosan situation that would call for a drastic shift in investment emphasis.

[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.]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Raymond H. Reiss, President of Reiss Manufacturing Corporation, has been elected a member of the Board of Directors of **Irving Trust Company of New York** to succeed his father, Jacob L. Reiss, a Director of Irving and its predecessor banks for 40 years until his death on Jan. 11, 1955.

Raymond Reiss is also a Trustee of Emigrant Industrial Savings Bank.

* * *

Election of Bernard S. Carter as Chairman of the Board of Directors of **Morgan & Cie. Inc., Paris,** was announced on Jan. 21. Morgan & Cie. is a wholly-owned subsidiary of J. P. Morgan & Co. Incorporated. Mr. Carter succeeds Nelson Dean Jay, who has relinquished his duties as Chairman after 35 years with the Paris banking company. Mr. Jay will continue as a director and a member of the managing committee. Concurrently, Julian Allen has been elected to succeed Mr. Carter as President. Mr. Carter became a partner in Morgan Harjes & Cie., predecessor firm of Morgan & Cie., in 1924. He served in the U. S. Army in both World Wars, being a Colonel and Assistant Chief of Intelligence of the Third Army in World War II. He has been President of Morgan & Cie. since 1946 and a director of J. P. Morgan & Co. since 1945.

Mr. Jay began his banking career in 1906 in Milwaukee, where he was a Vice-President of the First National Bank from 1911 to 1915. After army service in World War I, he became a partner in the Morgan bank in Paris in 1920 and has since played a prominent role in Paris banking. After serving as President, he became Vice-Chairman of Morgan & Cie. in 1945 and Chairman in 1948, and has been a director of J. P. Morgan & Co. since 1945. Mr. Allen has been active in Paris banking since shortly after World War I and has been with the Morgan banking establishment there for nearly 25 years. He has been Executive Vice-President of Morgan & Cie. since January, 1952. He served in both World Wars, being a Colonel in U. S. air intelligence in Europe and the Pacific during World War 11.

* * *

Directors of **Chemical Corn Exchange Bank of New York,** have elected J. Kenneth Townsend, Vice-President and Herbert W. Nannen, Treasurer, it was announced on Jan. 21 by N. Baxter Jackson, Chairman. Mr. Townsend, who has been personel director, will continue in that capacity. He served as President of the New York Chapter, American Institute of Banking, during 1953-54. Mr. Nannen was advanced from Assistant Vice-President.

J. Kenneth Townsend Herbert W. Nannen

* * *

Andrew L. Gomory has been elected a Senior Vice-President and a member of the General Administrative Board of **Manufacturers Trust Company of New York,** Horace C. Flanigan, President, announced on Jan. 25. Mr. Gomory has been Vice-President in charge of the Foreign Department of the company. Mr. Gomory has been associated with Manufacturers Trust Company since 1922; he became an Assistant Vice-President in 1928, and has been a Vice-President since 1935. As Chairman of the American Committee for Short-Term Creditors of Germany, he represented American banks at the International Conference on German Debts in London in 1952. He also is a Trustee of the American Council of the International Chamber of Commerce, member of the Board of Directors of the Far East-America Council of Commerce & Industry, Director of the Netherlands Chamber of Commerce, etc.

* * *

COMMERCIAL STATE BANK AND TRUST COMPANY OF NEW YORK

	Dec. 31,'54	June 30,'54
Total resources	$78,984,062	$73,558,039
Deposits	71,431,204	65,946,732
Cash and due from banks	16,435,225	14,345,626
U. S. Govt. security holdings	19,295,876	16,326,594
Loans & discounts	41,673,039	41,321,908
Surplus and undivided profits	1,228,590	1,240,964

Continued on page 70

Main Objectives of the Trade Agreements Program

By GEORGE M. HUMPHREY*
Secretary of the Treasury

Secretary Humphrey lays down as fundamental pillars of the Administration's Trade Agreements Program: (1) maintaining the strength and value of the U. S. dollar and thus encourage world trade development and world wide currency convertibility, and (2) a broad and stable commercial policy, accompanied by moderate steps in liberalizing tariffs. Holds the Administration's trade program will help reduce expenditures for foreign aid.

In my contacts over the past two years with foreign financial officials I have been impressed with two major principles in our economic relations. First, the importance of keeping our own economy strong and dynamic and sound. Our policies are directed toward economic strength and growth—toward greater freedom from governmental interference and control. Our policies aim at encouraging initiative and freedom and maintaining economic progress and a high level of economic activity at relatively stable prices. Such a condition helps international trade in both directions. A strong internal economy helps to keep us competitive and makes our goods attractive to foreign buyers. It also promotes a high level demand for imports. With high levels of business activity, the capacity of our economy to absorb imports is enormous—particularly imports of raw materials.

George M. Humphrey

Maintaining the strength and value of the United States dollar is a vital part of our contribution to international monetary stability—for the United States dollar is the yardstick for all of the currencies of the free world. The free world's vigorous economic growth must rest on a sound financial basis. What is essential for our own strength at home is equally essential for the other free nations of the world. Many countries, I am glad to say, are appreciating the importance of keeping their financial houses in order not only to strengthen their internal economies but also to keep their foreign payments and receipts in balance. I am encouraged by the progress many of these nations have made toward more internal stability and toward convertiblity of their currencies.

Convertibility will be encouraged by a balanced development of world trade; and, in turn, will contribute to such a development.

The second point which has impressed me in my contacts abroad is the concern of foreign countries with the broad direction of our commercial policy. Foreign countries do not expect us to lower our tariffs drastically. What they want to have, however, is assurance of continuity in our policies and they watch for moderate steps in the direction of our objectives. This argues strongly for a three-year extension of the Trade Agreements Program. A three-year period is needed to provide reasonable assurance of such continuity.

The bill before you is moderate. It does not interfere with existing safeguards for our domestic producers. It does not contemplate any drastic changes which would adversely affect sizable groups of our citizens.

Trade Program Will Reduce Outlay for Foreign Aid

I would like to mention one other broad principle in connection with the bill. From the budgetary viewpoint, the President's trade program should help to reduce government expenditures for foreign aid over a period of time. I believe it is best, where possible, for foreign countries to earn their way, rather than receive aid from the U. S. Treasury. This bill is a further step in that direction.

The Treasury Department is actively working on other aspects of the President's program to promote foreign trade and investment. These proposals will be submitted to the Congress shortly.

One proposed bill will continue the program of customs simplification and management improvement initiated by the Customs Simplification Acts of 1953 and 1954. Although the existing legislation in this field has brought about substantial improvements in customs procedures and has caused an appreciable decrease in the backlog of uncompleted customs work, further improvements should be made.

The complex valuation provisions of the customs laws are in particular need of improvement and simplification. As a result of studies now being completed legislative changes will be recommended to make the process of appraisal more prompt and efficient as well as more realistic and equitable from a commercial standpoint. Again I find other countries in many instances are about as much concerned with these questions of customs as they are about the level of tariffs.

In the field of taxation, we are suggesting that consideration again be given to certain changes in the revenue laws with respect to taxation of income earned abroad. More particularly, we recommend that corporate business income from foreign subsidiaries or branches be taxed at a rate 14 percentage points lower than the rate on corporate domestic income, and a deferral of tax on foreign branch income until it is removed from the country where earned.

We will be prepared to discuss these tax proposals in more detail with your committee at the appropriate time. These proposals are not large or costly but we think they will encourage sound private U. S. investment abroad.

The International Finance Corporation

Another important part of the Administration's program on which the Treasury is working is the proposal for an International Finance Corporation, to be established as an affiliate of the International Bank for Reconstruction and Development. The purpose of the corporation will be to stimulate private investment in undeveloped countries by providing venture capital through loans without government guarantees, thus filling a need which is not being met by any existing organization.

While all of these proposals are important, the keystone is the Reciprocal Trade Agreements legislation now before you. Its enactment will show that the United States is following a sound trade policy consistent with both our domestic and our international needs.

*A statement by Sec'y Humphrey before the House Ways and Means Committee on the Trade Agreements Program, Washington, D. C., Jan. 18, 1955.

Arthur Nelson Mgr. Of Hentz Fla. Branches

The New York Stock Exchange member firm of H. Hentz & Co., announces that Arthur Nelson has joined their organization as General Manager of Florida branch office operations. H. Hentz & Co. has maintained branch office representation in Florida for many years, and at present has two branches in Miami Beach and one each in Coral Gables and Hollywood.

Mr. Nelson graduated from the University of Pennsylvania in 1924, and after graduation was employed by the international banking firm of Speyer & Co. In 1938 he became a partner of Cowan & Co. and in 1946 a partner of Burnham & Co., both member firms of the New York Stock Exchange. In recent years his activities have embraced varied aspects of the securities business, with emphasis on bond brokerage, arbitrage, trading and underwriting. In addition to general supervision in Florida, Mr. Nelson is resident co-manager of Hentz's 71st Street branch office in Miami Beach.

The firm of H. Hentz & Co. has provided service to investors for nearly 100 years. Founded in 1856, originally as a cotton brokerage firm, and subsequently broadening its services in a wide variety of other commodities, Hentz became an important factor in the securities business upon its merger with Baruch Bros. in 1918. The firm holds memberships in nearly all important American exchanges serving the securities and commodities markets, as well as a number of important foreign exchanges. The firm's business is international in scope. A significant development of recent years has been the establishement of a substantial underwriting department and an increasingly active participation in this growing field. The firm maintains a comprehensive Investment Research Department, whose facilities are at the service of its clients.

First Boston Group Sells Duquesne Light $2.10 Preferred Stock

The public offering of 160,000 shares of $2.10 preferred stock (par $50) of Duquesne Light Co., which was made on Jan. 21 by The First Boston Corp. and associates at $51.34 per share, was quickly oversubscribed and the books closed.

The new preferred stock is redeemable at prices ranging from $53.34 per share if redeemed on or prior to Dec. 31, 1959 to $51.84 per share of redeemed after Dec. 31, 1969.

The net proceeds from the sale of the new preferred and from 450,000 shares of common stock earlier will be applied to finance in part the company's 1955-1957 construction program, which calls for expenditures of approximately $35,000,000 in 1955, $25,000,000 in 1956 and $20,000,000 in 1957.

Duquesne Light Co. is an electric public utility serving an area of approximately 817 square miles taking in the highly industrialized city of Pittsburgh and surrounding municipalities in Allegheny and Beaver Counties, Pa., with a population of 1,550,435.

For the 12 months ended Oct. 31, 1954 the company had operating revenues of $80,989,000 and net income of $15,997,000.

NYSE Committee Asks Nominations

The Nominating Committee of the New York Stock Exchange is now engaged in selecting candidates for the annual election, May 9, 1955. The nominations are to be handed to the Secretary of the Exchange, April 11, and the following closed meetings have been scheduled for personal appearances, appointments for which should be made through the Secretary of the Exchange: Feb. 2, 9, 16, and 23. Additional closed meetings will be scheduled in March, if found necessary.

An open meeting will be held in the Board of Governors Room, 6th Floor, 11 Wall Street, at 3:45 p.m., Wednesday, March 2.

Vacancies to be filled are: Chairman of the Board of Governors; nine governors for three-year terms, and one governor for one-year term; three trustees for the gratuity fund and nine members of the Nominating Committee.

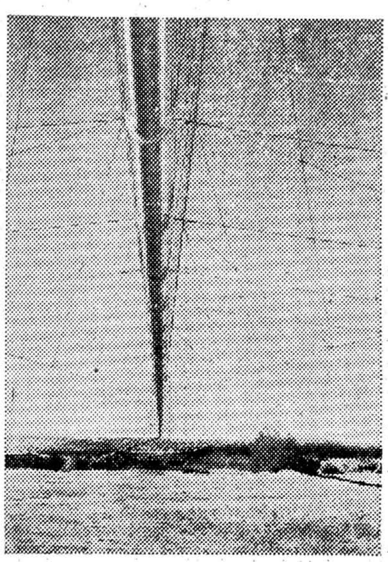
The members of the Nominating Committee are: Clarence Southwood, Chairman, H. N. Whitney, Goadly & Co.; Ralph Hornblower, Jr., Secretary, Hornblower & Weeks; H. Lawrence Bogert, Jr., Eastman, Dillon & Co.; Harold H. Cook, Spencer Trask & Co.; Stephen A. Koshland, Carl M. Loeb, Rhoades & Co.; Joseph A. Martin, Jr., Gaines & Co.; Richard H. Moeller, Schirmer, Atherton & Co.; John J. Trask, Francis I. duPont & Co., and Samuel W. West, Beauchamp & West.

Salik & Co. Formed

SAN DIEGO, Calif.—Salik & Co. has been formed with offices in the Orpheum Theatre Building to engage in a securities business. Officers are Charles E. Salik, President; Louis E. Salik, Marvin L. Jacobs and Thomas M. Dirand, Vice-Presidents; and John A. Cleland, Secretary-Treasurer.

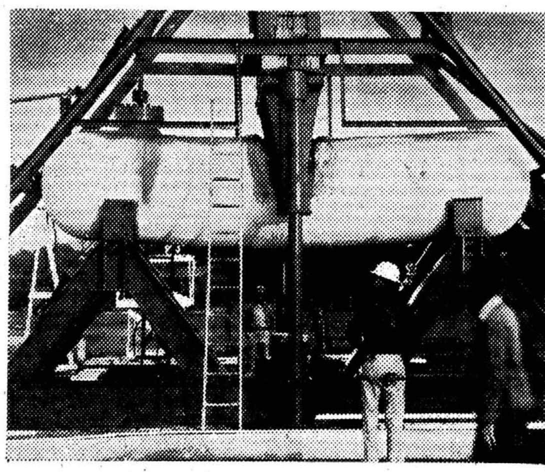
The officers are also principals of Electronics Investment Management Corporation which has recently been formed in San Diego.

Only STEEL can do so many jobs so well



Steel Takes to the Air. In Arizona, there's a sandy river bed where flash floods frequently occur. A gas pipe line had to cross the river bed. So, to avoid the flash flood danger, the 30-inch welded gas pipe line took to the air for 1020 feet. Pipe and supporting structure were fabricated and erected by United States Steel.

Milk Tastes Better when served this modern, convenient way. Many restaurants and school cafeterias use these stainless steel dispensers. Stainless won't rust. It's sanitary and easy to clean. And it's hard enough to resist dents and wear.



◀ **Frozen Steel.** Ordinary steel becomes brittle at low temperatures. But U. S. Steel recently introduced a completely new alloy known as USS "T-1*." This steel retains its strength and toughness at high *and* low temperatures; but even more important, it can be welded without heat treatment. The picture shows a "T-1" welded pressure vessel that survived a blow from a 13-ton ingot dropped 73 feet. The tank was chilled to –22° F.

*Trade Mark

MANUFACTURED FROM USS STEEL UNITED STATES STEEL

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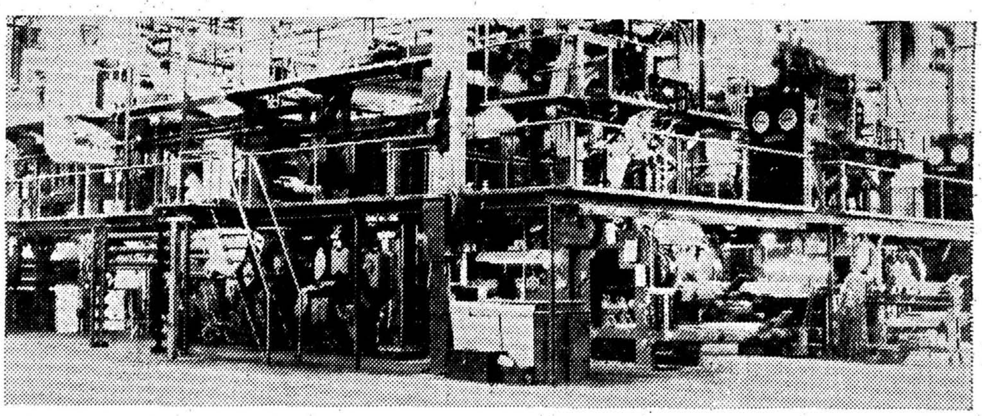

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Sterling Convertibility And U. S. Trade Policy

By PAUL EINZIG

Commenting on British reaction to President Eisenhower's program of a more liberal trade policy, Dr. Einzig finds the linking of reduced tariffs to reciprocal agreements is disliked and criticized. Says right solution would be for American opinion to realize that there can be no early sterling convertibility without unilateral American tariff concessions.

Dr. Paul Einzig

LONDON, Eng. — In a public statement, Mr. Butler welcomed President Eisenhower's Message, foreshadowing as it does a more liberal trend in American trade policy through the implementation of some of the recommendations of the Randall Report. But the private view taken in British official circles is not nearly as favorable as would appear from this public utterance. It is admitted that the policy foreshadowed by the President constitutes a step in the right direction from the point of view of liberalization of world trade, and that there is now a better chance for its endorsement by Congress than there was last year. But the official British view is that the President's policy does not go sufficiently far to make a fundamental difference to convertibility prospects.

The main defect of the program outlined in the Presidential Message is the stress laid on the reciprocal character of any trade concessions to be made by the United States. As things are at present, there would be a dollar gap were it not for American foreign aid. If the President's policy were carried through, the position would remain precisely the same as there would have to be a reduction of tariffs on imports from the United States in return for each reduction of American tariffs on foreign imports. The reciprocal reduction of tariffs might increase the volume of international trade, but it would not affect the balance of payments which would remain in favor of the United States, taking the world as a whole.

It is of course understandable that the Washington Administration should be anxious to secure *"quid pro quo"* for concessions resulting in increases of imports. But liberalization on such lines would leave the world in perennial disequilibrium. American foreign aid would remain indispensable for the balancing of international accounts.

What is felt in official British quarters is that the United States has not yet realized the implications of her position as a large creditor nation. There is still no inclination to accept the payment of debts in the only form in which such payment can be made—in the form off an import surplus. To enable the debtor nations to discharge their obligations it is not sufficient for the United States to reduce customs tariffs in return for equivalent reductions by other countries. The only way in which debtors could be enabled to pay would be by reducing American tariffs without insisting on corresponding concessions by other countries.

It is realized that such a policy would be unpopular, and that even in a Congress with a Democratic majority it would be difficult to obtain its approval. So it is feared that hopes of a balanced trade between the United States and the rest of the world are still very remote. And this means that there is very little likelihood of the creation of a situation in which it would be safe to abandon existing discrimination against dollar imports by means of exchange restrictions.

During recent months the Sterling Area gold reserve was barely holding its own. Its earlier upward trend came to a halt. There seems to be little likelihood of a resumption of its rise on a noteworthy scale unless there is unilateral liberalization of American trade policy. In the absence of such a change the gold reserve will remain inadequate for the requirements that would arise if sterling were made convertible. Admittedly, the modification of the Buy American Act and of the American customs procedure might help. But it is doubted in British official circles such measures would be sufficient to make a fundamental difference.

It is assumed that political and business opinion in the United States is aware of the advantages of convertibility from an American point of view. There can be little doubt that any ground that would be lost through unilateral tariff concessions made in the interests of convertibility would be regained as a result of an increase of exports that would result from a cessation of the discrimination against dollar goods which is at present in operation in the form of exchange restrictions. From an American point of view it should not make any difference whether American exports would increase through foreign tariff reductions or through a return to convertibility.

The reason why in spite of this there is such a strong opposition in the United States to unilateral tariff concessions is that it is considered possible to obtain both tariff reductions by foreign governments and the elimination of exchange restrictions. The result of this would be that American exporters would gain both on the swings and on the roundabouts. But this would mean a widening of the dollar gap, leading to exchange difficulties in many countries. It would mean more American foreign aid to fill the gap. Taking a long view, the change would not benefit either the United States or the rest of the world.

The first step towards preparing the way for the right solution would be to make American opinion realize that there could be no convertibility without unilateral American tariff concessions to offset its effect on the dollar gap. If these unilateral concessions go no further than this, they would leave the problem of the position of the United States as a creditor still unchanged. But at any rate convertibility would not result in a deterioration.

So long as American businessmen and politicians imagine that it would be possible to secure the full advantages of convertibility to American export trade without having to make any sacrifices in the form of unilateral tariff concessions, there is bound to be the utmost resistance to such concessions. Without them convertibility would remain a dream of the future. Possibly the advantages that the United States would derive from convertibility would not make it worth while to admit more foreign imports through unilateral tariff concessions. What matters is that political and business opinion in the United States should realize the choice with which it is confronted, instead of expecting to be able to secure unilateral advantages from convertibility without having to pay the price in the form of unilateral tariff concessions.

Joshua Davis Director

Joshua A. Davis, Chairman of the Board of the investment banking firm of Blair & Co., Incorporated, has been elected to the board of directors of Thompson-Starrett Company, Inc., engineering and construction firm.

LETTER TO THE EDITOR:

Warns Armament Race Will Lead to War

S. A. Loftus, U. S. Navy Commander, retired, asserts the one vitally important issue now facing us is the real danger and strong probability of World War III erupting almost any day. Says war will give no victory to any nation, and, though war is not inevitable, it will result only if the armament race continues.

Editor, Commercial and Financial Chronicle:

S. A. Loftus

It appears to me that the one vitally important issue now facing us is the real danger, the strong probability of World War III erupting almost any day. The *reason why* that issue is so important is because our whole existing civilization itself, not merely our cities, factories, and all our other material wealth depends upon *peace* or *war*. I believe that this issue is so important that it should be emblazoned in flaming letters a mile high suspended by dirigibles over every capital city in the Northern Hemisphere where all the rulers of every state and nation may read and ponder its implications.

During the six-year period from 1933 to Sept., 1939, as a student of military strategy and history, I was following closely all the events in Germany, Russia, England, Japan, France, and Italy which struck me as being an amazing parallel to the "armament race" from 1910 to 1914, inclusive, the five-year period preceding the First World War. Therefore, it was no surprise to me when Hitler invaded Poland; and as soon as our own "armament race" became intensified after Sept., 1939, our own involvement in that war appeared inevitable to me.

If we thought that the "armament race" which preceded the Second World War was big and costly, at the time it was in progress, we were "pikers," indeed, when we compare it to the existing gigantic size and cost of what the world is now doing. A conservative estimate is that the world is now spending ten times as much for armaments as it did in 1935 to 1939, using 1939 dollars as a yardstick.

As evidence that the *law* which states that "armament races" cause war is nothing new, a study of history for the past 2,500 years reveals that every time two or more nations have embarked upon such a "race," the *invariable* and *inevitable* result—unless that "race" was called off—has been the war that such a "race" was designed to *prevent*. There has been *no* exception!

The major premise that "armament races" cause war does *not* mean that *all* wars are caused by such "races," since many have been the result of other causes, such as our Civil War, and Revolutionary War.

A significant example of the working of this law that "armament races" cause war, and which brings out in stark clarity how history repeats itself occurred in the Fifth Century, B. C.

At that time the only Democracy in the world was Greece, or Athens, which — like our nation today—was then at its zenith of power, glory, and prestige, led by such brilliant men as Pericles, and blessed by two of the wisest philosophers who ever lived, Socrates and his pupil, Plato. Her art, philosophy, and literature of that period still remain unsurpassed.

The far-flung Greek Democracy, led by Athens, was then—like our own nation is today—separated by large distances across two seas, while the Peloponnesian League, led by Sparta, was a powerful police state, quite similar to the present Soviet Union; and, like the Soviets, was also a concentrated, tightly-knit military power, organized primarily for war.

A disastrous war lasting 27 years broke out in 431 B. C. between these two nations resulting in the defeat of Athens, the only free and enlightened nation of that era. We are indebted to Thucydides, the brilliant historian who lived during the period of that Peloponnesian War, and who wrote an eye-witness account of its cause, events and ending. In fixing the "war guilt" for that war, he wrote: "The real cause of this war I consider to be the one which was most kept out of sight prior to its outbreak; the growth of the power of Athens, and the alarm which this inspired in Sparta, made that was inevitable." In other words, the "armament race" that preceded that war was its *cause*.

The basic fallacy underlying an "armament race" which always results in war if the "race" continues is this. One nation embraces the false idea that if it builds up a more powerful war machine it will *deter* its enemy from starting a war. This would be sound except for the fact that our enemy embraces the same doctrine concerning war. The thing which causes an "armament race" to become intensified is that its basic "idea" becomes a "mania" and the vast majority of the population of a nation from its highest intellectuals to its most illiterate laborers acts as if they were hypnotized, by merely accepting the repeated "suggestions" we see and hear every hour of the day, with the *belief* that it is the *only* way to prevent war.

Instead of utilizing our God-given faculties of logical reasoning, we fall victims to mob-psychology in its worst form. My reason for speaking so strongly on this subject is because so few others are—while the urgency is pressing. Unless something happens that will stop this "armament race," war is *inevitable!*

It is important to describe the difference between future wars and past ones. As now planned by our military strategists, modern war is scientifically organized mass *extermination* of the vast majority of the urban population of an enemy nation—men, women, and children. The world had a sample of this type of warfare during the month of August, 1945, when our nation dropped atom bombs on two Japanese cities.

The vitally significant point to consider about future nuclear wars is the opinion of the most competent and unbiased military strategists that *no* nation will ever win such a war. There will be no Victor! And this is *why*. In case of a Pearl Harbor type of attack by 100 or so planes, each carrying a modern H-bomb, at least 10%, or 10 of them probably would get through the best radar and anti-aircraft defenses. Since the exterminative or explosive power of only *one* modern H-bomb is equal to that of *all* the bombs dropped by *all* the nations engaged in the six years of World War II, including the two A-bombs dropped on Japan, only one H-bomb landing within three miles of the center of a large city would destroy it and most of its inhabitants.

It is true that within 12 hours after such an attack, that enemy nation's big cities would be similarly destroyed, but that would be of no comfort to the millions of persons exterminated in our nation, nor would it rebuild the ten or so cities wiped out by that enemy's attack.

One thing is certain: there will never be any profit in the future as in past wars, financial or otherwise, derived by any person or corporation.

I wish to cite this analogy to try to bring out clearly the truth about the existing "armament race" as I see it. Imagine a huge iron caldron suspended by a large chain and tripod over a blazing fire of small wooden logs. Around this caldron are seated five men, each of whom represents a certain nation, such as A, B, C, D, and E. This fire represents the existing "armament race."

Within this caldron there is a vitriolic liquid which will explode with such terrific force when it reaches 212 degress F. that it will exterminate instantly all five of these men whose primary duty is to prevent such an explosion by keeping the temperature below 212 degrees for the period of time essential for them to resolve their differences by "diplomacy" or "salesmanship." There is a thermometer extending above the liquid mixture, but no one, in the heat of their arguments bothers to look at it.

As their argument waxes hotter, each of these men, even while piously proclaiming that he. himself, is a "peace-loving" person, reaches for another dry log from a nearby inexhaustible pile to throw upon the fire which is slowly but surely raising the temperature of the mixture to its explosive point. Eventually, there can be but one outcome to this "crack-pot" arrangement.

It is not my objective here—and space would prohibit it anyway—to submit the solution to our existing foreign problems that would save our civilization from extermination by another World War, except to offer this hint. I would strongly recommend that the five foregoing described gentlemen stop throwing more logs on the fire of our world-wide armament race, and concentrate exclusively upon genuine "diplomacy" and "salesmanship." I believe that there is real magic in "salesmanship" itself.

Regardless of what has been written herein, I wish to make it clear that, in my opinion, war is *not* inevitable! The point stressed is that war will result *only* if the "armament race" continues. A revolution in Russia, a fight among its satellites, or even a genuine diplomatic settlement of existing differences with our enemy nations is *always possible*. I *believe* and *hope* that a Higher Power possessing more wisdom than we have will bring about peace if and when all of our efforts fail.

S. A. LOFTUS,
Commander, US.N., Retired.

386 Humphrey St.,
Swampscott, Mass.
Jan. 24, 1955

NASD District 11 Elects Officers

WASHINGTON, D. C. — The members of District No. 11 of the National Association of Securities Dealers, Inc. recently elected: Joseph P. Kreeger, Jones, Kreeger & Hewitt, Washington, D. C., and Joseph J. Muldowney, Scott & Stringfellow, Richmond, Va., to the District Committee, representing the securities industry in this area for a term of three years to fill the vacancies created by the the expiration of the terms of Harvey B. Gram, Jr., Johnston, Lemon & Co., Washington, D. C., and J. Read Branch, Branch & Co., Richmond, Va.

At a meeting of the Committee held Jan. 13, 1955, the following officers were elected: Chairman—Arthur L. Baney, E. R. Jones & Co., Baltimore, Md. Vice-Chairman—Glenn E. Anderson, Carolina Securities Corp., Raleigh, N. C.

Mr. Baney takes office as Chairman succeeding Glenn E. Anderson. L. Victor Seested, Washington, D. C. was elected Secretary of the Committee.

District No. 11 comprises the District of Columbia, and the States of Maryland, Virginia, West Virginia and North Carolina.

The members of this District are represented on the Board of Governors of this Association by Beverley B. Munford, Davenport & Company, Richmond, Va.

With Vilas & Hickey

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, announce that Edwin G. Caplin is now associated with the firm.

Now Luce, Thompson

KANSAS CITY, Mo.—The firm name of Luce and Company, Columbia Bank Building, has been changed to Luce, Thompson and Company.

Joins Ira Haupt

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announce that Jesse Block has become a registered representative in the firm's branch office at 501 Seventh Avenue. Mr. Block is a former member of the comedy team Block & Sully which was well-known in vaudeville and on the radio.

Business Worries

By ROGER W. BABSON

In stating his belief that there is a definite relationship between earnings of a corporation and the health of its officials, Mr. Babson predicts that some day company directors will be willing to submit to their stockholders annual health reports of their officials. Sees in numerous Federal bureaus and commissions a cause of stress and worry that lead to the breakdown of executives.

An article in "Reader's Digest" for January by J. D. Ratcliff causes me to write on a subject which has tempted me for some time. After 40 years, during which I have studied company earnings, I am convinced that a definite relationship exists between the earnings of a corporation and the health of its officials. Most cases which I have studied to ascertain the reason for a company's declining business in a growing industry have shown the answer to be in the failing health of the President or of the Sales Manager or of some other top official!

Roger W. Babson

A man may be able to go to the office each day and put in his eight hours; he may answer his mail and preside at all required meetings; but he may have no pep or zest for doing any extra work. Companies which do not go ahead by extending their lines or their territories are going backward. This is very likely to be true of a company whose top official is not in A-1 health.

Cause of Poor Health

According to the above-mentioned article, the basic cause of most illness is stress and strain. The doctors talk about bacteria, viruses, high blood pressure, weak hearts, etc.; but the real cause is worry. The average businessman must drive himself all day and go out with his wife or associates every night. The result is that without sleeping pills and aspirin many concerns would be obliged to close up.

Investors ask me how is it that the stock of one concern listed on the Big Board has been constantly climbing each month the past year, while that of another in the same industry has not moved a point. The answer could probably be found by any doctor permitted to diagnose the head men. Some day, company directors who now spend so freely for financial audits will be willing to submit to their stockholders annual health reports on all their officials. I forecast that this will be the day when the stocks of many so-called "sleeping companies" will zoom upward.

What About Accountants?

Of course, I believe in the work of accountants; but has not much of this work become so routine *and late* that neither directors nor stockholders give much thought to audits? As a result, accountants are coming to be classed as "morticians." Formal audits can become mere "autopsies." I forecast that a great change is coming in this connection.

I believe in the importance of studying figures; but I am sure that the condition of the "two-legged" figures of a management are far more important to the stockholders than the "mathematical" figures. Some day there will be a great awakening along these lines. Men will be retired and pensioned according to their physical condition, rather than simply according to their age. Incidentally, I believe President Eisenhower's interest in better health could result in greater earnings for most companies and better wages for many employees.

Profits vs. Worries

But the President should not be content to talk about health. Why not go to the root of the difficulty and talk about "stress," as does the author of this "Reader's Digest" article? Instead of spending billions of dollars *opening* new hospitals, the President could solve the problem by *closing* scores of useless Bureaus and Commissions. These are primarily the cause of the stress and worry which are bringing about the breakdown of executives, foremen, and especially employees being paid by "piece work."

Did you ever think why Jesus has been called "The Great Physician"? Have you noticed how very little is written in the Bible about illnesses? Very few accounts of Jesus' followers indicate that they died of any disease. Certainly—if they were not martyred—they lived to a very old age. The answer may be that they followed Jesus' constant teaching not to be too *anxious* for the things which the world seeks. Jesus taught that stress and worry are futile. Even 1,500 years before that. Moses gave some good health advice in the Tenth Commandment. See Exodus, Chapter 20, verse 17.

N. Y. Central RR. Offers Bonds in Exchange For Boston & Albany Stock

The New York Central RR. Co. is offering $37,500,000 of its 25-year collateral trust 6% bonds in exchange for 250,000 shares of capital stock of Boston & Albany RR. Co. on the basis of $150 principal amount of such bonds for each share of capital stock.

Stockholders of Boston & Albany RR. Co. who wish to accept the exchange offer may do so by surrendering, on or before April 1, 1955 (or any subsequent date to which the exchange offer may be extended), their stock certificates to The Marine Midland Trust Co. of New York., 120 Broadway, New York, N. Y., exchange agent.

The New York Central RR. Co. has authorized Merrill Lynch, Pierce, Fenner & Beane, dealer manager, to form and manage a group of securities dealers for the purpose of soliciting such exchanges.

Heads Cashiers' Division

T. Alvan Cowen, of Peter P. McDermott & Co., was elected President of the Cashiers' Division of the Association of Stock Exchange Firms, at the annual meeting of that organization.

He succeeds James J. Duddy, of Carlisle & Jacquelin.

George J. Miller, of Hallgarten & Co., was elected Vice-President; Myrvan P. Burns, of Bear, Stearns & Co., Second Vice-President; William R. Muller, of the New York Hanseatic Corp., Treasurer; and William F. Dolen, of Eisele & King, Libaire, Stout & Co., Secretary.

At Uranium Company Meeting

Hugh Bradford of Southwestern Securities Co., Dallas, and Walter F. Tellier of Tellier & Co., Jersey City, at recent meeting of stockholders of Plateau Uranium Mining Corporation at which the shareholders voted to merge their company into Sabre Uranium Corporation. Under the terms of the merger, each ten shares of Plateau will be exchanged for one share of Sabre. First National Bank of Dallas will handle the exchange of the shares.

Securities Salesman's Corner

By JOHN DUTTON

New Clients Can Be Secured By Offering Local Stocks

(Third Article in a Series on Developing New Accounts)

In every community there are home-owned and home-managed business firms that have achieved a solid reputation for stability, growth, and profitable operation. Many of the people in your town may be interested in purchasing shares in some well known local business where they might be unconvinced that they should invest in common stocks in general. By opening accounts through the use of such an approach, you eliminate considerable sales resistance that is otherwise a difficult barrier to overcome."

People know their local bank. They have seen it grow, they know its officers and directors, and they can see that big building on the corner. Stock in their home-town bank is a tangible—there is no mystery about that. The same holds true of any other local business firm that has a reputation for success.

Advertise Local Stocks

If you interest new clients in doing business with your firm, it will be because you have brought them an idea that appeals to them. A series of advertisements based upon the growing and successful business firms in your area could be written around the idea that opportunities still lie ahead for those who would take advantage of them by investing in local business firms. Any bank that has had even normal growth would present a very interesting story of the profits that have accrued to the shareholders during the past 10 to 15 years. The reason more people do not own stock in their local banks is that they don't realize such stock is available from time to time, and in small lots as well as big blocks.

Or take the instance of a local firm that has been growing and prospering through the years. There are a number of stockholders that have held their stock from years back and have made very little noise about the profitable investment that it has been for them. These people, it is true, will buy and sell once in a while, either when they have some extra funds to invest, or might wish to liquidate such an investment. But the general public does not know of this. A much larger and more active local market can be developed by any aggressive firm that has a good sales organization of alert men who can cultivate this type of business.

Pick Your Top Company

Recently I followed about 10 newspaper inquiries on a specific local security. Out of the 10 leads I obtained four orders from four new clients. Two of them had not bought common stocks until they made this first investment in the stock of their own well-known local department store. They had been customers of this store for years, they saw its expansion and growth, and they felt somewhat secure when they invested their funds in such a well-established business that was so highly regarded by most of their friends as well as themselves. Resistance was largely eliminated. I doubt if I could have sold them stock in even some of the most blue of the "blue chips" but they bought a home-grown company's reputation without much persuasion on my part.

You Must Have a Door Opener

Years ago I met a salesman who had made a living for many years selling health and accident insurance for a small company. He could have been a very successful producer of business instead of just a fellow who only worked when the spirit moved him. But when it moved he moved. He used to go into a strange town with 25 or more lead cards that his office would obtain for him through their advertising. He would walk up to a door, ring the bell, hold up his card and say, "Good morning, you sent this card (showing it) to us for information and I have it for you." Somehow he would get in, make the sale and go. He could sell 10 prospects a day when he felt like working. But he told me he couldn't do it without his "door opener;" meaning the card that he produced when he came to the door.

It is the same principle that I believe can be applied to all efforts directed toward the objective of obtaining new clients. The times, I believe, are better than ever as far as the opportunity goes in the investment business for securing new customers. But whether you use a "door opener" of one type or another you can be certain of one thing—PEOPLE WHO KNOW WHAT YOU ARE OFFERING will be much more interested even if you are a stranger to them, and local companies can be your entree to their good-will and their confidence.

Central Bank for Cooperatives Sell $40,000,000 Debs.

The 13 Bank for Cooperatives offered publicly on Jan. 21 a $40,000,000 issue of one-year consolidated collateral trust debentures through Macdonald G. Newcomb, their fiscal agent. This first issue of consolidated debentures is being sold with the assistance of a nation-wide group of security dealers.

These debentures are being offered at par. They bear interest at 1.90% a year payable with the principal at maturity. They are dated Feb. 1, 1955, and will mature on Feb. 1, 1956.

This offering is primarily to provide for the redemption of $40,000,000 of Central Bank for Cooperatives 2⅛% debentures which mature Feb. 1, 1955.

The consolidated debentures being offered are the secured joint and several obligations of the 13 banks for cooperatives. The banks are Federally chartered institutions operating under the supervision of the Farm Credit Administration. They make and service loans to farms' cooperatives.

G. J. Wunsch With J. G. White & Co.

J. G. White & Company Incorporated, 37 Wall Street, New York City, has announced that George J. Wunsch has joined the United States government bond department of the firm.

George J. Wunsch

Mr. Wunsch previously as was associated with Schroder Rockefeller & Co., Incorporated.

Haydock, Schreiber, Mitchel & Watts to Be Formed in New York

Haydock, Schreiber, Mitchel & Watts, members of the New York Stock Exchange, with offices at 120 Broadway, New York City, will be formed on Feb. 1. Partners will be Henry M. Watts, Jr., member of the Exchange; Charles E. Haydock; Otto A. Schreiber, member of the Exchange; Fred H. Jorgenson, William A. Klubnik, Exchange member; James A. Corcoran, Jr., Exchange member, and Ormsby M. Mitchel, Jr., general partners. Henry B. Bjorkman and Laura T. Whitmer will be limited partners. All were previously partners in Haydock, Schreiber & Co. or Mitchel, Whitmer, Watts & Co., both of which firms are being dissolved.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to be on the defensive under the cloud of the credit-limiting operation of the monetary authorities. Not only is the action of the stock market being given considerable attention, but also the mortgage picture is being watched very closely by money market followers. The movement to limit the availability of bank credit by the Federal Reserve Board now appears to be aimed at the mortgage market, as well as the equity market. This is responsible for the feeling, which seems to be gaining followers, that the Treasury will offer a long-term bond as a refunding vehicle in order to cut down the funds which have been going into mortgages.

Because of the existing condition of the money market, there is only a limited amount of activity in Treasury obligations, especially in the more distant maturities. Demand for the near-term issues however, is still very sizable.

Curb on Mortgage Credit

Although the action of the stock market is still considered to be the most important factor as far as the new credit policy of the monetary authorities is concerned, it seems now as though the availability of mortgage credit is also coming in for more than a passing amount of attention from the powers that be. To be sure, there could be direct action by certain government agencies in order to slow down the building boom, but this does not seem to be in the cards at this time. Therefore, it appears as though the indirect method, currently in effect, is more likely to be used, namely that of limiting the availability of credit for all concerned.

The institutions which have been making money available to the building industry are interested in the income received as well as the repayment of the principal at maturity. In order to increase the competition for mortgage money, and in some measure to limit the funds which would be going into mortgages, the government could bring out a long-term bond. Such an issue would have to have a coupon rate high enough to attract funds which have been going into the mortgage market.

Long-Term Bond Issue Anticipated

Accordingly, it is being assumed by some money market specialists that the Treasury will make use of the impending refunding to put on the market a bond which would appeal to non-bank investors, the ones which have been supplying money to the building industry. As to what the coupon rate or maturity might be on a long-term bond which might be used by the Treasury is purely a matter of conjecture, but one does hear guesses that a 30-year obligation with a 3% coupon would not be unexpected.

The debt management policy of the Treasury is being coordinated with the program which is being carried out by the Federal Reserve Board, and this leads not a few money market operators to believe that the prospects of a long-term bond being offered for refunding purposes are very favorable. The sale of Treasury bills by Federal to tighten the money market, and at the same time to reduce excess reserves of member banks, indicates that the monetary authorities are going to keep the pressure on, and there is not likely to be any changes in policy until some, if not all, of the maladjustments which have appeared on the economic horizon have been cleared up.

On the other hand, it is also very evident that the money tightening operation of the monetary authorities is not likely to be carried so far that the business pattern will be adversely effected by such action. There is no inflation in the economic picture at this time, but the pattern which has developed in the equity market and in the mortgage field might lead to boom conditions in business. This is something which the powers that be want to prevent happening. There is no question but that it is a very delicate operation, as the economic scales can be very easily thrown out of balance.

The economic pattern appears to be favorable for the first half fo 1955, but there are some conditioning factors in the wind, such as possible labor disturbances, which must not be overlooked. Also, the building picture may not be so strong as the year goes on, and any lessening of the demand for mortgage money would have a marked effect upon the credit policy of the monetary authorities.

LETTER TO THE EDITOR:

"What Convertibility Means"

Frederick G. Shull, Connecticut State Chairman of the Gold Standard League, finds ground for criticism of Donald F. Heatherington's article in the "Chronicle" on "What Convertibility Means to Business."

Editor, Commercial and Financial Chronicle:

Having spent considerable time in recent years advocating return to the Gold Standard, not only for the Dollar, but for foreign currencies as well; and having had the courtesy of your columns for dozens of my letters and articles on this subject, I am just naturally on the lookout for anything that seems to be furthering this worthy cause. And when my eyes lighted upon the article by Donald F. Heatherington in your issue of Jan. 20, entitled "What Convertibility Means to Business," my hope was, here is where we can look for some help in this gold-standard movement. But, as I shall show, that "hope" was not well founded.

Frederick G. Shull

The approximately 125 column-inches of space occupied by the Heatherington article—or about 5,000 words—would seem ample for giving a clear explanation as to "what convertibility means to business"; but its "Concluding Observations" fail to answer the question raised in the article's title. Certainly the "concluding" paragraph, which read as follows, is far from a satisfactory answer:

"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."

My chief criticism of Mr. Heatherington's "conclusion" is that he has failed to set forth the "principles" and "obligations" necessary for safe "convertibility" of currencies.

In the early part of his article Mr. Heatherington gives a lead which, if carefully developed, could easily result in a satisfactory answer to this question of "convertibility": He speaks of a "luncheon conversation," at which something had been said about the "electronic brain," and, in reply, "one of the export executives" voiced the following comment: "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." It could have been very helpful at that point if Mr. Heatherington had set forth the specifications for just such a machine; but since he didn't, I'll undertake the job—for such a machine would appear to be within the range of possibility, as I shall try to show:

Back in 1908, in an address before the Economic Club of New York, Andrew Carnegie made this wise statement: "There is only one substance in the world which cannot fall in value, because it is in itself the world's standard of value, and that is gold, which the banks of civilized nations have as their reserve." It becomes evident, therefore, that gold is the only substance for building a safe "machine" for the "inter-convertibility" of national currencies—and why labor the question any further:

Let the United States firmly fix the "value" of the dollar at $35 a fine ounce of gold, and guarantee to redeem its dollars on that basis, no matter who may present them for redemption; let Great Britain, likewise, fix the "value" of her pound in terms of a definite weight of fine gold, instead of in terms of the American dollar, and also guarantee to redeem those pounds on that basis, no matter who may present them for redemption; and let the other trading nations do the same with their respective currencies—and we shall have developed a "machine" for handling "convertibility" with safety, and for all concerned.

While this 100-word, one-paragraph, solution is brief, as compared with Mr. Heatherington's 5,000-word article, mine, at least, has the merit of presenting a specific solution—free from dependence "on the state of mind of the people as a whole and their political leaders, here and abroad"—it depends on just one substance recognized by the entire world for its Quality, namely GOLD!

Very truly yours,

FREDERICK G. SHULL,
Connecticut State Chairman,
Gold Standard League

2009 Chapel St.,
New Haven 15, Conn.
Jan. 24, 1955

Forms Chiquelin Sons

(Special to THE FINANCIAL CHRONICLE)

LAFAYETTE, La.—Chiquelin & Sons, Inc. is engaging in a securities business from offices at 543 Jefferson Street. Officers are William H. Chiquelin, President; M. R. Chiquelin, Vice-President; and Allen R. Chiquelin, Secretary and Treasurer.

Francis M. Bradley Opens

ROCHESTER, N. Y.—Francis M. Bradley is engaging in a securities business from offices in the Genesee Valley Trust Building.

Universal Major Stock Offered at $1 a Share

Gearhart & Otis, Inc., New York, is offering an issue of 150,000 shares of common stock (par one cent) of Universal Major Corp. at $1 per share on a "best efforts basis."

Universal Major Corp. was incorporated in Nevada on Nov. 22, 1954 for the purpose of engaging in the manufacture and sale of major electrical appliances and automobile air conditioners. Its principal office is located in New York City.

The net proceeds from the sale of the stock are intended to be used to make initial payment to Universal Major Elec. Appliances, Inc. which is due under agreement assigning its trade mark with respect to electric ranges and gas dryers; to pay other indebtedness; and for working capital and other general corporate purposes.

Giving effect to the present financing and the proposed issuance of 133,333 shares of common stock to Universal Major Elec. Appliances, Inc., there will be outstanding 400,000 shares, out of 1,000,000 shares authorized.

Detroit Bond Club Annual Dinner Feb. 6

DETROIT, Mich.—The 39th annual dinner of the Bond Club of Detroit will be held Wednesday, Feb. 16, 1955 at the Detroit Boat Club, Detroit, Mich. Cocktails will be served at 6:15 p.m. followed by dinner at 7:00.

Dr. Harvey M. Merker, Director of Scientific Research, Parke Davis & Company, will be the guest speaker.

The dinner will be for members of the Bond Club and their guests.

T. Norris Hitchman, Kenower, MacArthur & Company, is President of the club. Committee members in charge of the dinner are Victor P. Dhooge, Manley Bennett & Company; Robert Benton, Manley Bennett & Company; and Phil Turner, National Bank of Detroit.

Public Utility Securities

By OWEN ELY

Commonwealth Edison Company
Northern Illinois Gas Company

Commonwealth Edison expects to distribute in the near future virtually all of its remaining holdings of 5,236,030 shares of Northern Illinois Gas common stock to its own stockholders, on a non-taxable basis, as soon as necessary approval by the Illinois Commerce Commission can be obtained. Commonwealth has also made arrangements to sell its entire holdings of 100,000 shares of Northern Illinois Gas 5% convertible preferred stock to institutions at $165 a share. Northern Illinois Gas common, selling around 20, is worth about $6.00 per share of Commonwealth. Commonwealth has been selling recently at 47⅜ and ex the distribution would be worth about 41. Based on this price, the current dividend rate of $1.80 would provide a yield of 4.4%.

Commonwealth Edison earnings for the 12 months ended Sept. 30 were $2.54, which included about 33¢ in dividends and equity earnings from Northern Illinois Gas, leaving $2.21 after the latter is separated. To this could be added about 16¢ for the balance of the rate increase granted early in 1954, making $2.37. While the Chicago flood cost the company about 4¢ a share and the recent explosion of a big generator may also have caused some loss over and above insurance, new generating economies from added units and better business in the last quarter may bring the 1954 earnings (excluding gas) up to $2.40 or more, it is estimated. It would seem reasonable to expect that future earnings might reach $2.50-$2.75 which, if accomplished, might warrant some eventual increase in the $1.80 dividend rate.

Northern Illinois Gas with annual revenues of $61 million, serves 479,000 customers, in Cook County outside the City of Chicago and in 16 other counties of northern Illinois, with natural gas. The company is getting off to a very promising start in its career as an independent company, with Marvin Chandler as its new President. Capital structure is strong with a common equity ratio estimated around 48%. The cash position (around $16 million) is substantial. Pro forma earnings for the calendar year 1954 are estimated at slightly over $1. Some time ago the management estimated potential earnings of $1.10 for 1955 and $1.20 for 1956, but it now appears likely that these estimates were on the conservative side and can be stepped up by 5¢ or 10¢. In February 1957 the $10,000,000 preferred stock becomes convertible into one million shares of common stock, which will dilute common stock earnings as converted; however, it appears probable that this dilution can be offset by increasing earnings.

It seems unlikely that the company will have to do any equity financing for some years. While the construction program will probably continue at the present level of about $15 million a year through 1958, a substantial part of this will be provided by cash on hand plus depreciation and retained earnings. Thus, it is likely that only about $25,000,000 new money will be required through 1958 and this can probably be raised through sale of senior securities without reducing the equity ratio (which will be bolstered by conversion of the preferred stock, probably in 1957).

The principal reason for the anticipated upward trend of share earnings is the huge demand for house-heating service in the company's area. It has a backlog of about 112,000 customers now waiting for this service. The problem is, therefore, to obtain the necessary gas during the heating ...th and this can be done through greater use of the storage facilities in the Herscher Dome—the huge project being developed by Peoples Gas of Chicago and its affiliates. Full use of the Dome has been delayed by a leak, which the experts have thus far been unable to locate since the job is literally like "hunting for a needle in a haystack." The leak is probably only about a quarter of an inch in diameter but the annual leakage amounts to possibly one-tenth of the gas now in storage and costs the owners about $1,000 a day. A pilot plant is now operating which recaptures about half this lost gas and after a further trial run this salvage operation will be increased. In anticipation of the probable success of this program, application has been made to triple the operations at Herscher Dome in time for the 1955-56 heating season. Apart from the leakage, the Dome is operating better than anticipated.

Over the longer term the company appears to have excellent prospects for converting the house-heating load into additional share earnings. At present, without the use of ample storage capacity during the summer season, over half the annual supply of gas must be sold to industry on a "dump" or interruptible basis at around 25¢ per mcf. If sold for space heating the price would be around 80¢ or 85¢ per mcf. Applied to 60 million mcf, this would mean about $36 million added revenue. From this should be deducted about $5 million storage costs and perhaps $5 million for increased carrying charges, leaving about $26 million or $12.5 million after income taxes. This would be equal to about $1.78 a share in addition to the $1 now being earned. However, it must be emphasized that this is a maximum estimate and that it might take some 5-7 years to realize it. It also assumes, of course, that the Herscher Dome will operate as anticipated, as do the construction estimates. Weather conditions would also be a factor.

There is also the regulatory question. In the 12 months ended Feb. 28, 1954 the company earned (on a pro forma basis and giving effect to the rate increase effective in February) about 6.8% on an original cost rate base as of July 31, 1953, it is estimated. However, the Illinois Commission, in granting the rate increase had computed that it was allowing a return of 5.85% on "fair value." While more detailed study would be required to correlate the figures exactly, this indicates that a rate base about 17% in excess of original cost was allowed. Reproduction cost as determined by the Commission is understood to have been 45% in excess of original cost, hence it appears that reproduction cost received a weight of over one-third, and original cost of less than two-thirds, in the rate base used.

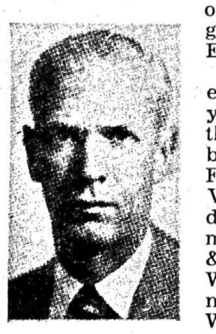
The Commission in other rate cases has allowed better than a 50-50 weighting for reproduction cost and original cost. Thus, share earnings could probably increase substantially over a period of years, bearing in mind that the rate base will increase by $10-$15 million a year. However, memories of regulatory difficulties in Illinois under the Democratic regime prior to 1952 indicate that a cautious attitude should be maintained with respect to maximum allowable earnings on a fair value rate base. With this in mind, it would seem safer to estimate the company's future earnings in the area of $1.50-$2, after house-heating reaches a relatively high saturation.

There is no settled policy as yet with respect to percentage dividend payout. Payout currently is approximately 80% and with the high equity ratio directors would probably feel warranted in continuing a payout above the industry average around 73%, although with earned surplus of less than 10¢ per share, the policy may be conservative initially. At the recent price around 20, the yield is 4% and the price-earnings ratio slightly under 20. These figures compare with recent industry averages (for gas retailers) of 4.8% and 15.2 times earnings.

There has been a fairly active market in Northern Illinois Gas both on the Midwest Stock Exchange and the New York over-the-counter market. However, thus far only about one-sixth of the stock has been in the hands of the public and the distribution by Commonwealth Edison will increase the supply by approximately 5,000,000 shares. It is expected that, as soon as approval is obtained from the Illinois Commerce Commission, trading on the new stock will begin on a "when distributed" basis. It is understood that the management has no present intention of listing the stock on the New York Stock Exchange, although the matter may come up for consideration later on.

Morgan Re-elected By Los Angeles Exchange

LOS ANGELES, Calif. — Emerson B. Morgan, senior partner of Morgan & Co., has been re-elected Chairman of the Governing Board of the Los Angeles Stock Exchange.



Emerson B. Morgan

Those elected to three-year terms on the governing board were Franz Osthaus, Vice-President of Bateman - Eichler & Co.; Phelps Witter, partner of Dean Witter & Co.; and Lloyd C. Young, general partner of Lester, Ryons & Co.

The election of new Governors took place at the Exchange members' annual meeting this week.

Mr. Morgan, who has been an Exchange Governor since 1949, served as Vice-Chairman in 1952; he became Chairman in 1954. He served as Chaiman of the important Public Relations Committee of the Exchange from 1950 through 1952.

Mr. Osthaus, a native of New York, has been in the securities field in Los Angeles since 1926. He joined Bateman, Eichler & Co., in 1953 and became Vice-President of the firm last year. Phelps Witter, who has been associated with Dean Witter & Co. since 1924, served as Governing Board Chairman of the Exchange from 1949 through 1951. He is also a director of the Los Angeles Chamber of Commerce, and Vice-Chairman of the Los Angeles chapter of the American Red Cross.

Lloyd C. Young began his securities career as a floor trader with E. F. Hutton & Co. in 1927. He joined Lester-Ryons in 1942. In 1953 Mr. Young was elected Governor of the Association of Stock Exchange firms.

Lynbart Investors

JAMAICA, N. Y.—Lynbart Investors Inc. is conducting a securities business from offices at 136-16 101st Avenue.

Railroad Securities

Chicago, Rock Island & Pacific

Late last week the management of Chicago, Rock Island & Pacific joined the growing list of railroads substituting debt for outstanding preferred stock issues. Financial circles had been anticipating such a step for some time but because of the relatively large amount involved it had been considered possible that the job would not all be done at one time. However, the road has asked the ICC for authority to issue $65 million of Income bonds to refund approximately that amount of 5% preferred which is callable at 105. It has also requested that the bonds be exempted from competitive bidding on the grounds that the whole amount would not be necessary if in the interim prior to actual redemption some of the preferred stock were converted into common. It is convertible on a share for share basis and the common has recently sold within at least striking distance of par.

Rock Island is one of the most conservatively capitalized railroads in the country. In reorganization, which was consummated in 1948, non-equipment debt was cut from around $300 million to just under $104 million. It has now been further reduced to below $50 million, represented entirely by the First 2⅞s. Obviously, then, the contemplated increase in debt by the issuance of up to $65 million of Income bonds will not present any problem. The advantages to the company and the common stockholders could be threefold. With its strong credit position the road should be able to sell bonds, even with contingent rather than fixed interest, at a lower coupon rate than the present preferred dividend requirement. Secondly, there will be a considerable tax savings as the interest wil be deductible before Federal income taxes while the dividend is not. Finally, to the extent that the preferred is not converted prior to redemption, the common will be protected from future potential dilution.

Rock Island is an entirely different proposition today than it was some 20 years ago when it went into bankruptcy. Large sums were spent during the bankruptcy period and in subsequent years on property improvements, modernization of terminals, dieselization and new rolling stock. As a result, operating efficiency has increased substantially. In 1953, for instance, the transportation ratio of 34.5% was approximately two points below the industry average, whereas it had been running about two and a half points above the average in the prewar years. The ratio did increase fairly sharply last year but it is indicated that it still ran appreciably below the Class I carriers as a whole. Also, the traffic picture has been getting brighter. Partly, this has reflected industrialization of important parts of the service area and partly it has been due to improvement in the company's status with respect to the profitable transcontinental traffic as the result of the property and yard improvements of Rock Island and its connecting roads.

Earnings for the full year 1954 have not been released as yet but for the 11 months the road suffered a decline of close to 11% in revenues. Maintenance programs were fairly well sustained so that, even with a sharp decline in Federal income tax accruals, earnings on the common stock dipped to $8.59. For the like period of 1953 share earnings had amounted to $14.50. Presumably, December witnessed some improvement and while earnings for the full year obviously did not approach the record $16.07 realized in 1953 they probably topped $10.00 a share by a fair margin. With traffic now running ahead of a year ago, and wth no indication of important deferred maintenance, the 1955 results should be considerably better than last year. To date the management has followed notably conservative dividend policies, and it is felt by many analysts that once the preferred stock has been retired the earnings prospects should warrant consideration of a more liberal dividend attitude.

Ehrman Chairman of Monterey Oil Co.

Frederick L. Ehrman, partner of the New York investment banking firm of Lehman Brothers, was elected Chairman of the Board of the Monterey Oil Company. He has been a director and a member of the executive committee since the company was organized in 1950.

Frederick L. Ehrman

Mr. Ehrman has spent his entire business career in New York, and has been a Lehman Brothers partner since 1941.

Paine, Webber to Admit J. R. Lowell Jr.

James Russell Lowell, Jr., will become a general partner of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, on the first of February, it was announced by Lloyd W. Mason, managing partner of the coast-to-coast investment banking frim.

Mr. Lowell is a member of the New York Stock Exchange associated with the odd lot firm of DeCoppet & Doremus. He will join the four other Paine, Webber partners on the floor of the Exchange.

New York Stock Exchange Weekly Firm Changes

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

Gersten & Eliasberg will be dissolved Feb. 1.

Benjamin F. McGuckin, member of the Exxchange, will retire from Brinton & Company Jan. 31.

Abraham Rosen will withdraw from partnership in Silberberg & Co. Jan. 31.

Sr. Order Clerks Elect

Francis H. Sullivan, of Wertheim & Co., was elected President of the Senior Order Clerks Division of the Association of Stock Exchange Firms, at the annual meeting of that organization.

He succeeds Morgan E. McGrath, of Tucker, Anthony & Co.

Charles J. Pallesen, Jr., of DeCoppet & Doremus, was elected Vice-President; Peter V. Stapleton, of Seskis & Wohlstetter, Treasurer; and Joseph Deegan, of Walters & Peck, Secretary.

Business and Finance Speaks After the Turn of the Year

Continued from page 6

ARTHUR K. ATKINSON

President, Wabash Railroad Company

While the railroad results for 1954 have not all been finally summarized, it is expected that the average rate of return on net investment in Class I railroad property will barely clear 3%. When this is compared with the 1953 return of 4.13% and with other recent years, it will mark 1954 as one of the worst years for the railroad business since the thirties. Regardless of the upturn in railroad revenues and carloadings in the closing weeks of 1954 and the brighter outlook for general business in 1955, it is clear that the railroads are headed into another year of austerity unless great changes are made in the regulatory law.

Arthur K. Atkinson

Railroad operating expenses were cut to the bone last year and expenditures for capital improvements were held to bare minimums. Railroad managements were unable to meet defense quotas for equipment and lost ground in adequately maintaining roadway property. Undoubtedly, this would prove to be a most serious mistake in the event of a national emergency in the near future.

The railroad industry eagerly awaits President Eisenhower's promised recommendations for the legislation to be sent by him to the 84th Congress. He has stated that it will be designed to correct those policy deficiencies which are found in the transportation study now being made by the Executive Branch of the Government. I am confident that study will point out the need for prompt and drastic changes to de-regulate the transportation industry so as to bring about an opportunity for fair and equal competition among the various carriers.

The year 1955 could truly be a year of decision affecting transportation developments and progress. It would be a political decision between free enterprise in transportation with adequate profits, or gradual public ownership of all common carriers dependent on subsidy for survival.

The railroads have made it known that if they are given an opportunity to substantially increase freight volume with compensatory rates, they would have both the ability and the need to spend about $1.6 billion annually for capital improvements in the next 10 years and an additional $400 million annually for road property improvements. There is a great future for railroading if the railroads are given a fair chance. Surely, with the tremendous population growth in prospect for our nation and the continuous improvement in our standard of living, there will be an ever growing need for more and better transportation facilities. The railroads still do the big job in transportation and will be in there trying their level best to serve the public with the safest, most dependable, and modern passenger and freight transportation possible.

J. L. ATWOOD

President, North American Aviation, Inc.

The most readily apparent outlook for America's aircraft industry in 1955 is that it will continue through a period of relative stability.

Such prospects, of course, are contingent upon continuance of the government's sound air remobilization plans of building up the nation's air units gradually to programmed strength by June, 1957.

J. L. Atwood

Assuming no change in strength requirements, aircraft procurement thereafter will presumably be stabilized at whatever lesser level is necessary to maintain these forces against offsetting losses through obsolescence and operational use. We believe that the volume of activity in that latter replacement-maintenance phase will be quite substantial, possibly large enough for the industry to maintain a large fraction of operational and employment levels that are now current. The expected decline in unit deliveries of military aircraft under the air remobilization program actually began in 1954. This trend is expected to continue in 1955, but it should not reduce proportionately the industry's annual sales, employment and airframe weight production trend.

Offsetting the effects of continuing unit delivery decline are the published statements of responsible government officials that exclusive of backlogs from prior appropriations, defense spending has about reached the lowest levels for the foreseeable future. Additionally, the unit delivery decline is expected to be offset by the increased research and production effort for guided missiles and rocket engines and the government's forward-looking commitment to intensive technical development programs in this era of supersonic aircraft.

As for North American itself, we perceive relative stability in view of present schedules and in the fact that fluctuations in the company's employment last year were the smallest, percentage-wise, in the company's history. Total North American employment increased last year to a 10-year high, exceeded only by the peak production months of the World War II years. And, on the basis of present production schedules, we expect our company's 1955 sales to at least equal 1954 results.

North American Aviation's activities are not solely confined to production of military aircraft. Since the end of World War II, it has also been engaged in research and development of guided missiles, propulsion systems, electro-mechanical devices and electronics systems. In addition to research and development in the nuclear science field, this company is engaged as a prime contractor to the Atomic Energy Commission in developing nuclear reactors for various peaceful applications.

Under a joint program with the AEC, we have started construction on the experimental sodium graphite reactor, one of the nation's five experimental reactors planned for developing the technology of generating electric power from atomic energy.

Our missile and control equipment organization is embarked upon a transitional phase after a long period of intensive research and development involving advanced weapons and supporting equipment. Production of service test quantities has begun on various items and increased production is scheduled for this year.

The aircraft industry as present constituted is almost entirely dependent on national defense expenditures. The relative stability we foresee is based on tax dollars and stark necessity. The obligations and responsibilities of the industry under these conditions are most exacting and should be kept in mind at all times by management and shareowners alike.

ARTHUR B. BAER

President, Stix, Baer and Fuller, St. Louis, Mo.

The atmosphere of the economy during the past six months leaves little doubt concerning its stability. Following a general upward trend, the Christmas Season was a record-breaker, leaving the economy strong in all segments relating to a favorable outlook for the period ahead.

Arthur B. Baer

Even though there has been a sharp and continuing decline in defense spending, there are other stabilizing factors which tend to offset these expenditures. Increased spending by State and local governments and housing continue to set new highs. The need for highways, schools, churches, public buildings, etc., is urgent and cannot be taken care of fast enough to bring them in line with the demand. The government is taking certain actions regarding the fiscal policy, credits, unemployment insurance and agricultural price supports which all tend to stabilize the economy as a whole. Contrasted to other periods, inventories generally are in a liquid condition.

The continued growth of the population, which creates expanding markets for goods and services, coupled with rising standard of living are an additional stabilizing factor.

Income, which is one of the most important yardsticks for determining the trend of the retail business, continues upward and with a minimum of unemployment creates a demand somewhat in excess of last year. Although Consumer Credit outstanding is high in relation to other years, it is conservative in relation to total income. Savings continue at a sound ratio.

The money being spent for research to develop new products and improve facilities because of competition now is beginning to bear fruit. This has created new avenues for expansion and spending. The possibilities are unlimited. Moreover, more efficient ways of operating make it necessary for all industries to keep up with the trend to continue to get their share of the potential available. As new developments occur, buildings, machinery and equipment must be constantly improved. The new tax laws aid in providing the impetus by permitting accelerated depreciation, thereby providing the funds necessary to pay for this development. The financial condition of business in general is strong, with sufficient working capital to cope with the situation and be in a position to finance expansion over the long range trend.

Although 1955 may not be characterized as a "boom" or "run-away" year, nevertheless I believe it can be safely said that we should approach it with a feeling of conservative optimism.

C. J. BACKSTRAND

President, Armstrong Cork Company

Each of the three principal markets served by the Armstrong Cork Company — building materials, packaging, and industrial specialties—promises to offer a somewhat larger sales opportunity in 1955 than during the year just past. More exacting consumer demands and keen competition, however, make it clear that gains during the coming year for any company will not be automatic. Accordingly, our organization is now prepared to make the most of its potentialities through a program of new and improved products; expanded selling, advertising, and promotion activities; intensified product and market research; and still greater manufacturing and distribution efficiencies.

C. J. Backstrand

It seems reasonable to expect 1955 to be a fairly "normal" year in contrast to the expansionary boom years of the war and earlier postwar period and the next broad upsurge in the economy a few years ahead. If so, no pronounced or sustained change in general business lies immediately ahead. This is a "new normal," however, and certainly not a return to trends or levels prevailing before World War II.

"Normal" definitely means *growth* but at a moderate rate, rather than at the all-out record pace achieved in recent years of war and defense emergency. Normal business also means highly competitive business, and a time when policies, products, and procedures must be reappraised in the interest of greater near-term as well as longer range effectiveness for larger sales and profits.

Most important, normal conditions forcefully emphasize that the most valuable asset of any organization is its "people"—the men and women in all positions whose ideas, loyalty, and energy really determine the success of an enterprise. At Armstrong, confidence toward 1955 and the years beyond is rooted in the belief that its career personnel will give a good account of themselves.

Building prospects for the months ahead are held almost everywhere to be excellent. In fact, it is difficult to recall any previous time when there was more optimism toward this industry despite many record-breaking building years since the end of World War II. The most significant development is that higher incomes, sharply increased demands for modern housing and other structures, rapidly expanding and mobile population, and greater availability of credit have combined to widen the new building market well beyond most previous expectations. In addition, "fix-up" demands to repair and modernize existing buildings are moving up steadily, and are now approaching the volume of new construction, especially in the residential field. Consequently, market opportunities are very encouraging over the months ahead for Armstrong building materials—i.e., floor and wall coverage, acoustical materials, insulations, and related items.

It is essential, however, that a careful perspective be maintained toward current building activity and future prospects because many cross currents are apparent. Numerous failures among builders and distributors point to intensive competition. Vacancies in older homes are rising noticeably. New products and erection methods are rapidly obsoleting older ones. Mass construction operations and the "home mechanic" are changing material demands. Industrial building is less vigorous than commercial. In addition, the role of government cannot be minimized, particularly through changes in monetary and credit policies, which can affect the level of building operations at almost any time. In short, building prospects are favorable, especially over the months just ahead, but the only guarantee of success is still to be found in having the "right" products available, offering the "right" value and the "right" service to the "right" customers.

Still higher after-tax incomes in 1955 will provide the basis for another satisfactory year for the packaging business. While keen competition between packaging materials will persist, general expansion in the use of containers should provide enlarged sales opportunities for most types. The strong demand for "visible" packaging should strengthen glass container sales for many uses, and improved styling of containers generally will create a steadily rising volume of new sales opportunities during the coming year.

Revival of high level operations in many industries across the nation in recent months already has been reflected in increased sales of many Armstrong industrial specialties. Larger shipments are now in prospect for such items as gaskets, friction materials, and adhesives for the automobile and machinery industries; surface finishes for furniture and transportation equipment; felt and fibrous specialties for automotive and related uses; and specialties for the textile industry. The keynote for this part of the Armstrong line for 1955 will be to provide a quality-cost-saving answer to many of the specialized problems facing American industry.

In summary, we anticipate a good but challenging year for general business. While the national economy is

Continued on page 26

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expected to be moderately higher during the months ahead, individual ingenuity and effort promise to contribute more to individual company success than the upward course of broad economic developments.

BRUCE BAIRD

President, National Savings & Trust Company, Washington, D. C.

Conditions throughout the country which have direct bearing on our own banking environment have on the whole been most favorable. We have seen our economy shift from a wartime toward a peacetime basis with very slight dislocations and are finding that we can function normally in a world at peace or at least free of armed conflict. We have passed out of the dark days of artificial controls and rationing into the sunlight of free enterprise, into the relaxed functioning of the laws of supply and demand without encountering the depression so freely predicted.

Bruce Baird

Take the single case of rent controls enacted as a necessary expedient to ward off abnormal demands by landlords during the housing shortage. As its by-product the property owners were frozen in their position despite increasing costs in taxes and operating overhead, while buildings were given a minimum of maintenance and new construction was furnished little incentive. It seemed that these controls would be continued indefinitely in this and other so-called critical areas.

Since they were removed, what has been the result? New building has progressed rapidly, landlords have been obliged to modernize their buildings to meet competition and the tenants have now a completely free market in which to deal and are at liberty to shift from place to place as appears to their best advantage. So we must conclude we are well off to be living in a free and unrestricted economy removed from government control and interference.

The incentive motive is likewise being restored by some measure of reduction in the tax burden. It is pleasing to note that there is being revived a lively interest on the part of the public in seeking a continuing reduction in government spending and in promoting economy in government operations. Certainly it is the consensus not only here at the seat of government but throughout the country that we may expect the year 1955 to be one of stability and prosperity.

Advertising to the banking profession in which our most immediate interest naturally lies, it is pleasing to note what progress has been made in the education of the public and in re-educating ourselves to the full potentiality of the banking industry. Greater emphasis must be placed on the education and re-education of the general public and the bankers, respectively, in this field. There is still a great lack of understanding of the banking facilities readily available to all who seek them.

Many other channels have been employed and utilized for services which the banks are and have been completely equipped to render. This is not the fault of the potential customer who knows his need and seeks its fulfillment. It is the fault of the banks who have not fully dispelled the vagueness and confusion still existing in the public mind and have not said in plain language that we are a service-rendering profession and that we need the customer equally as much as the customer needs us. If this message could be gotten across as it should and must be, much important business which now goes elsewhere would be channeled along normal banking lines with benefits to all.

We are fortunate this year to have as President of the American Bankers Association, Homer J. Livingston, President of the First National Bank of Chicago. He is a worthy successor to the many distinguished men who have held this office in the past and we feel sure he will devote a large part of his time to informing potential customers of the availability of banking services to meet their needs and the need of the banks to serve them.

EUGENE C. BAUER

President, Poor and Company

Unless hindered by labor issues, the year 1955 should be one of action besides keenly competitive. Improvement in railroad net income, which should follow increased car loadings, will enhance materially railroad purchases. The reported sizable highway construction program will be very beneficial to the operations of several of our units.

Eugene C. Bauer

JOHN T. BEATTY

President, United Specialties Company

The continuation of extensive spending in Europe with Asia to follow, the inflation of an unbalanced budget through the remainder of President Eisenhower's term, and the increasing population indicate that 1955 will match or pass the 1954 national income level.

John T. Beatty

This prosperity is more artificial than sound because of the Foreign Operations Administration and foreign military spending and the excessive income taxes. But no politician at the Administration or Congressional level will interfer with the Keynesian Theory of economics. Indeed, this theory is being taught in the majority of the college economic courses.

The professor, the politician, the statesman need only point to the prosperity and full employment, and his case is made. Few question any more the seriousness of the constant dollar devaluation. But the pensioners, the colleges, and the hospitals are fatally in the pincers. They have their hats in hand either to the all-serving government or to the corporations.

If the corporations feel they must support the private colleges, perhaps they can introduce a change in the teaching toward the type of economics and political science which, practiced by the past several generations of executives, was responsible for the growth of the corporations to such position as to permit them to save the financial lives of the institutions.

Last November the unions finally became a cohesive, smart political force. Every political leader is at heart a socialist. As they continue to move into the political parties we can expect a labor-socialist government to emerge. The country cannot long exist under two sets of laws: one for business and one for labor. Unless the unions can be brought under the anti-trust laws, our Republic will become only a statistic.

Nevertheless, 1955 will be a "prosperous" year.

GEORGE B. BEITZEL

President, Pennsylvania Salt Manufacturing Company

The chemical industry — reconciled a year ago to eventual leveling off of sales — will approach and may equal in 1954 the record-setting $19.865 billion sales of 1953. More important, the chemical industry is optimistic about the future. Industry expansion of plants and facilities completed in 1954 will total more than a billion dollars, according to survey conducted by the Manufacturing Chemists' Association. Expenditure of private capital on expansion indicated a tremendous boost to our economy in payments for construction, wages and materials. These new facilities also mean more jobs, more tax returns for Federal and local governments and more new and improved products for the consuming public.

George B. Beitzel

Sales, Profits and Dividends

Sales figures for chemicals and allied products through last September totaled an estimated $15.185 billion against $15.122 billion for the same period in 1953. Thus the prediction is warranted that '54 sales will closely approximate the industry's record high in 1953.

Based on six-month figures from government sources, profits after taxes will probably parallel the 1953 total of $1.053 billion. Also, according to the government, cash dividends paid by the chemicals and allied products industries were $325 million for the first six months of 1954, or 12.5% of all cash dividends paid by manufacturing industries.

Expansion

During the past 12 months, as reported by MCA, the chemical industry has completed privately financed construction projects representing an investment of more than $1.216 billion, and has already under construction or definitely planned another $1.514 billion to be completed within the next three years.

Government financed chemical construction represents additional investments totaling approximately $3.360 billion, most of it under contract with chemical companies. This construction, which includes a number of AEC contracts, includes projects now underway which started three years ago and some which will not be completed before late 1956.

Pennsylvania and New Jersey Show Gains

While all geographic areas are represented in this expansion, the south and southwest reported the greatest expansion in 1954. Pennsylvania, currently fifth in national chemical industry rankings, completed $48.8 million in new construction during the past 12 months. Five projects totaling an estimated $21.8 million are under construction; six other projects to cost approximately $32.2 million are definitely planned.

Top ranking New Jersey added $40.7 million in new construction during the same period and has allocated another $27.4 million for the next three years.

Research and Development

Research and development — cornerstone of chemical progress — accounts for an annual average expenditure of about $300,000,000. New laboratory construction completed during 12-month period ending Oct. 31 showed additional investment in laboratory facilities totaling $19.2 million, with another $38.1 million planned or under construction.

Products

Significantly, products introduced over the last 15 years account for about 20% of chemical industry production. Plastics are setting the pace for over-all industry product growth. They now account for about 25% of the sales value of all synthetic industrial organic chemicals—a group with an annual value in excess of $4 billion. Plastics production in 1954 will about match 1953's 2.8 billion pounds.

Employment

The chemical industry supplies direct employment to about 780,000 men and women, including 527,000 production workers. Average weekly earnings for hourly-rated workers for September, 1954, was $79.93 against $77.83 for the same month in 1953. Average weekly earnings more than matched the generally higher wage trend for all manufacturing industries. The average capital outlay per production worker in the chemical industry is now in excess of $25,000. In certain new, highly mechanized plants, the capital investment per operating employee is as much as $100,000.

Safety

The chemical industry continues among the safest in America. Presently ranked eighth among 40 major industries in accident frequency rate, the industry as a whole has shown an improvement of more than 50% over its 1935-39 average.

Pennsalt Continues to Grow

Pennsalt's performance in 1954 again followed closely the pattern of the chemical industry as a whole. While sales are expected to be slightly under the $59.2 million reported in 1953, net earnings may be somewhat higher, due in part to the liquidation of certain capital assets no longer required by the company.

Important developments during the past year included another step in the company's long-range decentralization plan which resulted in the establishment of two new independent organizational units — the Industrial Chemicals and Chemical Specialties Divisions. Further diversification of activity will be achieved early in the current year when Pennsalt will gain an established position in the fertilizer industry with the acquisition of I. P. Thomas & Son Company, Camden, N. J. Purchase of the patents of the Gilron Products Company, Cleveland, has added important items to Pennsalt's Fosbond line of metal processing chemicals.

Meanwhile, Pennsalt's plant expansion program continued at a steady rate during 1954. A new benzine hexachloride unit was completed at Calvert City, Ky.; modern ferric chloride and anhydrous ammonia plants went on stream at Wyandotte, Mich., where facilities for production of persulphates were substantially increased. Muriatic acid capacity was added at Tacoma, Wash. New construction included chemical specialties plants at Delaware, Ohio, and Chicago Heights, Ill., scheduled for operation in January and February, respectively.

Chemical Progress

But more significant than these impressive measures of growth, are the increasing contributions chemistry is making to the health, welfare and security of the country. Although chemicals are seldom visibly a part of our daily life, like steel and oil, they are highly essential to virtually every manufactured item we use. Steel or oil could not be processed without chemicals, and without the improvements that have come about through chemical research our foods, drugs, clothing and building materials would be more expensive and of poor quality.

OLE BERG, Jr.

President, The British American Oil Co., Limited

The Canadian economy was highly buoyant as 1955 began. This was a continuation of the upward trend that marked the last quarter of 1954 and indicated the outlook for the coming year to be generally favorable. The picture during 1954 was somewhat uneven in certain areas, but the overall effect at the year-end was of a sound, strongly based economy. Future expansion was assured, although the rate of growth showed evidence of declining from the highs established in preceding years. Barring a repetition of the poor crops experienced in 1954, the Gross National Product should be higher in 1955 and match, at least, the record of 1953. Capital investment may be expected to maintain or exceed its high level and will be a strong factor in the maintenance of peak levels of industrial activity and employment. The adjustment to a buyers' market from a sellers' market is far from complete in many areas of the Canadian economy, and competition will undoubtedly intensify during the year. Reduced production costs will be a major target and should result in stepped-up efforts to increase output, also in the development of technological improvements to enhance the producers' market positions.

Ole Berg, Jr.

The Canadian petroleum industry shares the encouraging prospects for 1955. Exploration and development activity show no signs of abatement, spurred by the continuing success of finding oil in Western Canada at the rate of approximately one discovery every two days. The number of completions in Saskatchewan and Manitoba, increased 14% and 200% respectively in 1954, is expected to grow steadily. The resumption of development drilling in the Pembina field, estimated to be Canada's greatest single oil reserve, will enable Alberta to maintain a steady rate of activity. The prediction for 1955 is that the number of well completions in Western Canada will be over 2,200.

Within the next 18 months, around $100 million will be spent to increase refinery throughput capacity to more than 600,000 barrels daily. This will be sufficient to handle expected increase in domestic demand which jumped approximately 7% in 1954, to 525,000 b/d, with a similar increase anticipated for 1955.

This year and 1956 may well be the critical period in the development of Canada's natural gas resources. With reserves increasing at the rate of 1.5 trillion cubic feet annually, the future of the natural gas industry may be decided, to a great extent, by the degree of success attending the establishment and operation of the Trans-Canada pipe line. The 2,200-mile line is planned to pipe Alberta gas to the rich markets of Ontario and Quebec.

Additional markets, both for Canadian crude and natural gas, continue to be the most pressing problem for the comparatively young industry. The solution of the problem will certainly require long-range thinking and planning.

Evidence of the long-term view in the development of Canada's petroleum resources has been the distinguishing feature of the industry in the past two years. It denotes a maturity of outlook and a determination of those engaged in the industry to expand sound economic lines and thereby increase the already vital role petroleum is playing in Canada's economic growth.

WALTER R. BIMSON

Chairman of the Board, Valley National Bank, Phoenix, Arizona

Manufacturing in Arizona is a fairly recent addition to our economy. Before World War II it was a negligible factor as a source of income, amounting to an average of about $30 million in 1939 and 1940. Since that time it has increased ten-fold, reaching a peak figure in 1953 of $312 million. Last year it was down about 10%, and we are estimating that in the coming year it may again show a slight downward trend.

Walter R. Bimson

However, in 1954 about 40 new industries came into the state and several of our largest manufacturing plants are increasing their facilities which will result in increased production and employment.

AiResearch, Motorola, Hughes Aircraft are among these. We know of three large corporations that will begin production in the coming year, with estimated employment of about 3,000. These factors may result in making our estimated figures of total production too low.

We now have about 27,000 persons employed in manufacturing enterprises with payrolls of about $110 million.

In recent years Federal Government expenditures have become an increasingly important source of income. As taxpayers we look upon this fact with mixed feelings of emotion, but agree that if the taxpayers' money must be spent, it is a good idea for it to be spent in Arizona.

These expenditures now amount to a quarter billion dollars a year.

The newest government project is the electronic proving ground at Fort Huachuca. It is reported that during the year there will be located there about 8,000 officers and enlisted men, and about 1,500 civilian personnel. A large number of these people, both civilian and military, will be scientists and highly trained technical people.

Retail sales in Arizona for each of the last three years have exceeded a billion dollars, and will doubtless exceed this figure slightly for the year 1955, showing little change from 1954.

Arizona population reached 1 million during 1954. During the last four years our gain in population has averaged 60,000 a year. Nineteen fifty-five will probably show a continued rise of about this number, reaching perhaps 1,050,000 by the end of 1955.

After leading the nation in rate of bank deposit growth for several years, Arizona had to yield in 1953 to Nevada which, in that year, had a percentage growth of 38% against Arizona's 35.7%. The gain in Arizona deposits for 1954 will run about 8%, bringing our total deposit figure to about $700,000,000.

In bank capital growth, Arizona has continued to lead the nation for many years, and will continue to do so for the year just ended. As a result, our banks are in stronger position than ever before. Our ratio of capital to deposits will at this year-end probably be higher than in any of the Western states.

In our rapidly growing state there is a great need for additional capital and the loan demand upon our banks is continuously heavy. Earnings, therefore, are always high compared to the earnings in states in a less favorable position.

Total income of individuals in Arizona has more than doubled since World War II, and reached a new high in 1954 of one billion, 400 million dollars. We are estimating that this figure will show about the same total for next year, due to the probability that the pluses and minuses will about balance out.

For a long time our state was dependent upon two major products—cotton and copper. This was an unsatisfactory situation. For two decades we have been working for greater economic diversification and greater economic stability. We have gone a long way toward achieving this goal.

Although Arizona is considered to be sparsely populated, our market is surprisingly concentrated. Half of our population (about 500,000 people) are located in the Phoenix area. Another 20% to 25% reside in the Tucson area. Those who have things to sell, can thus cover 75% of this market in just two spots.

One of our most valuable and indestructible resources is climate. Sunshine and beautiful vistas are not subject to depletion or cyclical fluctuations and, so far at least, they are not taxable either as property or as income.

R. S. BLAZER

President, Ashland Oil & Refining Co.

The prospects of the oil industry are substantially improved for the year ahead. Last year demand for petroleum products increased only about 2% over 1953. This represented a significant reduction in the growth rate. It now appears that in 1955 we can expect an increase of about 4% in demand over the past year.

R. S. Blazer

During the latter part of 1954 burdensome inventories were reduced to more manageable proportions, as corrective factors within the industry began to assert their influence. Increased industrial activity and somewhat colder weather have strengthened heating and fuel oil markets. The higher level of steel mill operations is of particular importance to Midwest refiners supplying fuel oil for the steel mills. The extensive highway construction program of the Federal Government and the states may provide a further stimulus to demand for asphalt products in the current year. In the long run, of course, this program will have the effect of making possible a greater use of motor vehicles, accompanied by increased consumption of motor fuel.

Conditions in the industry, nevertheless, may be expected to remain severely competitive. The excess productive capacity at both crude oil and refined products levels, created in response to the interests of national defense, will continue to overshadow the markets. These problems are aggravated by the persistent pressure of large imports of foreign oil, expected to exceed one million barrels daily in 1955. The great recent expansion of petroleum refining capacity in Europe and enormous increases in Middle East crude oil output have cut severely into Western Hemisphere export markets. For some time to come productive capacity will substantially exceed demand.

The presence of excess capacity is no novelty in the oil industry. This condition was typical of the years just preceding World War II. Even with the added complexities of a world-wide surplus, we may rely on the industry's record of past performance for assurance that it will approach these problems with determination and statesmanship.

Long range growth factors are favorable. An increasing proportion of the world's rising energy needs will be supplied from petroleum in the foreseeable future. Alert to its opportunities, the industry will continue its research and new product development programs to improve the quality of products and to add to the growing list of petroleum derivatives which already numbers more than two thousand. Under the stress of keen competition, tremendous sums will be spent in the search for new oil deposits to maintain adequate reserves. Refineries and transport facilities will be modernized and replaced with larger, more efficient units to reduce costs and to provide better products in larger volume as demand continues to grow. At the same time, in order to avoid waste and destructive competition, individual firms must establish operating levels and adjust their yields in accordance with the realities of the market.

But the industry cannot discharge its supply responsibilities, carry the burden of excess capacity in the interests of national defense and maintain its essential economic health in an atmosphere of suspicion and distrust borne of ignorance of the nature of the problems involved. There is serious danger that uninformed zeal, however well-intentioned, may lead to legislative and executive decisions which could impair the delicate mechanism of the industry's supply-demand and earnings-investment relationships.

Thus, continuance of public utility controls over independent gas producers or elimination of the percentage depletion allowance, scheduled for Congressional attention again this year, could have the most serious long range consequences. Similarly, failure to provide an adequate solution to the problem of excessive imports could have destructive and far-reaching effects. The right answers to these and many other difficult questions vitally affecting the industry, can only be found on the basis of a full understanding of all the facts and patient consideration of the complex issues involved.

I have every confidence that in the long run proper solutions will be worked out and that the industry will continue its healthy progress.

THOMAS C. BOUSHALL

President, The Bank of Virginia, Richmond, Va.

Nineteen fifty-five seems to hold all the elements of a year of successful, peaceful activity, at least in this country. With 1,250,000 housing starts confidently predicted and the prospect of the manufacture of 6,000,000 cars, the economy would seem to have adequate stimulus for exceeding 1954 when these two major factors are coupled with other contributive aspects.

Thomas C. Boushall

The birth of over 4,000,000 babies in 1954 and prospects of a larger number in 1955 is in itself a material economic stimulus. Previous high birth rates since 1946 are now requiring vast additions to school buildings, recruiting of thousands of additional teachers, and purchasing millions of dollars of equipment.

Credit to finance home purchase on incredibly easy terms seems to be adequately available. Lengthening terms for car purchase to overcome the otherwise high monthly outlays for a new or late model car also assures large consumption off the production lines. A possible road block here is the dealers' questioned ability to keep his used car inventory from choking new car sales. Adding a million more families to those that now own two cars could be of great significance if banks and finance companies evolve a sound technique for accomplishing this end. It is estimated that 11 million American families can afford and perhaps need two cars, with only 3.4 million now so equipped.

Unless conflicts between labor and management over terms and conditions of pay and the annual wage issue interrupt the manufacture and distribution of so great a number of cars, 1955 can be a year of great progress in the automotive field.

In the South much industrialization is taking place. Many new plants are being established, with demand for skilled and semi-skilled labor. Many industries are moving into the area, bringing some of their people and looking for many trainees to replace the workers who do not choose to migrate.

The South is adding to its beef and cattle raising as a substitute for cotton and other Federally restricted crops. This releases many workers from the farm to move into the factory. All these changes are improving the educational, cultural, and economic levels of these people and are pulling them closer to the national standards heretofore sadly deficient in most Southern states.

President Eisenhower's great decision to seek constructive cooperation in terms of evolving world economics may make 1955 one of our most historic years. The economics of Atom Power pitted against the statism of Soviet ideologies may prove far more effective as a weapon with which to produce peace than stockpiling nuclear weapons with which to destroy the people of both areas. If 1955 should begin to reflect this outcome, we can welcome it as a year in which it is good to be alive.

HARLLEE BRANCH, Jr.

President, Georgia Power Company

The Georgia Power Company is expecting another good year in 1955 and, in line with this expectation, will spend more than $32,000,000 expanding its facilities. This comes on top of expenditures of $270,00,000 for the nine years, 1946 through 1954.

Harllee Branch, Jr.

The total kilowatt-hour sales of the Company, which serves about four-fifths of the State, gained 6% during 1954. An additional 23,000 customers were connected to the Company's lines. These additional customers included 21,000 new homes, 1,960 commercial establishments and small industries, and 40 large industries.

The Company's average residential customer used 3,190 kilowatt-hours during the year, a 7% gain over 1953. It is expected that this trend toward more complete "electrical living" will continue and that a similar increase in KWH consumption will be recorded again in 1955.

Less than a year ago the Sales Department conducted a survey throughout the Company's service area to determine the percentages of electrical appliance saturation. Some 10,500 residential customers, a good cross-section, were interviewed. It was found that electric range saturation was only 40%; refrigerator, 86.9; water heater, 27.9; and clothes washer (automatic and conventional), 57.8. Television receiver saturation was 51.2%, but clothes dryer saturation was 2.17; food freezer, 8.41; dishwasher, 2.58 and garbage disposal, 1.35. These figures indicate a vast market remaining for active merchandisers.

Industry is burgeoning in Georgia. The company's annual sales to industrial customers have increased more than 50% in the past 10 years and have quadrupled in 20 years.

It is expected more new industries will come to Georgia in 1955, and many existing industries will expand. The following large new industries were completed, under construction, or in the blue print stage in

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1954: General Time Corporation, Westinghouse Electric Transformer Plant, Blue Plate Foods, International Latex (two plants), Cabin Crafts (chenille products) and Rohr Aircraft Corporation (engine modification plant).

Georgia's progress, electrically and industrially, is in line with that of the Southeastern region as a whole. The Southeastern Electric Exchange, a trade association of 30 investor-owned utilities in 10 Southern states, charts a bright 1955. Last year the member companies added 1.7 million kilowatts of generating capacity. Construction that will add well over a million more is already under way, and an increase of 1.6 million KW is "on the board" for 1956.

Here's how the first 11 months of 1954 compared with the corresponding period of the record year of 1953 in Georgia: new car sales increased 3.6%; department store sales, 1%; residential construction contracts, 23%; and household appliance store sales, 5%.

This was during a year when farm income was slashed drastically by one of the most disastrous droughts in the history of the State.

The year 1955, according to all signs, will be a year of continuing prosperity.

MORGAN B. BRAINARD

President, Aetna Life Insurance Company

There are many reasons for believing that the outlook in the insurance business is extremely bright.

Insurance companies today are providing broader and more varied forms of protection than ever before. While costs of other commodities have risen considerably, rates for insurance have changed very little, especially when the broadened coverages are taken into consideration. The service facilities available to the public and the qualifications of those performing them meet the highest standards yet attained.

Morgan B. Brainard

At no time in history has there been such wide public acceptance of the need for protection against severe financial loss. That insurance in its many forms is the only tested and proven means of providing this protection is now recognized to an unparalleled degree.

Increased individual and corporate incomes, the higher standard of living, plus the great increase in population, have resulted in a growth in the insurance business which is actually better than that of the economy generally.

All this leads to the conclusion that one year hence, the year 1955 may go on record as the greatest year to date in the insurance industry.

ROY A. BRITT

President, Citizens National Trust & Savings Bank of Los Angeles, Calif.

This area, during the past decade, has experienced a phenomenal growth. The westward trek continues today and by and large business and industry have been able to keep pace with the rapid increase in population. Construction activity which has been very high in this area for sometime may well exceed, by 5% to 10%, the levels attained in 1954. Wholesale and retail trade in 1955 should remain at or slightly better than the levels attained in 1954.

Roy A. Britt

Manufacturing in this area is, to an important degree, tied in with the defense effort and consequently is affected by changes in the procurement policies of the various branches of service. The substantial backlog of both commercial and military orders held by major airframe companies would indicate that this industry should maintain its current high level of production in 1955. The electronics industry is probably one of the most rapidly expanding elements in the local economy. Further expansion is anticipated in 1955. The western steel production is expected to maintain its current high level of production well into 1955. Demand for some steel products now exceeds local availability. The automotive industry locally has shared in the increased activity being experienced in other areas as has the rubber industry. From an overall standpoint, manufacturing in this area should continue at about the same level attained in 1954.

Agriculture, another important segment of our economy, may be below 1954 but still good by most standards..

Petroleum production should be on a basis at least comparable with last year. Competition within the industry is very keen and is being expressed in the construction of new facilities designed to increase the efficiency of operations.

Overall, loan demand in all categories, commercial, instalment, and real estate, should remain fairly strong in 1955. Interest rates, which reflect Treasury and Federal Reserve actions, should remain at about prevailing levels.

From all indications, the year 1955 should be as good as or possibly somewhat better than 1954.

CARL D. BROREIN

President and General Manager, Peninsular Telephone Company

The Telephone Industry, both Bell and Independent, passed through a period of remarkable growth and plant expansion which has been continuous since the close of the second World War. It is my expectation that, generally speaking, growth to meet increasing service demands will continue and substantial expenditures will be made by the industry in a continuing expansion of plant. Shifts in population, increased production in industry and the continued development of higher living standards resulting in demand for additional telephones should cause stable employment and continued expansion through 1955 in the telephone industry. In the Florida area, I anticipate greater expansion to meet new service demands than in the past year or previous years.

Carl D. Brorein

JOHN T. BROWN

President, J. I. Case Company

Any general statement regarding the farm machinery industry in the present year is bound to be full of uncertainties. Farm operations are always subject to the hazards of weather, pests and crop conditions and these elements are not subject to determination or evaluation in advance of the harvest season.

John T. Brown

There is no question that under the right kind of conditions the coming year could be one showing an improvement in the industry.

Government estimates are predicting some further decline in farm income. Whether this decline materializes and the extent of the change in farm income are tremendously important. Net farm income has been declining more rapidly than gross farm income is the factor which has the most significance.

Machinery is one of the farmer's best tools for reducing his costs of operation and increasing his crop yields. Therefore, adequate machinery of the right type is essential to those farmers who hope to improve the margin between their costs of production and the receipts from the marketing of their crops.

While there are no accurate figures available, it seems evident that the inventory in the hands of both retailers and manufacturers is lower than it was a year ago. In addition there are many new and improved machines available for the coming year's market.

Crop surpluses continue to be a troublesome factor and the political uncertainties which will surround the Federal government's farm program are difficulties which must be dealth with.

There are many areas where the prolonged drought conditions still prevail and any relief from this condition will be of important signficance.

Competition will be extremely keen at both the manufacturing and retail levels. Considering all these factors we can perhaps anticipate that there would not be any very substantial change in 1955 as compared to 1954 except to the degree that new products and aggressive sales activity are able to stimulate the market.

The long range outlook is, of course, favorable. With the very limited tillable acreage available and the rapid growth in population the need for maximum production from our farm land is very evident.

E. F. BULLARD

President, Stanolind Oil & Gas Company

Two pressing problems facing the domestic oil-producing industry mar the outlook for 1955, a year that otherwise should find this industry in better condition than in 1954. Demand for domestic crude should be up about 4% over last year, but this modest gain will not solve the question of this nation's excess producing capacity, which at year-end stood at 1,800,000 barrels daily. Continuing high levels of imports are at the root of this problem. It seems obvious to most observers that imports must be reduced if the domestic industry is not to incur further detrimental cutbacks.

E. F. Bullard

While it is true that defense and other government officials requested the industry to develop reserve capacity of one million barrels daily, the figure is now well above that, and it represents a very substantial burden on producers everywhere. With drilling continuing at an accelerated pace, capacity to produce is steadily expanding, but actual production levels are much lower than they need or should be.

The industry's second concern results from the Supreme Court's ruling of June 7, 1954, extending Federal authority over independent producers and gatherers of natural gas. These controls are completely unwarranted, and they represent a clear departure from the intent of Congress when it passed the Natural Gas Act in 1938.

Among the reasons that the industry is so disturbed by the Court's interpretation of the Natural Gas Act is the danger that this interpretation may be spread to oil as well as gas, thus bringing both of these critical fuels under Federal domination.

Utility-type control is not feasible in as financially-hazardous a business as oil and gas production. The risks involved in exploring for new oil and gas reserves are tremendous: One successful well in every nine drilled is the national average. Costs of these wildcats average about $100,000 each, although individual wells in some areas may run into millions of dollars each. The only incentive to this kind of risk-taking is the chance to recover your investment and to realize a reasonable profit. If the incentive of a fair and reasonable profit is not offered to wildcatters and producers, there would seem to be little doubt that exploration for new oil and gas reserves would suffer curtailment. Should this result, then supplies of these two energy sources would become short in the near future. Inevitably, that would mean higher prices to consumers, exactly what proponents of Federal regulation have been seeking to avoid.

The Natural Gas Act, passed by Congress in 1938, specifically states that the Act does not apply to the production and gathering of natural gas. It also states, however, that any company selling gas in interstate commerce shall be considered as a natural gas company for purposes of regulation by the Federal Power Commission. It was this latter clause that the Supreme Court relied upon in rendering its split-decision which empowered the Federal Power Commission to assume jurisdiction over independent producers and gatherers of gas.

Legislation enacted by Congress to clear up this situation is the only possible solution. It is imperative that such legislation be enacted, or the oil and gas industry will be well on the way to becoming the first nationalized basic industry in the United States.

G. B. BURRUS

President, Peoples Drug Stores, Inc.

In the first half of the year of 1954, sales generally in the Chain Drug Stores Industry showed a moderate decline. This trend was reversed in the last half of 1954, with sales showing a moderate increase. For the year of 1954 as a whole, sales showed a small increase.

G. B. Burrus

Merchandise continued to be plentiful and inventories continued to rise, due to the introduction of new products, the duplication of existing products by the manufacturers, the opening of new large stores, and the enlarging of existing stores.

Employment has been stabilized with the exception of pharmacists. The available supply of pharmacists is still inadequate.

Sales during 1955 are expected to show small increases. Inventories are expected to stay at or near present levels. Due to an increase in the number of retail outlets, there will be greater competition for the customer's dollar—which will have the effect of keeping prices at a low level.

The cost of doing business will continue to increase moderately. The need for more cash for working capital will again be affected by accelerated Federal Income Tax payments in the first half of 1955, and by the necessity of opening new stores to take care of a moving and expanding population.

The competitive situation will necessitate increased efficiency in sales effort and greater expenditures for advertising and promotions. Service to the customer will be better because of a continuing improvement in the selection and training of personnel.

ALEXANDER CALDER

President, Union Bag & Paper Corporation

Production seems to have turned upward in most segments of industry. While it has only leveled out in the machinery and equipment industries, new orders in these industries have shown improvement. Consequently, it seems that we are beginning a new upward cycle which would normally be expected to move much closer to a productive capacity level.

Alexander Calder

One of the main problems in 1955 will be that of scrapping obsolete plants which have not been replaced during the 1950-54 period except for those emergency replacements to meet sellers' markets resulting from the Korean war. This means that something like 10-15% of industrial capacity which is obsolete and worth only scrap value, is apt to be eliminated during 1955.

While business generally is apt to improve, highly competitive conditions are likely to continue.

Improvement in over-all national production in 1955 may average 132 on the Federal Reserve Index against 125 this year—an increase of 5-6%.*

*Of course a great deal depends upon whether the Federal Reserve Board continues its policy to expand the money supply until a condition of full employment is reached. Since full employment is not likely to be attained before September, this seems to imply a favorable money supply through at least the first three quarters of 1955. Continuation of this policy will result in rising production through September 1955.

F. D. CAMPBELL

President, New England Gas & Electric Association

On the basis of available business and industry forecasts for the new year, the $24-million construction program for 1955 through 1958 of the New England Gas and Electric Association to provide expanded and improved facilities for serving its customers will prove to be a sound and practical investment.

F. D. Campbell

The utility companies themselves, while often pointed to as "barometers" for the measurement of industrial progress, are still dependent upon the prognostications of both weather and business experts in their advance planning. The expansion and growth of the utilities necessarily has to follow the growth of industries in their constant and increasing use of electricity and gas.

At present the adequate electric capacity of the New England Gas and Electric System is provided by its own generating facilities and interconnections with neighboring utilities, and the advent of natural gas has provided our gas companies with two sources of their product, the natural gas pipelines and our own ability to manufacture gas on short notice.

The continued improvement and expansion of our generation, transmission and distribution facilities are the major part of our program, together with those changes which are constantly being brought about by new technological development. In order to keep pace with the speedy growth of the electric "load," we have allocated the major portion of our new construction program to the provision of additional transmission lines and substations throughout the System.

The "threat" of a business recession has not materialized. It has been checked nationally, and in New England too. Estimates and tabulations from every source show a steady increase in the Gross National Product—which means a constant increase in purchasing power. This factor lends logic and credence to a recent statement by an appliance manufacturing official that electric appliance and equipment sales in the next ten years will equal the sales of the last 75.

By joining with other utilities in forming a new corporation known as the Yankee Atomic Electric Co., the New England Gas and Electric System has taken a significant step further. In planning for the establishment and construction of a nuclear energy generating plant, the proponents found that the most conservative estimates by power engineers of future electric consumption seemed almost unbelievable, yet parallelled the long-range business forecasts and compared favorably with appliance sales predictions.

All of this optimistic prognostication means that our planning has to be big—it has to be long-range and it has to be practical. With optimistic predictions for business in general for 1955 confidently made in so many experienced quarters, the utility business should prosper in the new year barring radical changes in the international situation. A far greater power load and fuel demand for the near future means that we in New England Gas and Electric System have been right in our planning ahead of our needs.

RENSSELAER W. CLARK

President, Hayes Manufacturing Corporation

Normally, economic forecasting can be of no more than dubious merit. In the present instance, however, signs have accumulated that, to close observers of the business scene, indicate: (1) completion of the inventory readjustment which, during most of 1954, was reflected in moderately restricted operations in the basic steel, bituminous mining and, among others, the textile industries, and (2) the onset of an uptrend, already under way for some weeks, that gives promise of expanded industrial activity during 1955. Barring intervening developments of an adverse nature, gross national product for the new year is estimated conservatively at about 8% — or approximately $25,000,000,000 — more than that for 1954. Varying rates of improvement appear to be in prospect for the automotive, agricultural implement and others among the durable goods trades, with accompanying betterment in consumer purchasing power, a concomitant of increased employment, providing a stimulus, as well, to the varied components of the non-durable goods lines.

Rensselaer W. Clark

For some industries other than construction, which, as for years, is pacing the economy as a whole, first quarter operations give promise of being the best for the 12-month period. Particularly so is this expected to be the case in the automotive field, principal among outlets for the stampings and sub-assemblies of Hays' Grand Rapids, Mich., facility. Approximately 1,900,000 automobiles, according to authoritative trade estimates, are scheduled to be produced in the initial quarter. That would be at an annual rate of more than 7,500,000, whereas the most optimistic 1955 goal for the industry is in the neighborhood of 5,800,000 units, contrasted with approximately 5,500,000 produced in 1954. Defense production, which helped to moderate the recession of the forepart of 1954, will show a gradual decline from current levels as the year progresses, but will continue, as in recent years, to be a formidable factor in the over-all economy, although one of gradually decreasing potency.

Improved operating results, in the circumstances, appear to be in prospect for Hayes' Grand Rapids plant on the basis of orders for automotive stampings and subassemblies currently in hand and others being negotiated as a result of the improved competitive position occasioned by the amicable wage readjustment concluded, late in 1954, with the United Automobile Workers. Similarly, the wholly-owned American Engineering Company, of Philadelphia, Pa., and its Canadian subsidiaries—Bawden Industries, Ltd., of Toronto, Ont., and Affiliated Engineering Corporations, Ltd., of Montreal, Que.—should benefit from the encouraging trade response being accorded (1) the highly efficient vibrating grate stoker for which the subsidiary has obtained both American and Canadian rights from a manufacturer in Germany, and (2) its newly developed hoists and hydraulic pumps. Moreover, the Philadelphia unit looks forward to additional marine equipment business under the Maritime Commission's newly approved shipbuilding program.

In turn, peak rates in their respective defense activities are being maintained by two controlled subsidiaries—Hayes Aircraft Corporation of Birmingham, Ala., and Aircraft Armaments, Inc., of Baltimore, Md. Operations of the former in its 2,000,000-square feet, Government-owned facility have been broadened to include the overhaul and conversion of cargo planes in addition to World War II bombers, while those of Aircraft Armaments are scheduled at an accelerated pace on an enlarged armament development program which, among varied projects of a classified nature, includes the production of two armored vehicle prototypes. Additions to Aircraft Armaments' backlog may necessitate the construction of a second plant section at Cockeysville, a suburb of Baltimore, to provide facilities for the electronics and electromechanical departments, presently located in two separate buildings in Baltimore. The first section was completed late in 1954 and now houses the ordnance, structures, general dynamics and procurement sections.

Hayes meanwhile is continuing its quest for advantageous additions to its family of subsidiaries so that, by means of judicious diversification, it may achieve greater stability in earning power, as well as assured growth potentialities. To that end, that conservatism which marked appraisals of both worth and prospects in the successive acquisitions of recent years—American Engineering Company and Bawden Industries, Ltd., as well as the majority interests in Hayes Aircraft Corporation and Aircraft Armaments, Inc.—remains basic corporate policy in the scrutiny of specific situations.

GEORGE S. CASE, Jr.

President, The Lamson & Sessions Co.

Most experts are agreed that 1955 will be a year of good business activity, and about 10% better than 1954. The fact that so many experts agree is a warning signal. It might be that people are too confident. If something happened to shake this confidence, the reaction might make for a substantial decrease in business activity.

George S. Case, Jr.

Certain things seem quite obvious. Even with increased business activity most lines will be very competitive so that concerns with high costs will suffer and profits will be hard to come by. There will be wage increases, although this year it may be possible to pass along the higher costs to the consumer. If it is impossible, profits will be that much lower.

Taxes, upon which our standard of living depends so much, will continue to be high as war tensions continue high. Governmental efficiency may not continue to increase at the same rate, so we are facing unbalanced budgets at all governmental levels. Let us hope that the gross national production will increase enough to provide a larger base from which taxes may be taken.

In short, 1955 would appear to be a good year, but there is no guarantee that it will be.

W. J. COAD, Jr.

President, Omar Incorporated

W. J. Coad, Jr.

Considerable progress has been made during the past year in returning to balanced operations. By that we mean the relationship of raw material cost, labor costs and other expenses to selling prices is about normal at this time. With the influence of the Federal Government constantly in the picture, however, commodity costs can jump out of line overnight, and the threat of increased labor costs is ever present.

These factors over which managements have little control make predictions for more than a few months at a time rather hazardous. Presently the short range picture is optimistic.

JAMES D. COONEY

President, Wilson & Co., Inc.

Increased pork production and a sustained high level of beef production are expected in 1955 relative to last year. Total meat supplies should therefore compare favorably with the 1954 record-breaking total of about 25½ billion pounds. In terms of civilian supplies per person, last year's 155 pounds were the largest in 46 years.

James D. Cooney

Expansion in the supply of red meats during the past several years has been confined entirely to beef and veal. Since 1951 both cattle and calf slaughter have increased about 50%. Hog production, however, was contracting during much of this period, thus limiting the increase in total meat output to about 15% during the past three years.

Pork production in 1955 will show a sizable increase over that of last year. Hog slaughter during the first half of this year will, in the main, reflect the 16% increase in the 1954 fall pig crop as estimated by the U. S. Department of Agriculture. Their estimate of a 5% increase in the 1955 spring crop is indicative of the general level of slaughter during the latter part of this year. The increase in hog supplies is particularly gratifying from the standpoint of enabling the meat packing industry to more fully utilize its pork processing facilities.

Beef supplies in the coming year are expected to continue large, as cattle inventories remain at near-record levels. Last year's heavy slaughter was primarily a result of the high producing capacity of the national cattle herd, and did not reflect any significant degree of liquidation of breeding stock. Weather conditions in 1955 may largely determine whether slaughter will be larger or smaller than last year. Widespread drought would result in some liquidation, and heavier slaughter than in 1954; good growing conditions could lead to some herd rebuilding, which would mean a lower level of slaughter. In any event, beef supplies will be larger than in most recent years.

Secretary of Agriculture Benson recently pointed out that "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." This kind of a demand picture, along with prospects for abundant meat supplies in 1955, should provide a reasonably favorable atmosphere for the meat packing industry in the year ahead.

STUART COOPER

President, Delaware Power & Light Company

The current business trends throughout Delaware and the Delmarva Peninsula, served by Delaware Power & Light Company, strongly indicate that the year 1955 will be another good year for all business throughout the area. The belief that the good business conditions prevailing at the start of the year will continue is strengthened by the steady growth and expansion of the chemical industry within the area, the upswing in steel and iron, and the improvement in the volume of consumer goods produced in the leather, textile, floor covering, paint and other industries. The fact that Delaware is increasing in population at a rate well above the national average reflects expanding industry, which in turn reflects a good economic climate in which to do business.

Stuart Cooper

In the southern part of the state, the decline experienced in the poultry business is offset by expanding industry, not in large units but in numerous small and diversified enterprises. The expanding activity of the United States Government at its Dover Air Force Base is resulting in rapid growth and expansion in and around Dover, while the steady growth of the Naval Air Base at Chincoteague is reflecting favorably in that area.

The poultry industry, which suffered considerable loss during the hurricane of October 15, 1954, is being restored, often with improved economy resulting from improved facilities.

Outputs both of electricity and gas reached maximum levels during 1954 substantially above those heretofore attained and January outputs to date show substantial gains over 1954.

Company engineers find no basis for any material recession in the established trends in the electric loads now running nearly 10% ahead of last year. At the same time, with the introduction during 1954 of natural gas in the Wilmington area, that phase of the business has been greatly stimulated, especially in the field of house heating.

Delaware Power & Light Company is proceeding with an expansion program of $40 to $50 million within the next four years, in full confidence that its new investments, required by increasing loads, will be fully justified by correspondingly increased sales and revenues. Of this amount, something over nine million is scheduled for 1955. This four year estimate will be increased by

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several million if negotiations now under way with a large industry seeking a new site in Delaware are successfully concluded.

GEORGE H. COPPERS

President, National Biscuit Company

We expect our sales in the year 1955 to continue to rise over previous high levels. We look for business generally to be good, and in our particular situation new products and aggressive selling and marketing plans should serve as a further stimulant.

Our business is the production sale of biscuits and crackers and other food products.

Geo. H. Coppers

A great deal of research work has been done in recent years and is still being done to improve the packaging and the quality of commercially baked biscuit and cracker products. As a result these products in particular are enjoying a continually rising rate of per capita consumption. We believe this trend is going to continue as the popularity of prepared foods increases.

Many improvements have also been made in the baking and packaging of biscuits and crackers. Great economies in manufacturing costs have been effected because of these changes and such savings have largely been reflected in the price of the products to the consumer.

We are now concentrating on reducing selling and distribution costs which are necessarily high in the handling of a fragile and perishable line of products. We are confident improvements can be made.

Several acquisitions made in the year 1954 added new food products to our line and we expect that aggressive promotional and marketing activity during the current year will materially expand the sales volume on these products.

Our program of plant modernization, on which we have spent over $100 million in the past decade, is being continued. During this year we expect to complete the construction of our new band oven biscuit and cracker bakery in Philadelphia, Pa., and also complete the addition to our new Chicago Bakery for the production of pretzel varieties to supply the Midwest markets. A new biscuit and cracker bakery is planned by our Canadian subsidiary, Christie, Brown & Company, Limited, to be built in Montreal, Quebec Province. Capital expenditures for the year 1955 are expected to total about $20 million compared with expenditures of $15 million in 1954.

In addition our research and personnel development programs are continuing and expanding and are designed to enable us to meet changing situations and the expansion of our activities.

The increasing population in the country is naturally favorable to our business as it increases the number of potential consumers of our products. In addition, changing habits of people with the advent of television has had a favorable effect, especially in the sales of our snack varieties.

All indications are that disposable income will remain at a high level and we are confident that 1955 and the next several years will be good years for the Country and for National Biscuit Company.

M. F. COTES

President, Motor Wheel Corporation

Our longstanding program of diversification at Motor Wheel Corporation brings us to consider 1955 business prospects in the power lawn mower, appliance and automotive fields, and to consider the chances good for a better year in each of the three fields.

M. F. Cotes

As we announced recently, we have moved into the power lawn mower field with two entries. We purchased the physical assets of the Reo Lawn Mower Division from Reo Motors, Inc., and established our own Reo Division. We also developed and are manufacturing Duo-Trim power mowers in our Duo-Therm Division.

Our Reo Lawn Mowers will be sold through the Reo distributor organization. We expect that our Reo mowers, with their established prestige and leadership, will show a favorable sales response to the vigorous selling campaign which we have planed. Our Duo-Trim line of mowers, newly introduced, will be sold by our Duo-Therm distributor organization. We expect the design features of our new Duo-Trim line to entrench this product firmly in its field in its first year.

Sales of our two power mower divisions should add more than $10 million to Motor Wheel's volume in 1955. Distributors' and dealers' volumes and earnings should likewise be expanded.

Production of Duo-Trim mowers will be integrated with manufacture of the Duo-Therm line of appliances, which in addition to space heaters for household and mobile home use, includes gas floor furnaces, oil furnaces, gas-fired incinerators, water heaters and mobile home air conidtioners.

Power lawn mowers sell in large volumes in late winter and spring whereas the selling season for space heaters, Duo-Therm's largest volume item, is summer and fall. Thus this new diversification effects a promising integration of production and merchandising efforts to provide year-round production and sales.

In our appliance field the problem is one which involves hard selling of new models and improved products. We expect to hold our domination of this field, and perhaps to continue to improve our position.

Our production of wheels for automobiles, motor trucks and agricultural equipment reflects directly production of our customer companies. Present indications are that our automotive production should increase over 1954. The outlook for our truck and agricultural equipment wheel production likewise is favorable.

All in all, we look for 1955 to be a better year.

CHARLES P. CRANE

President, Consolidated Gas Electric Light & Power Company of Baltimore

We plan to expend $35 million during 1955 in providing additional facilities to meet the fast expanding requirements for electricity and gas in the 2,300 square mile area served by our company. This record-breaking sum for new construction will exceed 1954 expenditures by more than $7 million, or about 25%. It reflects the rapid growth in population, business and industry in the Baltimore metropolitan area. I anticipate that there will be substantially greater demands for our services in the years immediately ahead.

Charles P. Crane

Contracts obtained during 1954 to supply new industrial and commercial installations—electric and gas—exceeded the all-time high record figures of the preceding year. A large proportion of these industrial and commercial installations are still in the construction stage and, hence, will be reflected in sales of electricity and gas in 1955 and thereafter.

Sales figures for December are not yet available, but we estimate that electric kilowatthour sales to residential and commercial customers for the year will show increases of 11.5% and 6.6%, respectively, as compared with 1953 sales. Industrial kilowatthour sales for 1954 are expected to be about 1.2% less than the previous year. This decrease is accounted for by a slowing down chiefly in the metal industry and in shipbuilding and ship repair operations. In each of the last three months of 1954, the industrial electric sales showed increases as compared with the corresponding months of 1953. These industrial sales figures do not include sales to a large local steel company. A substantial proportion of their power requirement is generated by them from by-product fuel, which from time to time is available in sufficient quantity to justify the installation of additional generating capacity. They placed such additional generating equipment in operation early in 1954.

Sales of gas to residential customers in 1954 are estimated to exceed 1953 sales by 24.5%; sales of gas to commercial customers by 12.4%; and to industrial customers by 5.9%. Recent conversions of large industrial process operations to natural gas account for the increase in industrial gas sales in the face of the moderate reduction in operations in certain industrial fields.

The foregoing figures show that the decline in business activity in the Baltimore area during 1954 was comparatively small and this can be credited, primarily, to the wide diversification of industry in our territory. Industrial and commercial growth here was maintained at a high level, with a total announced investment in new industries and expansions of existing plants of $99,225,000, and additional labor requirements of approximately 4,000 employees. Industrial investment during 1954 was the third largest for any single year in the history of this area, being exceded only by the two preceding years. The aggregate industrial investment for the past five years amounted to approximately $538,000,000.

During the last five years our Company has added 82,312 new electric customers and 48,463 new gas customers. In 1954 alone, 14,726 new electric customers and 9,747 new gas customers were connected to our lines.

The fast-growing household usage of electricity—for improved lighting and modern appliances such as food freezers, air conditioners, clothes dryers, television, etc. —is reflected in the increase in this load of 82% over the past five years. Since 1950, when natural gas was introduced in our area, the growth of gas sales has increased 125%. Currently the growth is running at an annual rate of 16% to 17%, with more and more homes changing to gas for heating fuel and industrial and commercial establishments using increasing quantities of gas.

Residential construction in our territory in 1954 totaled 15,000 dwelling units, which is the highest since 1951, and builders and developers estimate that residential construction in 1955 will equal this figure. Last year, 99.5% of the new homes built within reach of our service mains installed gas for house heating.

A year ago we were at the early stage of a moderate decline in some fields of industrial and business activity. Today this position is reversed and we find rising trends in all phases of operation. We look forward to 1955 with expectations that electric and gas sales will show substantial increases and we are preparing for this continued growth by undertaking the largest year's program of construction in our history. This program includes a new electric generating unit of 125,000-kilowatt capacity, scheduled for completion early in 1956, the construction of 15 new substations and expansion of a number of existing substations, a large outlay for extensions of service facilities to new gas and electric users, and improvements in our gas and electric distribution systems.

V. D. DARDI

Chairman of the Board, United Dye & Chemical Corp.

During the last year, United Dye & Chemical Corporation has been engaged in diversifying its operations. Besides our basic dye activity, we now have wholly-owned subsidiaries in the forging and casting field and in the casualty insurance business.

Consequently, in planning for 1955 we have followed a wide-range view.

V. D. Dardi

Let me say at once that we welcome the new year with real anticipation. We do so with the full realization that this will be a year of intense competition in those fields in which we are engaged. The competition will be all to the good. Management will become increasingly aware that success depends on the intelligent utilization of men, machinery and materials. I use the word "intelligent" rather than "efficient" for a definite reason. The former word is all-encompassing; unfortunately, all too often what is done in the name of efficiency fails to produce the desired results because of a lack of intelligent application.

The specific outlook for our activities is bright. We have a sizable backlog of civilian and defense orders; new ones are being negotiated. The dye industry is already benefiting from the pick-up in the textile field. The casualty insurance business has been growing steadily. The high level of heavy industry benefits forging and casting operations.

Dislocations in the labor force should be minor. Salaries and wages undoubtedly will remain at, or near, present peaks. New and improved products will be made available to consumers. We do not foresee price increases of any appreciable amount.

In short, this is an optimistic report. With the American economy embarked on a period of remarkable yet sound growth, we are confident that United Dye & Chemical will share in that prospect.

EDWARD W. DAVID

President, The Charles E. Hires Company

Progress continues in the soft drink industry in spite of hurricanes and other weather conditions not quite as favorable as in 1953.

Keen competition is still holding down prices, particularly in some sections of the south where prewar prices are still in effect. The markets in which these "price wars" exist, however, are gradually diminishing, and the price changes can only be upward as rising costs of labor and materials force prices higher. In our own case, earnings in 1954 increased in spite of slight fall-off in sales, and we anticipate further improvement in localities that have not raised their prices in keeping with costs.

Edward W. David

There are many opportunities for expansion of sales along lines that are still growing, and the possibilities are still far from exhausted. Take the Drive-In Theatres for example. They were almost unheard of before World War II, and now almost 6,000 of these natural markets for soft drinks have been opened, and more are being built every day.

Similarly, there is a great increase in roadside stands. These have been built by individuals and by chains selling ice cream, frozen custards, and similar products under various trade mark names. All of these are new outlets for the sale of soft drinks as well.

The use of snack-bars in chain stores is progressing rapidly, affording in many cases, a market that did not exist before. These snack-bars take up little space in the store, but they do a volume of business that rivals the large soda fountains. For the smaller stores, they are ideal. They provide, at a small capital outlay and a minimum requirement in floor space, a profit that will compare favorably with any similar space in the store.

Automatic vending machines in industrial plants, stores, railroad stations, airports, parks and institutions of all kinds are increasing greatly and providing handy spots for people to obey that impulse to "quench their thirst."

While it is likely that there may be some reduction in business in the heavy industries due to reduced government orders, we do not believe that it will affect soft drink sales due to their widespread appeal to consumers and nominal cost.

All of these facts lead us to believe that the soft drink industry will continue to grow in 1955.

JOSHUA A. DAVIS

Chairman of the Board, Blair & Co., Inc., New York City

Since the discovery of the Leduc Field in Alberta some eight years ago we have witnessed the growth of the Western Canadian oil and gas industry from struggling infancy to dynamic adulthood. During the period following the Leduc and Redwater discoveries, many hundreds of new companies were organized to explore for oil and gas in the vast reaches of Western Canada's sedimentary basins.

Joshua A. Davis

Over $2 billion have been poured into Western Canadian exploration and development, pipelines, and refineries. From the money spent on exploration alone, oil and gas reserves, valued at over $3 billion on a present-day worth basis, have been uncovered.

The basic problem of the Western Canadian oil and gas industry has not been in locating reserves — but rather in locating an economic market outlet for its production. Fundamental solutions to the oil marketing problem were found through construction of two important pipeline systems. The Inter-Provincial Pipeline was built from Alberta eastward to Sarnia, Ontario, at the head of the Great Lakes. Then westward from Alberta over the Rocky Mountain belt the Trans Mountain Pipeline was laid to serve the Pacific Coast area. In addition, the demand for petroleum products in the oil-producing prairie provinces has increased manifold.

Further markets for Western Canadian crude are expected to be opened as soon as refinery facilities now under construction are completed. Thereafter, however, Canadian oil will face strong competition from Arabian, Venezuelan and Far Eastern crude, particularly in such relatively proximate and seemingly "natural" markets as eastern Canada and the Pacific West Coast area. The recent price reductions were of great assistance in permitting Alberta crude to compete more effectively in nearby markets.

Nineteen fifty-four was a momentous year for the Western Canadian gas industry. Important steps were taken to move natural gas to market. The planned Trans-Canada and Westcoast Transmission pipelines offered hope that construction might start in 1955. With the completion of the projected gas pipelines two knotty problems facing the industry will have been removed.

The year 1954 pointed out the tremendous oil and gas potential of Western Canada. Both major Pembina and Sturgeon Lake discoveries were confirmed and extended. Discoveries at Sundre, Savannah Creek, Alhambra and elsewhere intensified the oil-hunt in the relatively unexplored Foothills Belt of Alberta and British Columbia.

For 1955 I foresee Western Canadian exploration and development at an all-time high rate of activity. As companies develop the mammoth Pembina and Sturgeon Lake finds, prepare sufficient capacity of natural gas production for both projected pipelines and, lastly, explore the attractive deeper portion of the Alberta basin, a temporary surplus of oil and gas may be created but—as has happend before—markets will be found.

I also believe that 1955 will usher in a period of renewed public enthusiasm for certain Western Canadian oil stocks—this time on a more justified basis. Since the end of the boom, about 2½ years ago, there has been a large-scale shake-out. As a consequence, the shares of many companies may now be bought at a discount from indicated net working capital and oil and gas reserves.

I believe that the securities offering the investor the greatest appreciation potential are those of companies having (1) able management, (2) substantial reserves, (3) adequate working capital, and (4) well-located undeveloped acreage.

HARRY A. DeBUTTS

President, Southern Railway System

Forecasting in advance the full year's course of such a complex operation as the industrial and business economy of a nation or a region can never be without a certain element of risk. Events which we cannot now foresee may change the pattern that at present seems so clear, but every indicator points toward a good year for business, industry and railroads in the South served by Southern Railway System.

Harry A. DeButts

Even in a year of economic readjustment such as 1954 proved to be, industry continued to expand throughout the South not only in new plants established but in additions and improvements to existing facilities.

Last year's industrial developments in the South hold the promise of increasing industrial production in 1955. Those located at points served by the Southern represent an investment of almost a half-billion dollars. It does not seem likely that the present year will see any slackening in the industrial growth that has revitalized the region since 1939. We feel certain that many more industrial leaders will respond in 1955 to the Southern's widely advertised invitation to "Look Ahead—Look South" for greater opportunity.

Moreover, the South's rising per capita income, which has more than tripled since 1940, continue to create an expanding market for goods and services of all kinds.

Southern's confidence in the South has been clearly expressed in the hundreds of millions of dollars spent since the end of World War II for improvements of all kinds to enable the railway to serve better the transportation needs of an expanding economy.

Steady progress is still being made on the Southern in the installation of modern equipment an din the development of increasing skill in the use of it to produce better rail service.

The compelling reason why such progress will go on in the future is the same one that makes Southern Railway optimistic about the outlook for 1955.

We believe that the South is just beginning to realize its full potential as a producer and as a market. More growth is coming and the railway intends to be ready for it.

JOHN W. DEVINS

President, The Minneapolis & St. Louis Railway Co.

The Minneapolis & St. Louis Railway has had a good year in 1954, and further improvement is expected in 1955.

Since last October, business conditions throughout the Northwest have shown an upward trend, an dour prediction is that business in the area served by the railroad will continue good through the coming year.

John W. Devins

Our railroad operates in Minnesota, Iowa, South Dakota and Illinois, and its freight is both industrial and agricultural.

A survey of manufacturers and distributors of lumber, cement, steel, plaster, wallboard, roofing, plumbing supplies and other building materials indicates a sustained, strong demand for these products. Building activities show no signs of a slowdown, and the demand for homes, highways, business and industrial structures still continues. Generally speaking, manufacturers in our area look forward to an increased production in the early months of 1955.

The agricultural picture is also quite satisfactory. Production of Midwest farm products, with the exception of Spring wheat, was very good in 1954. Soybean production set new records in Iowa, Minnesota and South Dakota. The Fall sown grains (rye and winter wheat) have made good starts.

We expect these upward trends to be reflected in the operations of The Minneapolis & St. Louis Railway.

THOMAS W. DELZELL

Chairman of the Board, Portland General Electric Co.

At the close of booming 1953, there were dire predictions made throughout the land of economic slackening during 1954.

Now that the year has passed, we can look back and judge from the record whether these prophecies of gloom had any evidence in fact. Those of us in the Pacific Northwest are, of course, more familiar with and most concerned about the continued growth of our own young and bountiful region. During 1954 there were many indications, in our own immediate community as well as throughout the Pacific Northwest, that growth will continue at a steady and healthy pace.

Thos. W. Delzell

In Portland and the vicinity there were announcements of hundreds of millions of dollars of new, diverse projects. Voter and businessman alike believed sufficiently in the promise of the future to pledge funds for an unprecedented program of private and public construction. And throughout the region, the availability of sufficient electric power dimmed the memory of those days and seasons when there wasn't quite enough electricity to satisfy our gigantic appetite.

The greatest single phenomenon of this electrical appetite is that which appears, in increasing measure, in the homes and farms of the area. In the years immediately following the end of World War II, the sharp increase in home use of electricity was interpreted logically as a result of the pent-up demand for electrical appliances. But the trend has continued without abatement. At the beginning of 1954 Portland General Electric Company's residential customers were using an average of 6,228 kilowatt-hours a year. Two-thirds of them had **both** an electric range and water heater in their homes. And at the end of 1954 the average was 6,929 kilowatt-hours, another 11% increase. Just the increase of 701 kilowatt-hours alone represents well over one-fourth of the total national average use of electricity in the home. We have long since given up trying to prophesy when this home use will level off, but concern ourselves with the continuing challenge of feeding the growing army of electrical servants. At the same time we must meet the needs of increasing population, the greater needs of present industries and the needs of new industries as they develop.

It is not an inconsiderable order, nor does PGE stand alone in facing it. All of the electrical distributing systems of the region are working toward increased power supply. In the past year — since the national Administration's announcement of its "partnership" concept of resources development — there have been announced more proposals for new hydroelectric projects than at any other time in history. Each of these proposals is a little different, requiring its own legislation and its own particular set of partners from among the municipal utilities, the private utilities and the Federal Government; but together they bespeak an orderly development of the region's remaining hydroelectric resources.

It is our hope and belief that 1955 will be an eventful and newsworthy year, into which will be encompassed the story of our continued growth and the constructive steps toward serving that growth with sufficient quantities of electricity developed by our greatest natural resource—the magic of falling water.

JOHN A. DIEMAND

President, Insurance Company of North America Companies

The outlook for business in the property and casualty insurance field during 1955 is better than fair. There are three principal reasons for optimism in appraising the months ahead.

The Strength of the Economy: The insurance business is closely tied to the general economy. When factories are humming and payrolls are up, this situation is immediately reflected in increased premium receipts of insurance companies.

John A. Diemand

When the economic atmosphere is charged with an air of optimism, as it is now, the insurance industry benefits.

It has been predicted that automobile manufacturers will turn out about six million units in 1955, a sizable increase over 1954 production. The additional units on the highways should account for about $400 million in new insurance premiums. In the home-building field, forecasts are for about 1,250,000 homes. Here again is a vast opportunity for the insurance industry.

Catching Up to the Price Level: The insurance industry has a long way to go to catch up with the remarkable changes that have taken place in our living standards during the past decade. The take-up is accelerating, but we have some distance to go before premium receipts match the higher values brought on by the era of postwar inflation, spiraling labor costs and increased incomes from increased productivity.

Most property insurance is written for three- or five-year terms. There is an inevitable lag between the values people insure for, and the actual values of the properties at the time the policies expire.

If the insurance policies on homes and personal property that were written in 1950 and 1952 are re-written this year to reflect the current value of these possessions, that in itself should create an automatic increase in business.

Additionally, people today have far more insurable values in their homes than was the case even five years ago. Continuing high employment at high wage levels has given the country's families a spending power that has been applied to buying and equipping homes on a scale not dreamed of short years ago.

New Products: Any predictions about the property insurance business must take into account a tremendous change that is taking place within the industry itself.

There is a progressive segment (of which the North America Companies are very much a part) that is moving to modernize and simplify the business for the public, the producer, and the underwriter.

One of the major difficulties encountered in selling proper insurance protection to a family has been the obstacle of explaining why so many different policies are necessary.

Today, however, in 32 states, we can provide a family with one simplified insurance policy to take care of its essential property and liability needs, excepting the automobile.

The "packaged" policy has had an immediate popularity with the public, and while it gives the policyholder broader protection at less cost than separate policies, it produces a better income for producers and companies. The insurance business is no exception to the rule that the public rewards those who best meet its changing needs.

Investment Income and Underwriting Profits

It would be foolhardy indeed to predict the profit outlook from underwriting. Nineteen fifty-four profit prospects were bright until Carol, Edna, and Hazel devastated the Eastern seaboard. This much seems certain: 1955 will be more competitive than any year in the past 15. Underwriters will have to exercise their keenest judgment.

Investment income should at least equal the high of 1954, and there's the probability of a modest increase if business meets its predicted levels.

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WILLIAM J. DRAKE

Executive Secretary, National Commercial Finance Conference, Inc.

The 400 commercial finance companies of the nation which perform the function of supplying immediate credit to small and medium-size businesses have just completed a year of unprecedented high activity, employing to a great extent the major part of their present resources.

William J. Drake

In 1954 the gross amount of advances on open accounts receivable financed by commercial finance companies totalled approximately $3.2 billion — a phenomenal growth when compared to the $536 million financed by them in 1941. In the ten-year period subsequent to that time volume has quadrupled; and since 1951 a further and greater period of over-all growth has taken place, with volume financed growing by some 45% over the quadrupled figure. Several commercial finance companies have had more than a 100% increase in gross receivables purchased over what they had in 1951. Others, while not attaining that high figure, have had very substantial increases. None had a shrinkage in volume.

The progress of the commercial finance industry is even more graphically illustrated when the growth of commercial finance company capital is considered. In the last decade the capital structure of the typical commercial finance company has increased some 300%.

Bank loans to commercial finance companies have also increased in a substantial fashion. A survey made by the Robert Morris Associates in 1954 reported that finance companies comprising commercial finance companies, installment sales finance companies and consumer finance companies, had lines of credit in 293 leading banks for unsecured bank loans exceeding $3.6 billion, or 57.77% of the capital, surplus and undivided profits of the said 293 banks, and that the predominant ratio of such bank advances was 3 to 1, with the over-all ratio ranging from 1 to 1 to 5 to 1.

With American industry now producing a gross annual product of $348 billion in terms of dollar totals, and with practically all predictions for 1955 showing a continuation of the high level of business activity evidenced toward the close of 1954, with an over-all increase of some 5-10%, commercial finance company executives see no slackening in the demand for essential business loans on a secured basis, and the employment of their specialized techniques in the financing of open accounts receivable, imports and exports, industrial and commercial equipment, business inventories, government contracts and specialty loans—all with a view of helping small and medium-size business to meet competition, to expand, and to obtain the necessary funds to manufacture and market new products.

That secured commercial financing is receiving greater and greater acceptance in the business world is demonstrated by the fact that the functional market for commercial financing has been widening. In addition to accounts receivable financing—the backbone of the industry—and inventory financing, the industry has made great advances in some newer forms of financing; such as, the leasing plans on commercial and industrial equipment and machinery, the financing of mergers and acquisitions, the financing of television and motion picture programs, the financing of budget accounts, and the rediscounting of the growing volume of paper of numerous installment loan and consumer-loan companies.

Commercial finance executives do not see any slackening of demand for their funds in the aforementioned markets in 1955. As a matter of fact, they see a greatly accelerated pace in many of these fields. For example, in the field of mergers and acquisitions, commercial finance company executives, who have evolved implementing techniques which has made many of the smaller and medium-sized mergers of the past year possible, believe that while Federal officials, particularly the Attorney General, will frown on large mergers and consolidations, they will encourage those where weak companies can be strengthened and discontinuances prevented.

They also see an increase in the demand for their funds to effectuate policies of modernization of plant and equipment. They believe that the enterprising businessman is realizing more than he ever did before the toll that obsolescence is taking in the relative standing of competing business units. He knows, for example, that one out of every five machine tools and metal-forming equipment units in America's metal working industry is over 20 years old. He realizes that more than half of the nation's machine tools is at least ten years old.

He knows that something must be done to meet the demands set up by the current and ever insistent watchwords of the market place: cost savings, expense reduction, productivity improvement. Consequently, he can no longer delay the replacement of below standard or obsolete tools—facilities that are eating away at net profits with their inefficient production and costly maintenance.

Accounts Receivable Financing

Five decades of activity in pioneering with credit devices, ranging from the financing of accounts receivable, inventory and machinery loans, and the financing of new commercial and industrial equipment on deferred payment sales plans, have established secured methods of financing so firmly that today they account for a sizable portion of the over-all total of financing of small and medium-sized business.

Accounts receivable financing, or the financing of open-book accounts of mercantile concerns — the tool evolved and developed exclusively by the commercial finance companies — has found increasing favor with small and medium-sized businesses since this method came into being in 1905. The special techniques required to make this form of financing a source of immediate credit to the businessman, with a high degree of safety to the financial agency, has been worked out completely over the years by the commercial finance companies. Through the medium of this form of financing, the businessman is able to get adequate working capital to take advantage of his trade discounts, increase his sales, and likewise enlarge his profit margin, and resultantly, his net profits. The freedom from red tape with which the businessman can obtain instant cash has intrigued financial students and writers on the subject for many years. Statistics show that only by availing themselves of this form of financing could many businessmen maintain their production schedules prior to and during the war years and the same picture has been shown to be true in the postwar period and in our present high competitive economy.

Therefore, in 1955, the commercial finance industry believes that there will be a greater demand for this form of financing than ever before. The looked for increase in competition in 1955 among manufacturers, distributors, jobbers and dealers in getting their products to consumers will necessitate a greater demand for this form of financing, especially for the company that is inadequately financed or does not have a flexibility of credit to keep pace in this highly competitive market. Also, the very rapidly growing concern, whose product comes into immediate favor with the public, will find this method of finance the best offered to get its product to the public in the quickest time and in the largest quantities.

Within very recent times, one such company, by the employment of commercial finance company funds, saw its sales expand from $1,000,000 to $50,000,000 in the course of one year. While this company had phenomenal consumer acceptance of its product (the electrical broiler field), nevertheless, a legion of other growth companies, with good consumer acceptance of their products also attained enviable profit records through the use of commercial finance company resources.

Equipment Financing

The specialized techniques evolved by the commercial finance companies over a period of years, for the financing of commercial and industrial equipment are in sizable demand again as businessmen look for more efficient and lower cost methods to meet break-even points. It is contemplated that they will be used by manufacturers, distributors or prospective purchasers of commercial and industrial equipment in 1955 on a far greater scale than in 1954.

The businessman is aware of the fact that the Administration has stimulated machinery purchases for 1955 by speeding up depreciation allowances. By the use of commercial finance company funds, the businessman will now be able to buy machinery with minimum initial cash outlay and will be able to pay the balance with the aid of faster depreciation allowances. In effect he will be in a position to write off equipment payments as expense. Consequently he will be in a position to put new machinery into profitable production at once and conserve working capital with a long-term repayment timetable: ten years for machine tools and textile machinery; eight years for materials handling equipment; six years for construction equipment.

Business concerns, appraising the competitive picture, know that unless they make replacements and have the newest and best machinery and equipment they will find themselves severely handicapped in the competitive contest. At the same time, most of them—particularly the small concerns—find that the securities market is presently unattractive for obtaining equity funds. Also, they cannot afford to cut deeply into their working capital for large machinery and equipment outlays and will prefer to budget payments over a period of months or years, thus avoiding too deep a drain on working capitial. The various plans of the commercial finance companies, which enable the individual purchaser to pay for machinery on a scheduled basis, out of income that the machine itself will produce, will meet with ready response.

Looking at it from another angle, manufacturers and distributors of all forms of equipment will find that they cannot permit substantial amounts of their funds to be tied up in customers' installment paper. The plan offered to manufacturers and distributors by commercial finance companies of purchasing or discounting their installment paper will appeal to large numbers of them.

The specialized services of the commercial finance companies, which are in addition to supplying funds, will be availed of to a greater extent in 1955 than previously. Manufacturers and distributors are not in a good position, economically, to perform the functions of credit investigations and collections. The commercial finance companies have evolved techniques and developed staffs to whom this work is largely second nature. This know-how certainly cannot be duplicated by each individual manufacturer and distributor except at a prohibitive expense. The factoring plans of commercial finance companies make possible the complete elimination of credit and collection departments.

Resultantly, commercial finance companies are offering a wide variety of plans for the acquisition of machinery and equipment in practically every industry whether it be of the manufacturing or service variety.

Inventory Financing

The history of this form of financing shows that for many years about the only inventory loans made were those secured by commodities listed on the Commodity Exchanges. The commercial finance companies proved to the business world that the practice of limiting inventory financing to staples was unnecessarily restricted. They therefore removed the bars to this ready means of financing through the application of the security devices of trust receipts, factors' liens or field warehousing arrangements. It is a rare product or commodity, indeed, either in a finished state or raw material, that does not lend itself to this form of financing.

The commercial finance industry believes that this field of inventory financing will undoubtedly expand in 1955 as the demand for working capital funds reaches new heights, particularly as competition stiffens.

Coin Machine Vending

A comparatively recent form of financing engaged in by some of the commercial finance companies is the financing of all forms of coin machines. Since the end of the war, merchandising via coin machines has experienced a phenomenal growth. Commercial finance companies have played a considerable part in developing such growth and look forward to even a greater activity in 1955 in this field.

Additional Specialized Financial Techniques

In addition to the above methods of financing, there are several other specialized techniques evolved by commercial finance companies in the past that will come into greater prominence in 1955. Most commercial finance companies are now making loans secured by liens on existing machinery and equipment. Some are purchasing, with or without recourse, retail accounts, whether they be open-book accounts, or of the so-called budget or installment variety. In many cases, also, these companies are financing corporate reorganizations, mergers and acquisitions, secured on the stock on long-term notes and receivables of other enterprises.

The commercial finance industry faces 1955 with optimism. The legitimate credit needs of industry and trade, in many instances, required the specialized techniques of finance companies in the past in great volume. Every indication points to a more extensive increase in the use of these techniques, in 1955, than in any other period in the history of the commercial finance industry.

GUILFORD DUDLEY, Jr.

President, Life & Casualty Insurance Co. of Tennessee

Gloomy predictions of a recession had an adverse effect on the sale of life insurance during the first quarter of 1954. Yet before the year was out, the sale of life insurance hit a new high for the industry as a whole, although cash surrenders and lapses showed an industry-wide general increase.

Guilford Dudley, Jr.

We are entering 1955 without the handicap of the pessimistic propaganda of 1954 and there is every reason to feel that 1955 will be even a better year for life insurance. It seems reasonable to believe that the life insurance industry will roll up an even greater sales record in 1955 than it did in 1954.

Available indicators point to the fact that the national economy is pretty well stabilized. There appears to be little prospect of any untoward increase or decrease in Federal expenditures. The liquidation of business inventories has about been completed and there should be relative stability of consumer prices. Expenditures for construction should continue at about the same rate as in 1954, or quite possibly show a slight increase.

All of these factors will tend to create an environment conducive to the sale of life insurance. The market for life insurance never becomes saturated because of the constantly increasing population, the formation of new families, and the improved financial status of individuals create constant new sales opportunities. As a matter of fact, premiums paid for life insurance and annuities during 1954 represented only 3.3% of annual personal income compared with about 5% 15 years or so ago; and the total of all life insurance owned in the United States is the equivalent of not more than one year's annual income, so it is easy to see that the nation is not over-insured.

However, the sale of new life insurance is only part of the problem faced by the life insurance companies today. The challenge of a higher yield on investments demands a great deal of the attention of the top management of any life insurance company. Restricted to only the safest and most prudent investment channels by the insurance departments of the various states, as they should be, life insurance companies have a particular problem in attempting to raise the yield on investments in view of our national monetary policy emphasizing lower interest rates.

There has been considerable discussion about life insurance at lower rates. For the present, substantially lower rates are merely a "hope" for the future except for the buyer of large amounts of insurance who can qualify for the preferred risk plans offered by most companies. Lower premiums can only come with a high yield on investments that will allow companies to raise the rate of interest guaranteed on policy reserves. The investment picture has improved somewhat in the last year or so and there appears to be no reason why companies cannot maintain or perhaps increase slightly the yield on mean ledger assets during 1955.

BYRON DUNN

President, National Bank of Commerce, Lincoln, Neb.

The building industry, particularly the building of new homes, has been the important factor in Middle West economy. I look for this to continue for about another nine months but do not see how it can continue at the present pace much longer than the fall of 1955. A careful analysis of the need of new homes leads us to believe we are fast reaching saturation point.

Byron Dunn

I think the building industry is in about the same position as the stock market in the '29s. People are buying homes with a very small downpayment and as soon as times tighten up a little, these same people will move together with members of their families. This will hurt the building industry as well as home ownership. However, we do not anticipate this will come at a fast speed or at any certain date.

We here in the Midwest feel each type of business should study their progress carefully—but go forward with a lot of courage and salesmanship. We are back in the competitive market and good salesmanship and good business methods will pay off and pay off big! The seller must give better value and better service which will lead to profitable business and prosperity for each community.

We find the various types of firms are teaching their officers and personnel the need to do a better job if they expect to make more money for themselves and for their companies. It is our opinion the firm that does not enter into research, study and education will fall by the wayside, and we are watching those firms very closely. Every loan is carefully scrutinized, and if and when they need to borrow funds, we sell them on the idea of doing certain things. If they do not have the capacity to advance, we curtail our loaning to that class of people.

I feel business conditions are healthy and it will take only the keenness of American ingenuity to keep conditions healthy. There is no need for the public to become panicky if there should be a change in the price of certain commodities or if the stock market should change directions for a short time.

I do not anticipate a depression—but rather a long drawn out period of adjustments. For the stability of our Midwest, there is need of greater selling efforts of the national production if jobs are to be furnished for our increased population.

THOMAS W. EADIE

President, The Bell Telephone Co. of Canada

In 1954 the general level of industrial activity in Canada remained close to the 1953 peak despite declines in certain types of manufacturing production, lower prairie grain yields and some reduction in foreign trade. Demands for new homes and goods and services remained strong and should continue to do so as long as employment and income are well maintained.

Thomas W. Eadie

Canada has grown greatly in recent years, both as a nation and as an economic force, and the task of providing suitable telephone service has naturally grown with it. Since 1947 the Bell Company has added almost 1,000,000 new telephones in its Ontario-Quebec territory, bringing the total now in service close to 2,300,000.

During the past year, some 165,000 new telephones — more than ever before—were added and the number of both local and long distance calls reached record figures. The average daily rate for local calls was approximately 14,000,000, an increase of 6% over 1953, and the number of long distance calls also rose appreciably.

Financial results for the year were good, and it was possible to strengthen further the company's financial position by the transfer of a substantial sum to surplus. Our shareholders at the year's end number about 115,000, and employees now exceed 32,000. Today, 80% of the households in our territory have telephone service; eight years ago the figure was 60%. Such steady growth is characteristic of both urban and rural communities.

Despite large construction expenditures throughout the post-war period we have been unable to satisfy all demands for telephone service and, as we expect these demands to remain high for some time, we are now planning to further expand our construction expenditures in 1955. In order to expedite this program, the employees immediately associated with the planning are already working a six-day week.

M. C. EATON

President, The Norwich Pharmacal Company

The drug industry on the whole had a good year in 1954. With no major change in the country's economic condition, the coming year should see additional modest gains. While most companies enjoyed higher sales and earnings last year, our company included, there were a few exceptions. The continued flow of new products from laboratories and clinics, however, coupled with several pertinent social and economic factors should result in further growth for the industry in general in 1955.

M. C. Eaton

Research is the dominant reason for the rapid strides made by most drug companies over the past several years as substantial amounts of money continue to be appropriated for this important and necessary activity. The overall results of these expenditures have been encouraging and in many cases remarkable. In the case of Norwich Pharmacal, more than $4,000,000 has been allocated over the past few years for research, principally in furans, a group of synthetic antimicrobial chemicals. At the present time, a large number of these products are in use in both human and veterinary medicine and more are on their way. We are hopeful also that applications for them, as well as for other new chemicals stemming from our extensive investigations, will be found in nonmedical fields. The outlook here is promising.

Among the social and economic factors which are contributing to the expansion of the drug industry is the consistent rise in population caused by a mounting birth rate and the gradual extension of the life span of the American people. Basically a consumer industry, the drug business stands to benefit from any population increase as the market broadens for its products.

More babies mean higher sales of medicines, drugs and other types of pharmaceutical preparations required for the healthful rearing of youth. The study of geriatrics and the increased emphasis being placed on better health for older people are also stimulating the development and sale of drugs and medicines.

Another important factor in the industry's expansion is the growing awareness on the part of the general public of the need and value of drugs and medical care. The continual rise in living standards, larger individual income, education programs by medical associations, governmental bodies and other groups have been responsible for this more acute health consciousness.

RUDOLPH EBERSTADT

President, Barium Steel Corporation

Crystal gazing is a sport much indulged in at this time of the year, but in truth for the average businessman, it is perhaps one of the less profitable occupations. The world economy today is vastly complex and the increased speed of communications of all types has made the world a much smaller place, and at the same time, a much more difficult place in which to live. Events taking place in Siberia can make themselves felt in Washington within an hour as was the case in the explosion of an atomic bomb by the Russians. Therefore to prophesy what the future may hold in 1955 is an exceedingly hazardous thing and can be affected by events at which one can only guess. However, on the home front, it is perhaps a little easier to see things clearly and at the same time be reasonably optimistic. It would seem safe to say that employment in 1955 will continue at a high level and that wages and overall disposable income will continue to creep upwards. This will mean a vast amount of money in the hands of the American consumer with which to buy goods and services.

Rudolph Eberstadt

Defense spending, which has been sharply on the down grade since the middle of 1953, appears to have leveled off. Disturbed conditions in Asia, particularly Indo-China, and in North Africa should mitigate against further defense cuts at this time.

The construction industry which set an all-time high in 1954, and this, despite a general downturn in industry activity, should again nudge upwards towards the $40 billion mark. Not only has the Federal and State Governments pledged themselves to monumental road building programs but estimated new home starts in 1955 should reach at least 1,250,000.

The steel industry, one of the bellwethers of the American economy and an industry with which we are closer connected, should have a good year in 1955. Steel activity in 1954 was highlighted by heavy inventory withdrawals by steel users. This figure is estimated at from eight to nine million ingot tons. Even if 1955 production was just restored to the level of 1954 consumption, this great additional tonnage would be required. We believe the industry this year will be operating at approximately 85% of capacity.

There is little doubt that the base upon which our American economy rests is the broadest that it has ever been. As the keystone industries of this base, among them steel, construction, automotive, chemical and the military, all can look forward with fair confidence to the coming year, I believe that, barring some international catastrophe, 1955 will be one of the best years in our history.

HARRY EDISON

President, Edison Brothers Stores, Inc.

Our company's expansion program calls for the opening of approximately 40 additional units during the years of 1955 and 1956. Based upon leases already signed and lease negotiations now pending together with other property submittals now being considered, a projection of approximately 60 new store openings are now being planned for the next three-year period.

Harry Edison

The months of November and December has given rise to a definite business uptrend. This increased business activity will continue to usher in the new year of 1955 with a spirit of optimism and strengthened confidence.

Those who foresaw at the beginning of 1954 only gloom and doom now undoubtedly realize that their pessimism had very little foundation and instead of a 1954 business depression, the moderate business recession which did occur brought about a healthy and necessary readjustment to our economy and placed within the hands of the consumer a sounder and higher purchasing dollar.

With increased population the average family income in this country has continued to rise and is now somewhat over $5,000 per year. You can translate this into consumer spending. Manufacturers and suppliers who can gear their operations on a maximum production basis on consumer needs will continue to hold the line against rising prices. Aggressive competition will likewise be a factor in this same direction. Shoe inventories having been brought down more in line with consumer buying, the output of shoes for 1955 should be somewhat greater than the 520,000,000 pairs produced in 1954.

Our Administration has proven its friendliness to business. This encourages new business ventures, industrial expansion, and large investments by private capital in major projects. Huge sums will continue to be spent throughout the country in large housing projects, highway construction, the building of hospitals and schools and in the development and production of our natural resources which are limitless in many fields. Add to this the billions of dollars of government spending and you have a sound basis on which to assure a high rate of employment.

There are definite indicators towards a substantial business pickup for 1955.

H. P. EELLS, Jr.

President, Basic Refractories, Incorporated

Assuming steel production during 1955 will maintain at an indicated rate of 75% of capacity, the refractories industry which relies upon steel for a major part of its business should show a very fair degree of improvement over the year ahead.

The industry will benefit not alone from the increased volume of sales but likewise from the "belt tightening" induced by last year's slump.

Supplies of refractories will exceed demand moderately to yield healthy competitive conditions with buyers benefiting from better quality and service rather than lower prices.

L. J. FAGEOL

President, Twin Coach Company

1954 saw Twin Coach Company achieve the largest sales volume and the second largest net profits in its 27-year history. It is natural, therefore, that we face the new year with optimism and confidence. The Twin Coach product diversification program, inaugurated about five years ago, is now beginning to show most encouraging results. In the aircraft industry, we have steadily expanded our manufacturing facilities and now rank as one of the leaders in this field. 1954 volume was at an all-time high.

L. J. Fageol

While we expect some tapering off of Buffalo aircraft division activity in the first quarter of 1955, due to contract extensions and the necessity for retooling new orders, we anticipate that overall operations will be highly satisfactory. The importance of our aircraft work is indicated by the fact that stockholders, at our April annual meeting, will be asked to approve a change in our corporate name to "Twin Coach and Aircraft Company."

In our Kent, Ohio, motor vehicle division, we have recently introduced a new miniature vehicle known as the Fageol Pony Express. These are now being used in steadily-increasing numbers by the Post Office Department. They will be introduced to the commercial trade early in the year. This truck definitely fills the long existent need for a compact, lightweight, high speed, economical delivery unit.

It is my opinion that bus production in 1955 will be up at least 30% over last year. Normal replacements of city and intercity coaches should provide a market for

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4,600 to 5,500 vehicles as compared to 3,653 sold in 1954. An important phase of our bus program will center around the sale of new Fageol-Leyland diesel engines as replacements for worn-out gasoline or diesel engines in old vehicles. The several hundred installations of this type, made to date, indicate fuel savings of up to two cents per mile.

DeCOURSEY FALES

President, The Bank for Savings in the City of N. Y.

The country finds itself at the close of the year in a much better position than most people expected. We now have in many industries a considerable backlog of orders, other industries find inventory positions favorable and still others are operating at a high level of production. Very many companies have succeeded in modernizing their plant and equipment and with favorable tax treatment for amortization and depreciation have been able to retain sufficient earnings to finance expansion without the necessity of borrowings and thus are free, to a large extent, of the burden of excessive debt.

DeCoursey Fales

It appears that the demand for housing will continue at a high level, stimulated by the government's liberal financing plans and by a rate of population increase far beyond all expectations. Construction programs are under way for roads, schools and state and municipal housing and other building requirements. Moreover, defense spending will continue to be a powerful influence for keeping the economy at a high level.

All this means good employment, a continuation of high wages, and a likelihood of further increases in the wage rates and fringe benefits. Therefore, it appears that spending on the part of the public generally will be on an extremely high level. Retail trade and sales of consumer durable goods should both be quite satisfactory. Luxury items, particularly equipment for hobbies and leisure time, should experience another good year. Savings will also be at a very high level, so that ample funds should be available for capital expansion of industry and for the financing of required residential construction. Higher rates of interest for savers should also be a strong influence toward the continued growth of savings. The stock market, despite the recent setback, appears to reflect optimism for the future. One possible unfavorable factor for the coming year might be the increasing competition abroad as the economies of other countries continue to expand. However, if the government can continue to operate its fiscal policies suuccessfully so as to maintain a balanced economy, if not a balanced budget, 1955 ought to be a highly satisfactory year.

L. D. FEDDERMAN

Chairman of the Board, Interstate Engineering Corp.

Taking a look into the economic future is always hazardous—especially for a term as long as a year. However, as I see it, the year 1955 looks like one of the best, from an all around financial standpoint, that this country has ever enjoyed. Production should be maintained at high level, construction move ahead at a lively clip, and consumption demand for the better things of life continue unabated.

L. D. Fedderman

The 20-year socialistic swing of the pendulum has been slowed down and brought almost to a halt. Whether a radical left-wing A.D.A. balance in Congress can start it again remains to be seen. The Republicans threw away control of both Houses by encouraging Secretary Stevens to make a horrible spectacle of the McCarthy case and then followed it up by having Senator Flanders make it worse. The Democrats gleefully jumped in with both feet and helped it along—and won an undeserved victory at the polls.

Secretary of Labor Mitchell, in recently blasting "right to work" laws, may have been attempting to get union leadership in a more friendly frame of mind toward the Republicans. If so, it was a colossal case of wishful thinking. Union leadership is probably the most socialistic left-wing element we have in our country today, and its only alternative to following the radical wing of the Democratic party is to form a Labor party of its own. This may come to pass—but probably not in 1955.

This new year should be predominantly one of peace. Communist China may make a move to take Formosa—especially if the United States shows any indication that we will not back Nationalist China to the hilt. It is my feeling that under Ike, we move further away from World War III than we did under his predecessor.

FRANK E. FELT

Vice-President, The First National Bank, Jamestown, N. Y.

From present indications it would appear that we are justified in being optimistic at the prospects of business and banking conditions this year.

A slight rise in the FRB index of industrial production, which can be anticipated, would result in a higher business activity than 1954.

Frank E. Felt

Residential and other building will continue at a high rate and commercial banks with other lending institutions will experience a good demand for mortgage loans.

Indications are that home building will establish an all-time high which should be of benefit to related industries.

With inventories at a reasonable level an increase in business activity should result in their build-up, creating new loans for commercial banks.

The steel industry should operate at a satisfactory level with the demand for their products from various sources and results for the year might well establish a peacetime high.

With the introduction of new automobile models which has had an appeal to the buying public, manufacturers should experience a good year.

Inflationary indications are not now in evidence and money rates will probably remain at or near present levels.

All segments of the nation's economy has favorable implications for banking and it can have a feeling of confidence over this year's operations.

Disposable personal income may possibly reach a new high resulting from high employment, lower income taxes and larger dividends paid to stockholders and it can be assumed that some part of the increase will flow into the deposit institutions to be available for new loans and investments.

Business activity should continue high for most of the year but some slackening may appear in the last few months.

However, if there should be a worsening of the international situation any evaluation of this year's prospects now made would of necessity have to be modified.

S. M. FINLAYSON

President, Canadian Marconi Company

Information available today gives the impression that general business volume in Canada during 1955 ought to be comparable with the 1954 level. Increasing population, the anticipated high level of housing construction and the general economic well-being of the country seem to imply that the demand for capital and consumer goods will continue in satisfactory volume. However, it also seems clear that the highly-competitive conditions applying to many types of business in 1954 will continue unabated in the new year and there is reason to believe that only the most energetic attention to costs and methods will enable many businesses and industries to achieve satisfactory profit margins.

S. M. Finlayson

There is a good basis for confidence in the future of the Canadian electronic business, which is experiencing a marked growth at the present time. Several new television stations will come into operation in 1955, which will create additional markets and these, coupled with continued demand from areas already receiving TV service, should absorb receivers at substantially the same rate as in 1954. The market for well priced and designed broadcast receivers and other electronic devices appears to be quite sound.

EDMUND FITZGERALD

President, The Northwestern Mutual Life Insurance Co.

Favorable trends have been evident in most areas of the life insurance business for several years, and we expect their continuation in 1955.

The demand for investment funds is at a high level, particularly in the mortgage field. The prospect for 1955 in the residence construction field is little if any below that of 1954. Furthermore, the need for increasing efficiency and modernization in industries, utilities and transportation will continue to impel management to the employment of greater amounts of capital per employee. This process, continuing a trend long existent, spells further economic progress for the nation, in which life insurance companies, through investments, are happy to play a major part.

Edmund Fitzgerald

With public health at its most favorable level in history, mortality rates among policyholders are low and should remain low. Operating costs are at least holding even. These two items, with investment returns, are the major factors affecting the net cost of life insurance and good results in them mean savings to the policyholder.

Tax questions relating to life insurance policies were simplified by the 1954 Federal Revenue Act. The stability in the dollar which has existed since the Federal Reserve-Treasury accord of 1950 has also helped to ease the problems involved in planning for individual or family security. These factors have helped the agency forces of the more than 800 life insurance companies establish another all-time sales record, and promise another outstanding performance in 1955.

ELIOT G. FITCH

President, Marine National Exchange Bank, Milwaukee, Wisconsin

Eliot G. Fitch

We look forward to 1955 as a year of high business activity, firm money rates, and a greater loan volume due to rebuilding of inventories. All of these factors should produce a satisfactory result from the point of view of bank earnings.

SAM M. FLEMING

President, Third National Bank, Nashville, Tennessee

As the business readjustment began to level off in the latter part of 1954, there was a resurgence of optimism in this section. This was based on the realization that sound monetary management, combined with sensible banking and business practices could and had prevented a serious depression. Other factors in the improved psychology are the high degree of confidence in President Eisenhower and the easing of war tension. This area has been plagued by three consecutive years of drought, and the farmers' income has been considerably curtailed. However, the housing boom continues unabated and substantial business and public works expenditures are being planned. Retail sales at Christmas time broke all records, and inventories at all levels are in good condition. There is ample bank credit available, and during the past year most businesses have made considerable progress in improving the efficiency of their operations. There is every indication that the economy will move gradually upward during the first half of 1955, and very likely for a longer period of time, if the steel and automobile industries continue to operate at present levels.

S. M. Fleming

ANDREW FLETCHER

President, St. Joseph Lead Company

The prospects for an improvement in lead and zinc consumption during the coming year are encouraging. Lead and zinc are basic materials and as such generally follow the Federal Reserve Board Index of Industrial Activity. In this respect, this past year was typical. As the Federal Reserve Board index started declining during the latter part of 1953, so did lead and zinc consumption. The decline in consumption of both metals continued through the first half of 1954, leveled out during the summer months, and started to rise in October as industrial activity picked up. Later in the Fall as the index crossed the previous year's monthly figure, lead and zinc consumption did likewise. Business opinion seems to indicate that industrial activity this year will be higher than 1954, but not as high as 1953.

Andrew Fletcher

Estimates of 1955 steel activity and automotive production, two of the major zinc-consuming industries, are 10% to 13% higher than 1954. If zinc responds accordingly, it would mean a consumption of this metal of close to 950,000 tons, an increase of nearly 90,000 tons over last year's 860,000-ton consumption. Similarly, lead consumption based on 1955 estimates of activity in the construction industry, which is a major outlet for the metal, as well as forecasts of battery manufacture and tetra-ethyl lead production, should rise about 10% to around 1,200,000 tons.

Despite the 1954 surpluses in both metals because of unconsumed imports, lead and zinc prices advanced from their lows by 2.5 cents to 15 cents a pound in the case of lead, and zinc by 2.25 cents to 11.50 cents a pound. This anomolous situation of rising prices in the face of an over-supply was due to one thing—government stockpiling. Although the mining industry is appreciative of the present Administration's policy of maintaining a domestic industry, this palliative of stockpiling, which was offered in place of the tariff protection recommended by the Tariff Commission, is not a permanent solution to the problem of retaining "an adequate mobilization base." The domestic mining industry is confronted with "dumping," as evidenced by Mexico's recent waiving of the export tax on fabricated lead products, and excessive imports from lower-cost foreign producers as is in turn evidenced by the increased imports during the last six months of 1954 when compared to the first six months. Stockpiling is at best only a temporary expedient but, so long as it continues and our government is willing to absorb the surplus of imports, it is hard to see how the prices for lead and zinc can recede from present levels. In the case of zinc, the price may even advance further, as the current level is below that at which the government has indicated it was prepared to support the domestic market.

WIRT FRANKLIN

Oil Producer, Ardmore, Oklahoma

Basic questions of national policy will be at stake in 1955 for the industry engaged in the domestic production of crude oil and natural gas.

Adequate oil and gas supplies are maintained only by the continuous exploration and development activities of a vigorous industry. The policies of our Federal Government are all-important to these activities. Sound policies encourage domestic producers to find and make available more oil and gas. Unsound policies can disrupt and weaken these efforts. Today, we face a number of issues that require policy decisions of far-reaching significance.

Wirt Franklin

A recent court decision has resulted in control of natural gas production by the Federal Power Commission. This threatens to stifle the development of gas supplies needed for our expanding economy. The Congress will be called upon to make a policy decision on this matter. Federal tax provisions, dealing with the unique characteristics of oil and gas production, may be another policy issue of fundamental importance to future supplies of oil and gas.

The problem of oil imports will be one of the most critical policy issues in 1955. The tremendous expansion of foreign oil production since World War II, particularly in the Middle East area, has created a serious world surplus of oil. The recent settlement of the international dispute in Iran, and the return of Iranian oil to the world market, further aggravates this situation. Surplus foreign oil is steadily pushing American oil out of U. S. export markets and taking over a larger and larger share of the market in this country.

The following comparison of U. S. imports and exports reflects the increasing surplus of foreign oil:

U. S. Imports and Exports

Crude Oil and Refined Products

(thousand barrels daily)	Imports	Exports	Net Exports (+) or Net Imports (—)
Average 1936-40	171	447	+276
Average 1941-45	220	420	+200
Average 1946-50	564	374	—190
Year 1951	844	422	—422
Year 1952	958	436	—522
Year 1953	1,050	401	—649
Year 1954	1,065	350	—715
Year 1955 (est)	1,150	300	—850

This outlook for 1955 would mean a continuation of the trend toward dependency on foreign oil. The change from a net exporter in the prewar years to an increasing net importer has meant a loss of market for U. S. production amounting to more than 1,000,000 barrels daily.

During 1949, the early part of 1950 and a substantial part of 1953 and 1954, oil production in the United States was curtailed and restricted without corresponding reductions in oil imports. Increasing imports have supplied an increasing portion of the U. S. market (from about 5% prewar to an estimated 15% in 1955) and restricted the total income from U. S. oil production to an increasing extent. Domestic producing capacity has been "shut-in" to the extent of more than 1,500,000 barrels daily. Industry experience shows that domestic explorations and development, and the amount of new oil supplies made available are directly related to the total income generated by the sale of current production.

Today, the United States is the only major nation of the free world with sufficient oil within its own borders for peace or war. A continuation of the trend toward progressive restrictions of market outlets by oil imports would result inevitably in inadequate U. S. oil productive capacity to meet national requirements for peace or war.

Our national security is at stake. A policy decision on this matter is needed to assure the American people that adequate oil and gas supplies will be available for any and every emergency.

DONALD V. FRASER

President, Missouri-Kansas-Texas Railroad Company

Gross revenues of the Missouri-Kansas-Texas Lines for 1954 will be approximately 15% below the all-time high of 1953, and net income will show a somewhat larger percentage of decrease. These results are in the general pattern for the nation's railroads, most of which suffered severe and disturbing declines in traffic and earnings during the year. In addition to the adverse adjustment in the nation's economy, the Katy's territory experienced the full impact of a severe drought which has persisted for several years, and this adversity is reflected in the company's 1954 performance.

D. V. Fraser

Freight traffic on our railroad was at a lower level throughout the year than during the preceding 12 months, but there has been a slightly improved trend in recent weeks. This slight improvement is due to larger receipts from connecting railroads. Local carloadings on the Katy continue in lesser number than a year earlier, largely because of lighter movements of cotton, grain and other agricultural products.

It is gratifying to note that the year closed on an optimistic note, both for the general economy and the volume of railroad traffic, in contrast to the downward trends which marked the closing months of 1953. In my recent trips throughout the Southwest, businessmen have told me, almost without exception, that they were encouraged by the recent improvements they have observed in business. All were optimistic in regard to the 1955 outlook.

Especially encouraging to me and to others in the Southwest have been reports of improved soil and moisture conditions as a result of late summer and autumn rains. However, continued favorable weather conditions will be necessary during the 1955 growing and harvesting seasons. Satisfactory weather conditions would further improve the region's economic position and brighten the Katy's picture as the new year progresses.

Industrial development along our lines has continued at a gratifying pace throughout the year, and many new plants currently are entering their productive phases or will do so during the coming year, thus contributing additional tonnages to our traffic volume.

Two interesting innovations were introduced on the Katy during 1954, both with promising results. Trailer-on-flat-car—the so-called piggy-back—service was inaugurated on one segment of the line last summer and since extended to several additional points. Our service is designed to attract the common carrier motor carriers as primary users, and our relations with all common carrier motor truckers who have used the service have been most cordial and satisfactory. Our experience in this field has strengthened my conviction that this co-operative venture of the two great common carriers—the railroads and the truckers—offers a bright hope for the entire transportation industry.

Our experimental reduced round-trip coach fares on the line between Denison and San Antonio, Texas, have been successful thus far and we are extending the new rates for the coming year. The results since the reduced rates were made effective on June 15 have proven to be a factor in reversing the downward trend in our passenger revenues for the system.

The Katy currently is in the process of acquiring new equipment—diesel locomotive units, freight and passenger cars—not only to improve efficiency, but to meet an anticipated increase in business.

In regard to business prospects for the nation as a whole, in addition to the Southwest, I am optimistic for both the immediate future and the long-range outlook. It is evident that we are now emerging from the readjustment which has been underway for more than a year, and this indicates, to me, a basic soundness in the economy and in the administrative policies of the government.

The improvement now setting in all over the country is reflected to some degree in railroad carloadings—always a sensitive barometer of general conditions—which have shown an increase in recent weeks. I think that we may face the year ahead and the more distant future with well-founded confidence.

K. C. GARDNER

Chairman, United Engineering & Foundry Co.

United Engineering and Foundry Company and its subsidiary companies completed the year of 1954 with total sales amounting to approximately 72% of that for the year of 1953.

K. C. Gardner

During the past twelve years, United has operated, under lease, a government-owned plant at New Castle, Pennsylvania, and it has been concluded that the lease for the continuation of operations at this facility will not be renewed. However, the company has under way a plan for the expansion of its presently-owned facilities in order to provide sufficient capacity to meet the requirements of the trade. This plan calls for more modern tools which in effect will increase efficiency as well as provide added capacity.

Based on the exceptionally large volume of current inquiries from their regular customers, United looks forward to a general increase in activity for the immediate future.

PAUL S. GEROT

President, Pillsbury Mills, Inc.

Nineteen fifty-five will have the bench marks of competition, creativeness, and conscience. Competition will be as tough as we have ever seen it. Creativeness represents a continuous need for new products and new ideas in business, and conscience reminds us that the function of business is to operate in the public interest.

Paul S. Gerot

We will have to concentrate on manpower and profits. Both in the manufacturing and distribution areas of the food industry we have a great need to build better executives, to train specialists, and streamline organizations. We also have a great deal of plant modernization, research, and developmental work to do. This needs financing which can only be done through adequate profits. We cannot look to higher prices as a source of new income. It must come through greater volume of business and a reduction of expenses throughout the food processing and distribution system. In 1955—probably the biggest year in the food industry's history—this will be a major challenge. The days of huge profit making in industry are passed. The days of efficiency in order to make money for future development are upon us.

The food industry in 1955 must begin to lay specific plans for further development of agricultural research. The available acreage for crops has been in cultivation for some years. Our population is rapidly increasing. In cooperation with the farmer we must work further towards the development of new ways to grow and process nutritious food with the minimum of waste. Again, this needs funds. So I would say to the industry that in 1955 the biggest problem it faces is obtaining sufficient money for investment in the years ahead.

WALTER B. GEROULD

President, A. G. Spalding & Bros. Inc.

The trend away from metropolitan areas to suburban areas makes for easier participation in sports by more people as they are getting closer to such play facilities as golf courses and tennis courts. Sales in the athletic goods industry are affected more by active participation in sports than by spectatorship. More leisure time and higher personal incomes also are causing greater participation in sports.

Walter B. Gerould

Sales of athletic goods, not including guns and ammunition or fishing tackle, for the industry and our company in 1955 will be from five to ten per cent above those in 1954. Industry sales, with the exceptions noted, approximated $135,000,000 in 1954 while those for Spalding were slightly in excess of $27,000,000. Earnings for 1955 should increase both for Spalding and the industry as a result of expanding sales, from factors above-mentioned, and from a growing youth population, which makes for more participation in sports.

Inventories for the entire industry, from the retailer back through the manufacturer, are in good balance.

Although Spalding does not export goods to Europe, we believe that economic recovery of Western Europe definitely is a world stabilizing influence. The industry carefully is watching athletic goods imports. No great amount of such goods has been imported recently, but it is reasonable to assume that more of these items will come in with the economic recovery of foreign countries.

It is now apparent when excise taxes on athletic goods will be reduced. Golf and tennis items, as well as skis and a few other items that are small in total industry sales, now bear a 10% manufacturer's tax. In view of a continuing governmental deficit, it is our feeling that these taxes will not be eliminated in 1955, but it is hoped that they soon will be eliminated.

The National Industrial Recreation Association is doing much to increase industrial sports programs. A well handled industrial sports program is recognized as an essential adjunct to the personnel operation of industrial concerns.

Much excellent work, in developing more golf courses, has been done by the National Golf Foundation, which is underwritten by the Golf Club and Ball Manufacturers. Ninety-two new golf courses were opened for play in 1954 while 198 more were being built and 359 additional courses were in some stage of planning as the year ended.

Similarly, the Athletic Institute, is doing a fine job in developing other sources of play, such as tennis courts, baseball fields and recreational centers.

Report of the Joint Committee on the Economic Report indicates that from 1953 to 1965, there will be a growth of approximately 44% in the age brackets from 10 to 24 years of age and an 8% increase in those brackets from 25 to 64. It is in these age brackets that there is the greatest number of participants in athletics.

This growth will come about gradually over the years, with a rapid pick-up in the late fifties. Since we will

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have approximately 15,000,000 more people in the 10 to 24 age bracket in 1965, it is reasonable to assume that there will be a sound, steady growth in participation in athletics, with a consequent affect on sales.

BRUCE A. GIMBEL

President, Gimbel Brothers, Inc.

Bruce A. Gimbel

The improved employment outlook should offer retailers the opportunity for a moderate increase during the Spring of 1955. Department store inventories are generally in a well balanced condition and strong open to buy positions will help in taking full advantage of the potential. The continuance of a high birth rate together with increasing numbers of the population reaching marriageable age is another favorable factor. The generally improved feeling of confidence in the business outlook is bound to be reflected in high public spending and excellent business activity.

A. E. GRAUER

President, British Columbia Electric Railway Co., Ltd.

British Columbia's rapid development of industry and natural resources in recent years promises to continue in 1955 and the B. C. Electric will keep pace with this development. In the gas utility field the likely advent of natural gas will cast its shadow ahead of it. Natural gas will not be available in Vancouver before the winter of 1956 or summer of 1957. Some industries and homes may convert their equipment or buy new equipment in advance, however, and 1955 may feel some of the early effects. The biggest impetus will undoubtedly be felt after completion of the pipeline when the new fuel will prove an attraction to many industries to develop in British Columbia.

A. E. Grauer

In the electric utility 1954 has been another year of rapid growth. Since the war, electric power generating capacity of the B. C. Electric has increased about 150% and no change in this trend is foreseen. In 1955 the increase in usage is conservatively estimated at 10% above that of 1954.

To meet the demand, Unit No. 4 at Bridge River, with a capacity of 62,000 hp. went into operation in 1954. Development of new generating capacity continues. Present plans call for completion of an additional 58,500 hp. at Seton Creek in 1956. The completion of generating facilities at the Cheakamus Power Site, where the initial steps in construction have already been undertaken, will bring 95,000 hp. into operation in 1957 and another 95,000 hp. in 1958. To meet demand for electric power on Vancouver Island, plans for an underwater cable from the Mainland are well advanced.

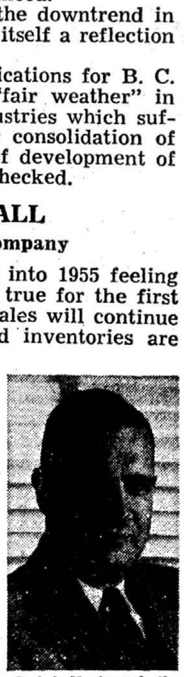
In public transit, a continuation of the downtrend in riding experienced for some years—in itself a reflection of prosperity—is expected.

In total, however, the economic indications for B. C. and the B. C. Electric all point to "fair weather" in 1955. There will ossibly be some industries which suffer temporary setbacks or pauses for consolidation of gains but the steady forward march of development of the Province promises to continue unchecked.

RALPH K. GOTTSHALL

President, Atlas Powder Company

American business, in general, goes into 1955 feeling rather optimistic. This is particularly true for the first half, because of the expectation that sales will continue high while demand is increasing and inventories are being replenished. Predictions for the second half are more cautious, but it appears that the year as a whole will show moderate increases over 1954 in industrial activity and Gross National Product.



Ralph K. Gottshall

Although not all industrial groups will fare alike, it seems that chemical companies should be among those operating at high levels. Many companies, including Atlas, have new plants about to go on stream and other plants on the drawing boards. With increased stress on research and development programs, chemical markets should keep expanding.

However, optimism must be tempered by realistic appraisal of some basic problems.

One such problem stems from the very magnitude of the chemical industry's past growth. This has seen the capacity for some products built up to high levels relative to probable demand in the coming year. Such lines may experience fairly stiff competition once the period of inventory adjustment is over.

Firms which have been expanding in less competitive areas, or whose new capacity includes the production of raw materials for their own operations, may be in a somewhat better position. The likelihood of increasing general competition, however, means that considerable attention must be given to improving the efficiency of marketing methods and staffs.

The impact of increased competition also will be felt at other operating levels. Increased emphasis can be expected on cost reduction and high productivity in the plant, more efficient accounting and control methods, and better distribution procedures.

Continuing economic recovery abroad should benefit the chemical industry's export markets. But this same recovery probably will mean that foreign chemical producers also will be seeking a larger share of this overseas business. Should major reductions be made in U. S. tariffs, foreign firms will become increasingly important competitive factors in domestic markets.

The decline in farm income over the past several years is a matter of concern to chemical companies because of the industry's increasing production of fertilizers, insecticides and other agricultural chemicals. A sound and thriving agricultural economy is vital to the prosperity of business as a whole.

Union pressure for higher wages, or for a guaranteed annual wage and other benefit plans, is another problem on the 1955 horizon. While an increase in wage and benefit levels in one industry may not spread to other industries as rapidly as in the past, chemical companies cannot long escape the impact of major changes which occur in other industries.

Despite these problems, the outlook for chemical companies in 1955 is encouraging. The degree to which any individual firm will capitalize on the opportunities ahead will depend on the alertness of its management and the ability of its staff to do a superior job of production, marketing and research.

L. J. GUNSON

President, Liquor Subsidiaries, Publicker Industries, Inc.

Competition, the guiding influence for all consumer commodities in 1955, will be particularly sharp in the liquor industry. Yet the shifting production and sales relationships in distilled spirits will create competitive opportunities this coming year.

L. J. Gunson

After all year-end figures are finalized, it will be seen that 1954 liquor sales were less than 5% away from the 195,000,000 gallons sold the year before. It is an economic truism that liquor consumption has fluctuated within 5% of the 190,000,000 mark for most of the postwar years, despite a rising adult population and increasing consumer disposable income.

Most of the blame for liquor's static position can be placed upon the onerous burden of a $10.50 Federal excise levy, which is approximately 10 times the cost of producing a gallon of whiskey. Including State and local levies, more than 50% of the retail price of a bottle of liquor is composed of taxes. In view of these conditions it is understandable that there can be no dramatic overall sales rise foreseeable for the coming year.

It is in an analysis of business highlights of 1954 that we can anticipate the trends for 1955.

Production was up 10,000,000 gallons for the 10 months ending Oct. 31, 1954. This amounted to 82,406,183 gallons while in 1953, for the same period, the whiskey industry produced only 72,719,911 gallons. However, this rise reflected no more than the trade's practice of filling gaps in continuities for withdrawal beginning a minimum of four years from the date of production.

Bottled output, on the other hand, naturally followed the sales line.

Two factors mitigated against a strong profit picture for the industry in 1954.

(1) There was no relief granted from the excessive rate of Federal taxation.

(2) Out-of-balance whiskey stocks were forced out of government warehouses because of the existing law under which distillers can age their products for only eight years before paying Uncle Sam the Federal tax on whiskey. This meant that many companies, especially the smaller ones were in the unenviable position where they had to prepay Federal taxes of $10.50 per gallon on whiskey that the market couldn't normally absorb in the calendar year 1954.

The result was that some older whiskies were offered to the public at depressed prices, creating an imbalance in the trade's pricing picture. We can expect this condition to continue temporarily since Congress did not pass the Saylor Bill, which would have relieved the situation.

Balancing out these temporary inventory problems, however, are bright indications that straight whiskies are fulfilling their earlier promise and increasing their rate of sales demand that, in time, might well lead them to sales dominance.

The sales ratios between blended whiskies and straights is now evening up, with blends losing more of their topheavy dominance each year. Blended whiskies that once dominated the market so strongly, now have slipped in many areas in direct proportion to the rise of straights. Traditional preferences re-established themselves in the South and West as Bourbons made even stronger inroads in 1954. Paralleling this has been the increasing popularity of Bourbons in the blends strongholds of the East.

The increased availability of straights, at prices competitive with lower aged products, helped switch many blend drinkers to straights and bonded whiskies, thereby creating a greater consumer awareness for those brands able to market these older whiskies under their label.

But 1955 also will mark the beginning of the liquor industry's shakeout period. Public preference will become more selective, concentrating to a greater degree upon nationally advertised brands already leading in the straight whiskey field.

Therefore, despite the sharper competition these trade conditions forecast, 1955 will be a good year for the liquor industry. It is axiomatic that increased competition will mean more aggressive advertising and sales promotion.

In turn, these will help stimulate consumer purchasing and make for more competitive opportunities in 1955.

HUGH C. GRUWELL

President, First National Bank of Arizona, Phoenix, Ariz.

The country has witnessed since the end of Korean hostilities a westward migration of people comparable only to that which occurred in the period just after the First World War. The Southwest, and particularly our State of Arizona, has benefited greatly by this added population and we are interested to discover that there is little or no falling off of the number of people coming into this State and staying here. In the Salt River Valley of Central Arizona, for instance, at this time and for some time past, there have come to live a net of 1,000 families a month.

Hugh C. Gruwell

The State itself has doubled its size in about ten years and there is no reason to suspect that the growth will not continue in increasing tempo.

The expanded population has obviously required expansion of facilities to serve these people. Thus, homebuilding goes on continually and subdivisions of 200 or 300 two and three bedroom homes are not unusual. As these subdivisions take character, they are supplied with necessities by large shopping centers so that all the family wants may be supplied without necessity for going to downtown shopping districts. Each development finds established its quota of churches, and Phoenix, for instance, is rapidly acquiring a name as "The City of Churches."

Consonant with the growth of population has been a change in the fast expanding economy of Arizona. Earlier and for many years, the State was known for its mining industry, its farms and its cattle ranches. Added to these staple facets of Arizona's business activity is now its manufacturing industry and there appear distinct possibilities that manufacturers elsewhere in the country are coming to regard Arizona as the ideal distribution center for all of the Southwest, much of the Pacific Coast and some of the Rocky Mountain States. With the situation thus solidifying, there are provided jobs for people who have come to Arizona and who need them. There are others who dispose of businesses elsewhere and come to Arizona and establish themselves in business here. Thus, the ratio of unemployment to available employment has remained satisfactory. The labor pool in Arizona is composed of competent artisans in almost every trade and industrialists here speak highly of the expertness found in Arizona labor.

First National Bank of Arizona enters its Diamond Anniversary year in 1955. It has served the interests of the growing State for 75 years and at no time has lost sight of the implication implicit in its responsibility that it should lead the State. As a consequence, in the past ten years, it has trebled its net earnings, it has more than doubled its deposits and its capital funds have increased five times. The bank has improved its position among all U. S. banks over 100 numbers since 1944 when it was in 266th position. It is now 163rd.

At this time we are engaged in completion of a new Head Office Building in Phoenix which is the largest commercial structure built in Arizona. It is expected that the new building will open early in the summer of 1955. It is one of the largest office structures in the Southwest and already has become highly attractive to the managements of out-of-state organizations wishing space for their Southwest headquarters.

As we view 1955, we believe that short of war the progress herein touched on will continue.

CHARLES W. HALL

President, The Oneida National Bank and Trust Co. of Utica, New York

The general business pattern for the Utica area, looking ahead into 1955, appears to be very good. The construction industry, both commercial and home building, is expected to be at a high level of activity, making an important impact on this community as we move into the new year.

Charles W. Hall

Several new commercial buildings are now being built, and during the current year we will be in the process of completing two major additions to our private hospitals and seeing the starting of construction of a new and modern hospital center. Private home construction, with values priced in the moderate range, is expected to be at a very good level. Mortgage money is ample to meet all of these local demands.

Industrial production has been steady although some interruptions have taken place due to the change of design of product, or a more than seasonal variation in the selling season. 1955 is expected to bring a good level of industrial production during the first six months, and general expectation is that it is reasonable to believe that the last six months' period will be at an equally good rate of production.

Agriculture, which contributes in an important way to the purchasing power of a large group of farmers, has been somewhat depressed by the lower values received for dairy products. The cost of goods purchased by the farmers has been more than they have received for their product. We are hoping that this margin of difference will be narrowed in the coming year.

Outstanding consumers credit has reflected excellent sales during the past year and the balances have been well serviced by the people, which has reflected the steady employment of industrial workers. Bank deposits, both savings and commercial, have continued an upward trend during the past year and banking leaders look with confidence on the outlook for 1955. There is a high level of confidence characterizing the general pattern of the feeling of people and business in this area.

WALTER S. HALLANAN

President, Plymouth Oil Company

While the outlook for the petroleum industry during 1955 is brighter than at any time in the last three years, prudent recognition that factors beyond the control of domestic producers could change the picture, suggests that any appraisal for the year be liberally seasoned with caution.

W. S. Hallanan

Reduced inventories of many oil products, with a consequent rising price level, and an expected healthy increase in demand resulting from a high level of national productivity, constitute the foundation for a bright outlook for the industry in the current year.

The inter-dependence of all segments of the American economy in this era of mass production and distribution makes us aware, however, that any set-back to manufacturing, transportation, agriculture or construction would have severe repercussions upon the oil industry. To that extent, realization of the bright promise for oil in 1955 is dependent upon the continued prosperity of its users.

In the light of experience, domestic oil producers are never without the fear that a continued increase in the already high level of imports might deny them any share of the projected increase in demand. The accumulated effect of unrestricted imports upon domestic output is shown by the fact that while imports of crude oil and products are currently running at the rate of slightly more than one million barrels daily, there is a shut-in production of domestic wells in excess of two million barrels daily.

In their schedules filed with the Texas Railroad Commission, importers have already given notice of their intention to make substantial increases in imports in the first quarter of this year. Unless importers can be prevailed upon to exercise a greater degree of restraint, there is serious danger that the upward curve in domestic production, which began two months ago, may be reversed. This would put the domestic industry in very real jeopardy.

Despite these perils to the industry's well-being, I cannot view either the short or long-term future of the American oil industry in any other light than one of confidence and optimism. Regardless of the unhappy experience of recent years, I still have great hope that importing companies will, as a matter of self-protection against adverse legislation, make such realistic readjustments in their schedules as to preserve a healthy domestic industry.

TOM S. HARKISON

President, The National Bank of South Dakota, Sioux Falls, South Dakota

Nineteen fifty-four was a good year in our trade area. Our section is basically agricultural, and farmers felt the telling influence of price and surplus problems; but production was high, all types of construction were active, unemployment was of no particular concern, and retail volume was very good. Costs, too, were up, but average results were quite satisfactory.

Tom S. Harkison

It is difficult for anyone to correctly forecast general business through 1955. The stock market, commodity prices and surpluses, unemployment, and world affairs are only a few of the many conditions that can affect the future; but present factors and trends indicate a healthy and expanding economy. Existing and unsold livestock and crop production is ample to carry existing business conditions well into this year, and a favorable prospect by midyear of 1955 agricultural production will, barring unfavorable nationwide conditions, do much to prevent any letdown in our local business volume.

In our section, aggressive and thrifty management can face the year ahead with a great deal of optimism.

JOHN HARPER

President, Harper Oil Co., Inc.

The first full year of a buyers' market, in over a decade, has left the imprint of price wars on the gasoline distribution in many areas of the country.

Lack of restraint, or a desire for more than an equitable share of the available business, has resulted in many situations where everybody has turned over their profits to their customers, and, in many cases, a sizable amount of their savings.

John Harper

Younger salesmen and executives experienced for the first time the pressure resulting from excessive stocks of products. Order takers should now become qualified as merchandisers.

In the process, not only the sales personnel, but also the producers and manufacturers have become the wiser.

The availability of all petroleum products will probably continue to exceed the demand for some time to come. The industry is beginning to get the feel of the problem, however, and over-supply will soon be a condition that everyone of us will be better able to cope with.

Adequate statistics are at hand for large and small operators alike. It is not too difficult for all concerned to plan a reasonable projection of their activities.

This does not imply any relief from the intensity of competition, but it does seem to indicate a tightening of fluctuations and a stabilization of sales practices on an extremely sensitive basis.

The rivalry will no doubt be keener, but more realistic and practical.

Skill, instead of brute force, should prosper.

The results of this transition can well be beneficial to every segment of the industry.

I look for a more prosperous cycle in 1955.

I. J. HARVEY, Jr.

President, The Flintkote Company

The continuing vitality of the current housing market seems to assure a heavy demand for building materials during 1955. There are, of course, many factors such as the ready availability of financing, the increase in the number of children per family and population shifts, which have contributed to the present demand. Perhaps the most dynamic factor is the increased ability of a larger segment of the population to be better housed, coupled with a keen interest in the character and quality of its housing. The building material industry has responded to this by adapting its products to contemporary structures and by giving greater emphasis to the style and color of its products.

I. J. Harvey, Jr.

It is expected that by 1960 the new family formations, which will result from the increased birth rate during World War II, will have a very substantial effect on the demand for new housing. The ability of the industry to operate at such a high level during the present period of low family formations is indicative of increased interest in the American home which is gratifying not only from a commercial but a sociological standpoint.

CONRAD N. HILTON

President, Hilton Hotels Corporation

The future of the hotel business looks good to me. I have as much confidence in it as I had when I bought my first hotel 35 years ago—perhaps more, because I have seen it come through good times and bad and develop into the nation's seventh largest industry.

Conrad N. Hilton

In common with other industries we face such problems as high taxes, high labor and construction costs, but their solution should be a normal task to be taken in stride by Americans operating under a free and competitive system. Offsetting our problems are many factors which affect hotel operation favorably. For example, while building costs are high, interest rates are low; while the costs for labor and materials have risen, the increases have been substantially offset by greater worker efficiency and the ability to raise room rents. Improved business conditions, high individual incomes and better means of transportation will lead more people to travel.

Adding to these factors the vastly improved financial status of most hotels and the improbability of a repetition of conditions which prevailed in the late twenties and early thirties, it is reasonable to forecast that the hotel business should give a good account of itself from the standpoint of earnings, even though a return to the high occupancy level of the war years is not a prospect.

Hotels generally are in a better financial condition than at any time in the past 30 years. We have recovered from the over-building and frenzied financing of the 1920's and the business depression of the early 1930's. Some of the reasons for the industry's renewed vitality are:

The over-supply of accommodations has been offset by higher levels of business activity, by the small amount of new construction since 1930, and by increased population.

Most inexperienced operators and outmoded properties have been eliminated.

Hotel earnings have been ploughed back to reduce debt, improve properties and equipment and to build up working capital.

Amortizing mortgage indebtedness has replaced the old constant fixed mortgage principle.

Large sums have been spent on modernizing and improving existing properties.

Hotel operations have improved through application of modern business and industrial methods.

The expansion of American hotel operations to other countries, as exemplified by Hilton Hotels International, Inc., is a new and exciting development in the industry, and one in which I have great faith. These new hotels, combining old world charm and hospitality with our modern, efficient methods, will fill an urgent need for facilities to attract traveling Americans. In many of the free nations of the world the dollars spent by American tourists represent an important contribution to their economic strength, and by establishing well-operated American hotels abroad we are stimulating international travel and world understanding. We are thus able to add to the efforts of the free nations in their fight against the menace of communism.

CHARLES W. HOFF

President, Union Trust Company of Maryland, Baltimore, Md.

The present upward trend in general business activity promises to continue well into 1955. Most of the economic indexes are showing improvement, and basic conditions support the prevailing public optimism that the year ahead will be mildly better than 1954. Twelve months ago the outlook was none too bright, but the recession did not reach serious proportions. While a more encouraging attitude now exists, it is quite possible that the rising scale of activity will be moderate and will level off slightly above the recent mark. Inventories are not unduly high. Personal income and savings represent strong purchasing power, and are of sufficient proportions to absorb much of the reduction in defense spending and in expenditures for plant construction. The emphasis upon research will produce new products for a growing population. Bank deposits and earnings should keep pace with this gradual upward movement. Present Federal Reserve policies seem to indicate that there will be no noticeable change in interest rates, and that money will be available for proper uses as the demand arises.

Charles W. Hoff

ROBERT H. HOGE

President, The Clark Controller Company

Industrial control business was not as easy to obtain in 1954 as it was in several of the preceding years. A number of plant expansions, particularly in the heavy industries, had been completed or were nearing completion, which fact reduced somewhat the demand for special engineered control equipment.

Robert H. Hoge

On the other hand, the general "mix" of business was extremely good with actual improvement in what is referred to by our industry as "standard duty and modified standard controls."

Most of the decline experienced in the control industry occurred during the middle of 1954. The last quarter showed definite improvement from this downward trend. Most companies in our industry are reflecting an increased optimism prompted by the increased business during this period. The outlook for 1955 is by no means certain but this optimism continues and there is almost universal expectation of further improvement during the year.

I am not entirely convinced that these expectations are well grounded for all phases of our line of business. In our company we consider it a year that must be approached realistically, as one in which to expect increasing competition for the available business and an increasing demand for product improvement which should create new business.

Many industries, on which our sales depend, have announced expansion programs that will produce a good market for both standard and special controls. The sound expectations for new business in 1955 is based on these announcements and the general health of industry and we concur on the conservative side with these expectations.

Control equipment is one of the principal elements for implementing cost-saving manufacturing methods. Also, procedures for quality and efficiency control on a plant-wide basis inherently require industrial controls.

Practically all industry is faced with some lessening of volume while confronted with higher "break even" points. In this atomsphere we believe that our industry

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has a unique opportunity to accomplish much in creating its own markets by designing controls that require acceptance by other companies sincerely interested in lowering their costs and improving their general efficiency.

It is this latter consideration that will have the major influence on our policies in 1955. We are expanding our New Products Division and concentrating on the fundamental concept that we must render substantial and perhaps unusual service to justify receiving the volume of business that would represent company growth in the kind of market that seems to be shaping up in 1955 and perhaps for several years to come.

An improvement in control products and even more expert engineering assistance, coupled with an alert commercial service describes the implementation of our attitude concerning how to obtain business in 1955. We expect reasonable success from this approach.

HOWARD HOLDERNESS

President, Jefferson Standard Life Insurance Company, Greensboro, N. C.

Howard Holderness

1954 will be the best year in the history of the life insurance industry. With general good prospects for business in 1955, I expect some improvement over 1954. Competition within the insurance industry has become much keener, which is a healthy condition and results in increased sales and benefit to policyholders in a lower cost of insurance.

With business continuing to be good, there should be a continued demand for financing. I do not believe that interest rates will be materially changed during the year and that current investments can be made at a satisfactory return.

JOHN HOLMES

President, Swift & Company

A new all-time record in meat production, with an increase of 2% over 1954, is predicted for 1955.

If this government forecast proves true, the total volume of meat available should provide for average consumption of about 155 pounds per person. Because of a daily population increase of some 7,000, consumption per capita is expected to be about the same as in 1954.

John Holmes

Increasing employment and income stemming from business expansion indicates a sustained and probably rising demand for food products during 1955. To meet this demand there is every indication that production during the coming year of meat and dairy and poultry foods will continue an upward trend. This is part of the progress for higher living standards and better nutrition for which the foods rich in protein are basic requirements. Our increased population means that if we are to maintain high dietary standards, more food will be needed every year. Fortunately, the food industry has expanded at a rapid rate since World War II and in most areas there is no shortage of capacity to manufacture and distribute a wide variety of food products, including hundreds of new ones.

The increase in supply for the meat industry will be accounted for mostly by pork, which, according to the government, may gain about 5%. Beef, which attained an all-time high in production during 1954, should remain about the same. Some increase in veal and a slight decline in lamb and mutton is predicted.

Feed supplies apparently are adequate for continued heavy output of livestock and dairy and poultry products despite severe drought conditions in some areas during 1954.

PAUL E. HOOVER

President, Anglo California National Bank, San Francisco, Calif.

Before reviewing the year as it affected Anglo, let us briefly survey the economic scene and attempt a glimpse into the near future.

Paul E. Hoover

From mid-1953 to mid-1954, national economic trends reflected readjustment to a reduced level of national defense expenditures, a general reduction of inventories in manufacturing and trade, and intensified competition resulting from the expanded productive capacity of new and more efficient plants. This readjustment affected different industries in various degrees but had a remarkably small effect on the national income. By the middle of 1954 there was evidence that the readjustment had been completed in most industries. In the last quarter there was increasing evidence that the trend of employment, production and trade had again turned upward.

Able students of business and economics now forecast a moderate improvement during 1955. They find evidences of the health of the domestic economy in the large employment totals, the stability of prices generally, the large proportion of the national income represented by savings, the stability of farm income at relatively high levels and the expectation of a continued high level of activity in the construction industry.

Turning now to our own State, we believe that California, endowed with rich natural resources and with climatic and other advantages, will continue to enjoy more vigorous growth trends than the United States as a whole. Its rapid rate of growth of population brings with it continuing requirements for housing, service industries, public construction and the expansion of manufacturing industry. Mass markets are being created and, to serve them economically, industry is locating new plants in the West on an increasing scale. Expenditures for construction of all kinds in California since the war have equaled from 16% to 20% of national totals although the population is only 7% of the national total.

For forty-six counties in northern and central California, the area served by Anglo Bank, aggregate expenditures for new construction in 1954 were at an all-time high. Present indications are that construction activity in California will be sustained at its current high level or rise further in 1955. This forecast is based on the expectation of a further increase in population, which will require more homes, schools, highways and other essential facilities in this area.

Reflecting the vigorous growth trend, non-agricultural employment in California declined less from its 1953 peak to mid-1954 than in the nation as a whole, and for the year 1954 is estimated to have averaged approximately 1% below 1953.

Agricultural income has been in a declining trend for several years and a further decline is expected in 1955. The world supply of foods and fibers has recovered from the ravages of war and we face further problems of adjusting our production to demand. Additional restrictions on cotton acreage, announced in November, 1954, will particularly affect the San Joaquin Valley, where cotton has become an important cash crop in recent years.

The outlook for the California economy is at least as good as that for the nation as a whole. The year 1955 promises to be a year of moderate growth, continued vigorous competition, high employment and income, high production and active trade. Prices and the cost of living should be stable. There is no reason to expect either boom or depression but there are sound reasons to anticipate a good year for business and banking.

JOHN W. HUMPHREY

President, The Philip Carey Mfg. Co.

About one year ago most forecasts indicated a moderate decline in construction and in our general economic activity. As it turned out we did have a minor recession last year, but it was offset considerably by a tremendous increase in building activity with the result that, while historians will probably have to record 1954 as a slight recession as related to 1953, it was still one of the most prosperous years in our history.

John W. Humphrey

One of the major factors minimizing the effect on last year's general confidence concerning declining production and sales in many industries was the unexpected increase in construction. While housing starts, as reported by the U. S. Department of Labor, lagged 5 to 10% behind 1953 during the first four months, they forged well ahead beginning in May. Moreover, Residential Contract Awards, as reported by F. W. Dodge Corp., exceeded prior year's awards beginning in February, and the gains accelerated throughout the year. Dodge in their November forecast estimated a 5% increase in building and 6% increase in total construction during 1955. The U. S. Department of Commerce looks for an overall increase in construction of 7%, and both anticipate in excess of 1,200,000 housing starts this year. Many forecasters now feel that 1955 will be a banner year for construction, and some go so far as to say the end of the building boom is no where in sight.

There appear to many very sound reasons for expecting a high level of construction during the current year. Our own experience indicates that sales of such building materials as asphalt roofing, asbestos-cement siding, household insulation, bathroom cabinets, kitchen fans, etc., lag behind contract awards from two to five months. With residential awards running 23% ahead of 1953 at the end of November, and with Industry output generally lagging the increase in potential over the past several months, we are anticipating a heavy demand for our products during at least the first half of 1955.

The continuing high birth rate; the upward shift in average income; increased old age security benefits; and the Housing Act of 1954, are all factors creating a favorable potential for building materials. Also the "Do It Yourself" trend coupled with a substantial increase in personal savings as related to disposable income—should result in more than normal demand for the residential maintenance market. The current trend toward larger families should also have a favorable effect on the volume of remodeling and maintenance work.

According to all available statistics, there is still a substantial shortage of schools, and it is estimated generallly that potential for educational and science building volume will run at least 12% ahead of last year which was 25% greater than 1953.

The expanded highway program—necessary to alleviate the already serious traffic congestion in many urban communities—is expected to be 18% greater than last year and should further stimulate the building of roadside motels, shopping centers, and similar non-residential construction in suburban areas.

While the outlook for non-residential construction does not appear quite as favorable as housing, capital spending is currently showing an upward trend, and the volume of commercial building is estimated by various economists to be 7% above that of last year.

All factors considered, we feel that 1955 will be another good construction year and that the potential—for those who do the aggressive selling and merchandising job that will be required—should be even better than 1954. Competition, however, will be keen and the Carey organization is constantly keeping before it the objective of continuing to improve the design and quality of our products and to further strengthen our position on service through addition of new manufacturing facilities and warehouses. We look forward with a great deal of confidence to 1955.

MARTENS H. ISENBERG

President, Combustion Engineering, Inc.

Last year was somewhat disappointing in our industry. We expected a lull in utility buying of power generating equipment as a consequence of the accelerated buying that prevailed throughout the several years of the Korean War. But the anticipated "breathing spell" was longer and more severe than was expected. Whereas we looked for a resumption of buying around mid-1954, it did not appear until the latter months of the year. However, the current trend is definitely upward, and present indications are that our volume of utility orders in 1955 will show a considerable improvement over 1954. This view is supported by the fact that the utility load continues to increase at a gratifying pace and in many sections of the country at a higher rate than the most optimistic estimates of a year ago. Industrial requirements for steam are also on an upward trend, reflecting the increasing rate of general business activity. During the past year the company developed and placed on the market two new types of boilers both of which have wide markets in industrial plants generally as well as in the larger institutions and military bases. With these new products supplementing the company's already extensive line of industrial boilers, we anticipate a steadily improving situation with respect to this type of product.

Martens H. Isenberg

Our present estimates indicate moderate increases in dollar volume in other fields in which the company is engaged, principal among which are the manufacture of pulverizing and drying equipment for many industries and for disposal of industrial and municipal wastes and the manufacture of gas and electric water heaters and soil pipe for homes. The company's line for the residential field will be augmented this year by several new products and these, in conjunction with the higher volume of potential for home appliances indicated by forecasts of residential building, should result in increased sales to this field.

While earnings in 1955 will reflect the reduced volume of utility orders during the past two years, the prospects for a higher volume of bookings from utilities and all other fields served by the company are very encouraging.

WALTER L. JACOBS

President, The Hertz Corporation

The car and truck rental business, a good index of both general business activity and consumer spending, looks to another good year in 1955.

The first half of the year should show a continuation of the upturn noted in the last half of 1954. Although a forecast of general business which extends past a six months period is risky, there are several factors in our own industry which make the entire year look bright.

Walter L. Jacobs

First, ours is still a comparatively young industry and we are now reaping dividends from our tremendous postwar advertising and promotion program. The public is better acquainted with the convenience of renting cars away from home. As more and more businessmen try our service, they become converts to the time-saving and carefree plan of making a comfortable trip by train or plane and renting a car at their destination.

Second, Hertz, as well as other companies in the business, is expanding operations in several directions. The major share of our business comes from out-of-towners. Therefore, we are continuing to expand service at airports and railroad stations. Hertz now has operations at more than 150 airports and at major railroad terminals in many important cities.

Third, and this is important since Hertz is in the consumer as well as the business market, we anticipate that use of rented cars for vacation travel, weekend jaunts, and other forms of pleasure driving, will continue to increase. Again, our postwar promotion program will pay off.

It is interesting to trace the car rental business growth which has accompanied our system's ambitious national advertising program.

In the 10 years from 1937 to 1946, when advertising expenditures were modest, the Hertz system showed about a 100% increase in revenues. Most of this came in the war years when use of private automobiles was restricted. From 1947 through 1954, seven years, as our national advertising budget increased to more than $1,000,000 a year, our revenues soared nearly 400%.

Naturally, good business in 1955 will not be ours simply for the asking. With other business firms—our customers — more cost-conscious than ever before, we must continue to emphasize superior service and to promote vigorously. We must seek new ways to win customers and keep them satisfied.

There is one other field in which businessmen's cost-consciousness should help us. We look for a substantial increase in truck leasing, since alert companies will find it advantageous to free their own capital now tied up in transportation equipment, and relieve themselves of bookkeeping, maintenance, and other costs as well as oversize headaches.

C. C. JARCHOW

President, American Steel Foundries

American Steel Foundries has been in the business of manufacturing steel castings and other heavy goods equipment since 1902. From the time of its formation until the end of World War II, it was dependent upon the railroads for in excess of 90% of its volume. Since the end of World War II, diversification steps have been taken through entering the machine tool and hydraulic machinery business, the roller chain and sprocket field, and the development of products for other industrial uses. During our 1954 fiscal year that ended Sept. 30, our railroad business decreased to approximately 50% of our total.

C. C. Jarchow

The railroad products consist of freight car trucks, freight car wheels, freight and passenger car couplers, braking equipment for freight and passenger cars, and other component parts for rolling stock. The new cars ordered by the railroads in the 1954 year dropped to a new postwar low, and it is felt that an increase in car buying is inevitable. Carloadings of the railroads have increased in recent months and this should contribute to greater new equipment purchases as well as an increase in repair and replacement purchases.

It is expected that the lines related to other than railroad business will have good volume in the 1955 year. Business and profits for the machine tool field will be satisfactory but less than the 1954 year, during which it was necessary to sub-contract a considerable amount of work in order to meet the delivery schedules established by the substantially increased volume. The roller chain and sprocket business should be slightly better in 1955 than in 1954.

The diversification moves referred to above, combined with those anticipated, should provide a degree of stability that did not exist when we were so dependent upon the railroads. In our 1954 year, approximately 60% of our net income after taxes was attributable to these diversification steps. It is estimated that income from these sources in our 1955 year will make up an even greater precent of our total income.

In summary, an accurate estimate on 1955 for our company cannot be made until such time as the 1955 carbuilding programs for the railroads have been established. However, based upon our estimates for such programs, we anticipate volume and profits somewhat less than that experienced in our 1954 year.

PAUL W. JOHNSTON

President, Erie Railroad Company

In the past year, most railroads of the country successfully met the challenge of adjusting their expenses to partially offset a decline in revenues. While profits were considerably lower than in previous years, the huge capital investments that have been made in new equipment and other operating efficiencies carried them through a difficult adjustment period.

P. W. Johnston

As a whole, the railroad industry was faced with a drop of about 12% in operating revenues. In itself, this decrease was not great but because many elements of railroad operating costs cannot be reduced proportionately when traffic and revenues decline, the effect upon net earnings was quite severe, consequently net income after fixed charges for all railroads was off about 35%.

Railroad freight traffic, particularly in the east, began to decline in September of 1953 when military requirements were reduced following the end of the Korean war. This, of course, had an effect on the industrial production of many manufacturing concerns including the steel industry which the Erie serves in the Youngstown, Warren and Sharon areas. With steel production down, the Erie handled less iron ore over its Cleveland dock and fewer finished products from the steel mills. The movement of coal and coke was also affected.

Another contributing factor was the change in dates last year for introducing new automobiles to the public. Practically all manufacturers engaged in a retooling process for several weeks, which curtailed automobile production, thereby postponing inbound and outbound rail movements.

In order to adjust our operations to the prevailing pattern, it became necessary to effect economies and reduce expenses wherever possible without impairing the quality of our service or the physical condition of the property. With close control over expenses, we were able to report a profit every month last year.

Continued efforts are being made to increase our gross revenues by becoming more competitive, both servicewise and pricewise. Rate adjustments have been made in certain commodities which should produce more business. In July, the Erie established "piggy-bank" service for handling highway trailers on railroad flat cars between New York, Newark and Chicago. The results have been encouraging and we are now planning to extend the service to a number of other territories served by our railroad.

There are many indications that point to optimism for the future including a steady advance in our standard of living. The business uptrend has been making progress in the last few months and industrial activity in the Erie area and throughout the nation seems to be gaining momentum. We expect the rising trend to continue and are looking forward to a better year in 1955.

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 threshold 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.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

Operating revenues of the Illinois Central Railroad in 1954 are expected to be the fourth highest in the company's 104-year history. They are estimated to be $277 million for the year compared with an all-time high of $308 million in 1953. Other years in which revenue exceeded 1954 were 1952 with $307 million and 1951 with $295 million. Operating expenses in 1954 will amount to approximately $211 million contrasted with $221 million in 1953. Net income, before sinking fund requirements, of approximately $21 million, or $7.32 a common share, is expected in 1954. This compares with $26 million, or $9.30 a common share, in 1953.

Wayne A. Johnston

A comprehensive survey recently made by the Illinois Central indicates that traffic volume this year will nearly equal that of 1954. Gross revenues in 1955 are estimated to be slightly in excess of $267 million as compared with the $277 million in 1954. There are certain indications that business next year will be better than present expectations.

It is anticipated that operating expenses of $206 million will be about $4 million less than in 1954. This estimate of operating expenses does not take into account pending demands for increased wages and fringe benefits.

On the basis of expected revenues and expenses, net income before sinking fund provisions should total approximately $17 million for 1955.

The Illinois Central is planning at this time 1955 capital expenditures of about $20 million for replacements and improvements, compared with $24 million in 1954. In 1954 capital expenditures included 200 track miles of new rail, 1,500 boxcars, 115 covered hopper cars, three passenger diesel locomotives, and 48 general purpose diesel locomotives. Included in the 1955 capital expenditures budget are 128 track miles of new rail, replacement of bridges and improvement of yard and other facilities.

Approximately $12 million will be allocated for the acquisition of 70 general purpose diesel locomotives which will be assigned to freight service. Upon receipt of these units the Illinois Central will have a total of 372 diesel freight and passenger locomotives. When the additional 70 units are placed into service, the Iowa and Vicksburg divisions of the railroad will be completely dieselized. The Springfield Division will be dieselized with the exception of switching service at certain locations. The new locomotives will be covered by an equipment trust to be issued in January, 1955.

The 1955 freight car program calls for the purchase of 100 seventy-ton hopper cars. It is also planned to equip 100 freight cars for specialty loadings. The 1955 freight car repair program provides for comprehensive repairs to 12,200 cars. This work will be carried on principally in the railroad's own shops at Centralia, Ill., Memphis, Tenn., and McComb, Miss.

The principal financial achievement during 1954 was the refinancing of three bond issues totaling $120 million. The replacement of these issues with new issues aggregating only $112 million and at a more favorable interest cost to the Illinois Central will produce a savings of about $20 million over the terms of the old issues. The board of directors has been giving serious consideration and study to the possibility of redeeming the 6% noncumulative convertible preferred stock of the railroad. It is anticipated the directors will make a decision on this step in the company's financing program at their regular monthly meeting on Dec. 17. Looking to this end, the directors of the Illinois Central at their meeting on Nov. 19 authorized an invitation for bids on $18 million of 25-year sinking fund debentures which was published on Dec. 1. If a favorable bid for the debentures is received and accepted, the proceeds of this sale will be used for redemption of the preferred stock.

Total bonded debt at the end of 1954 will amount to $129,500,000 as contrasted with nearly $246 million at the end of 1944. Debt was reduced over $8 million during the year through the use of that amount of treasury cash in the refinancing operations. Including equipment trust obligations, amounting to about $59 million, the total debt of the railroad as of Dec. 31, 1954, will be $188,629,000 as contrasted with a total debt of $282,110,000 10 years ago.

The reduction in the funded debt of the company which has been accomplished during the past 10 years has resulted in a reduction of annual fixed charges from $12,833,579 in 1944 to $7,063,227 on the basis of the debt which will be outstanding on Dec. 31, 1954. Annual interest on the debt, alone, has been reduced during this period from $11,827,501 to $6,162,174, very nearly one-half. Issuance of the debentures referred to, and an additional equipment trust to partially finance the 70 diesel locomotives next year will, of course, cause some increase in the debt interest and fixed charges in 1955 over the condition as of Dec. 31, 1954.

In May of this year the stockholders approved a proposal that the Illinois Central split its common and preferred stock on a two-for-one basis without changing the capital represented by such stock. Each share of common stock of the par value of $100 was reclassified into two shares of common stock without par value. Each share of preferred stock with a par value of $100 was reclassified into two shares of preferred stock with a par value of $50 and retains the same preferential and conversion rights as previously. On Dec. 1, there were

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outstanding 2,716,276 shares of common stock without par value, and 372,586 shares of preferred stock of $50 par value.

A dividend of $1.25 per share on the $100 par value common stock was paid in April, 1954. Following the stock split, which became effective in June, 1954, dividends of 62½ cents per share were paid on the no par value common stock in July, October and December.

A dividend of $3.00 per share on the $100 par value preferred stock was paid in March, 1954, and a dividend of $1.50 per share on the $50 par value preferred stock was paid in September.

Taxes for 1954 are estimated to be $33 million of which $11½ million will be Federal income taxes. The outlook for 1955 indicates no real relief from the present high level of taxes.

The competitive position of the Illinois Central within the railroad industry remained strong throughout 1954. Public subsidies to competing forms of transportation continue as a threat to the competitive position of the Illinois Central and all railroads. The decision to construct the St. Lawrence Seaway to enable foreign ships to ply the St. Lawrence River and the Great Lakes, and proposals to develop the Calumet-Sag Channel, all at public expense, will work further injustice to the position of the railroads, which must compete against water carriers whose facilities are provided by the taxpayers, of which the railroads are a major group. If it is decided that public authority should develop waterways, provide highways for truck and bus operation, and provide airport and other facilities and service, some definite provision should be made by law establishing fees, tolls or service charges which will adequately reimburse the taxpayers for those costs incurred in providing these facilities tax free for the benefit of commercial operations. Such action will help to eliminate the unfair competitive base on which railroads must operate and will require other forms of transportation to pay their own way as the railroads are doing.

The time is long over-due when railroads should be accorded equality of treatment in the true spirit of the private American enterprise system. The right to exercise basic managerial judgment, which has long been denied railroads through substitution of the decisions of regulatory bodies, should be returned to railroad management. One of the principal reasons for the financial plight of the railroads over the years is the lack of freedom on the part of railway managements to price transportation service to meet cost and competitive conditions on a current basis. The time-lag between application for relief to public authority and the granting of such relief is unrealistic, time-consuming and expensive. It results in great losses of revenues to railroads during the period adjusted rates and fares are not in effect and makes such relief as may be granted inadequate in the light of new cost advances as may have occurred in the intervening period. Under such conditions railroads are at an extremely unfair disadvantage in relation to their publicly subsidized and relatively regulation-free competitors.

This same type of time-lag curses the railroad in the matter of discontinuing operations which are unprofitable because the public does not support them to the extent necessary to justify their cost. Under such conditions public service and convenience is not involved, yet the railroads are faced with long and tedious hearings, many times with lengthy court actions, before they can eliminate costly and unused operations. This condition exists despite the fact the National Association of Railroad and Public Utility Commissioners has itself publicly recognized the inequity of such treatment.

Earlier this year a committee was appointed by the President of the United States to study the national transportation problem and to make recommendations to him. The conclusions of this committee will soon be released. It is the hope of every railroad officer and stockholder that this report will lead to all-out action for correction of the abuses imposed by obsolete regulation under which the railroads have been forced to operate. It is also hoped that the report will recommend to the President that legislation be introduced compelling commercial users of public facilities to fully reimburse the public treasury for the cost of facilities provided them at the taxpayer's expense.

There have been signs in some quarters of giving up the battle to have all forms of transportation stand on their own feet financially. There have been suggestions that since competitors of the railroads receive benefits from the public purse, the railroads too should receive handouts to meet subsidized competition. I believe this is a gloom-and-doom philosophy. We have been fighting an issue which is wrong in principle. To add another wrong by subsidizing railroads will not make a right. While the subject has been discussed by railroad people the nation over, the greatest fight is still ahead. It is a battle that railroads cannot afford to lose. Subsidizing railroads would be tantamount to the closing of the vise in the nationalization not only of the railroads, but of all transportation. It would be a repudiation of our heritage and traditions and would in effect be an admission that the private enterprise concept has been a failure. My answer is to fight with all our strength and resources to uphold the philosophy of each business paying its own way.

I subscribe wholeheartedly to the courageous statement recently made by Richard F. Mitchell, Chairman of the Interstate Commerce Commission, when he said that a change is needed in the regulation of transportation so as to bring about an equality of treatment for all forms of transportation and that if any agency could not then compete in such an atmosphere of fair terms, it must then fall by the way as a fairly-felled casualty of the American competitive system.

J. E. JONSSON

President, Texas Instruments Incorporated

Continued research and expansion characterized the 1954 operations of Texas Instruments Incorporated, Dallas-based firm specializing in the manufacture of electronic and geophysical equipment and geophysical exploration for petroleum. Employing about 2,100 persons and listed on the New York Stock Exchange, Texas Instruments is the largest local factor in the rapidly growing electronics industry.

J. E. Jonsson

TI's active research and development program resulted in the introduction of many well-received new products and services during 1954. Land has been purchased for one plant expansion in Houston and another plant expansion will begin soon in Dallas.

Estimated TI sales in 1954 are approximately $24,000,000. This is slightly below 1953 sales as a result of the general decline in U. S. and Canadian geophysical exploration and a stretchout in military contracts early in the year. But as a result of a combination of favorable factors, the outlook for 1955 is for an increased sales volume exceeding not only 1954 but also the record 1953 level.

Geophysical Exploration Activities

As 1954 closed, contract geophysical exploration operations (conducted through subsidiary Geophysical Service Inc. and its worldwide affiliates) were at a high for the year. This high level should lead to an all-time high in 1955, aided by both the general interest in foreign exploration and the introduction of new geophysical instruments from Houston Technical Laboratories and consequent improved techniques.

Three new GSI affiliates were established during 1954 to serve the growing foreign exploration effort. Geophysical Service (Nederland) N. V. was established in July to serve Europe, Asia and Africa. GSI (Bahamas) Ltd. and GSI, Ltd., both announced in December, will operate in pound sterling areas. The over-all Texas Instruments exploration operation now consists of 11 GSI affiliates covering all areas of the free world.

New Electronic Products

In commercial electronics equipment, TI's considerable research and development effort resulted in several outstanding industry "firsts" during 1954. These included the germanium transistors used in the first transistorized radio available to the public, the first high temperature transistor made of silicon, and a complete line of 32 transistor-transformers.

Of America's "biggest names" in the electronics industry, only Texas Instruments has yet succeeded in producing in commercial quantities transistors (minute vacuum tube substitutes) made of silicon. Announced and in production since May, production of the high temperature, high frequency silicon transistor has kept pace with demand with output now in the tens of thousands.

Because of its superior characteristics, the silicon transistor has a great future in airborne and other complex electronics equipment where operating temperatures and frequencies are high. Even though no other electronics firm has yet mastered their production, in December TI made a 25% price reduction as a result of improved manufacturing techniques and expects this action to speed the commercial application of silicon transistors.

Our firm scored another great electronics industry "first" in late 1954 when its low cost, high gain germanium transistors made possible the introduction of the first transistorized consumer product—a pocket radio now on retail sale. As late as September, "Collier's" magazine predicted that a commercial transistorized radio receiver was several years away. In late October the radio using TI transistors was announced by Regency Division of I. D. E. A., Inc., and is now on sale in New York and Los Angeles and soon will be in Dallas and Texas. Public reception has exceeded expectations, with the radio manufacturer being hard put to meet demand in those areas alone. Texas Instruments has succeeded in producing the germanium transistors in quantities more than sufficient to meet the radio demand to date.

Sales of transistor and other semi-conductor devices are expected to make an increasingly important contribution to consolidated sales in 1955. A 33,000 sq. ft. addition to the TI main plant at 6000 Lemmon Avenue will be built in the first quarter, principally to house the rapidly expanding semi-conductor products, research, development, and manufacturing operations.

Developments in Petroleum Instrumentation

Houston Technical Laboratories in 1954 saw its first full year of operation as a wholly-owned subsidiary and as the Petroleum Instrumentation Division of Texas Instruments. HTL makes the geophysical instruments which are used in petroleum and mining exploration by GSI and are available for purchase by others.

Several new products were introduced by HTL during 1954, including: the High Resolution shallow reflection seismic system for mining and petroleum exploration, the versatile 7000 seismic reflection system, and Log Level Indicator seismic instrument, the *MagneDisc* magnetic disc recording seismic system, and the inexpensive and high quality *Miraloy* coated instrument mirrors.

The expanded HTL activity in both geophysical instrumentation and precision optics production made another plant expansion necessary. Construction will begin in 1955 on a new and larger building now being designed. The new Houston Technical Laboratories plant will be located on a 6-acre tract on the Buffalo Speedway in Houston, which was purchased in late November.

New Military Contract

Texas Instruments—as a major producer of military airborne electronics systems, including radar, sonar, and magnetic air detection devices—was adversely affected by 1954's general stretchout of Government military contracts. A Government contract for $2,500,000 in airborne electronics equipment has just been announced by TI.

Military order backlog is currently some $13,000,000. Military business in 1955 is expected to be at substantially the same level as in 1954.

Divisionalized Organization Takes Effect

Taking effect on last Jan. 1, the new TI "divisionalized" organization had its first full year of operation in 1954. Regarded as highly successful, the organization structure was changed from "functional" to "divisional," wherein each product group performs its own development, purchasing, accounting, manufacturing, and marketing operations.

This organizational structure inspires greater speed and flexibility of operation and is a great aid in developing the executive abilities needed in an expanding company. Each TI product or service division now operates essentially as a complete entity, analogous to a company, with over-all activities coordinated and assisted by a compact headquarters staff.

Summary and Outlook

I regard the past year's events as proof of the essential stability of a diversified, divisionalized organization. Even though activity declined unavoidably in some areas, compensating growth in others maintained the balance of our corporation.

And in 1955, with the market outlook being more generally favorable, our new and broadened range of products and services should result in increased penetration of existing markets and a new record sales volume.

WILLIAM C. KEELEY

President, Vanadium Corporation of America

Prospects for the production and sale of ferro alloys in the current year are favorable. The improvement in demand for ferro alloys which occurred in September, 1954 following almost a year of decline, is continuing.

Wm. C. Keeley

The slump in output of ferro alloys during 1954 followed 1953's all time record high level of ferro alloy production. Alloy steel makers pared their inventories progressively throughout the first nine months of 1954.

With the introduction of new models in the automotive industry in the fall of 1954 and the encouraging reception accorded them by the public, alloy, stainless and tool steel producers experienced a substantial increase in demand, and again began building their inventories of ferro alloys. Because of the extremely low level to which inventories had been permitted to fall, it is likely that ferro alloy production this year will run considerably ahead of actual use, the balance being used to place inventories in a more normal position.

Apart from the optimism prevailing in the automotive industry, other segments of the American economy which are large consumers of products made with ferro alloys look forward to good business in 1955. The construction industry, which consumes large tonnages of alloy steels, faces still another record year, according to industry forecasts. Appliances manufacturers also are expecting increased production and sales during the coming 12 months.

The long range outlook for the American economy in general and for consumption of ferro alloy products in particular is one of continued growth. The nation's population is expanding every year by between 2½ and 3 million. The output of each of our labor force of more than 60 million workers shows a steady and consistent rise. This gain in output, possible because of ever increasing use of mechanical instead of human power, is responsible for our ever-rising standard of living. Future prospects spell an unprecedented high level of business activity. With the emphasis upon machines, and the importance of their dependability and durability, alloy steels will become increasingly important.

Vanadium Corporation of America in 1954 experienced in both sales and earnings a decline from the peak levels of 1953. Because of broader diversification of products and increased efforts along selling lines, the decline in the corporation's sales was considerably less than that for the ferro alloy industry as a whole. Earnings of the Corporation declined by an even lesser percentage. The Company's operations were benefitted by increased sales to the chemical and aluminum industries and also by a higher level of activities on the Colorado Plateau, where vandaium-uranium ores are mined and processed for the Atomic Energy Commission.

Demand for ferro alloys currently is running at close to the record levels of 1953, and the outlook for the balance of the year is enhanced by the enthusiastic reception of various new and improved ferro alloy products recently introduced.

More new products are under development, and should be introduced during the current year. Research activities, under the guidance of the new research center completed last year in Cambridge, Ohio, are continually in search of new materials and new methods by which America's metallurgists can better provide the metals which today's advanced technologies are demanding.

R. LEE KEMPNER

President, United States National Bank, Galveston, Texas

Everyone has been reading of the most favorable prospects for 1955, such as: worries will lessen; pessimism will fade out of the picture; war and strife will be out of fashion; prosperity will prevail; business activity, employment and purchasing at a new high; not a cloud in the business sky; etc., etc.


R. Lee Kempner

Assuredly the preponderant, if not the universal view is rosy-hued. Without being a predictor of gloom or doom, doesn't it behoove us nevertheless to move cautiously. Perhaps it might be in order to continue wearing our rose colored glasses but shouldn't these glasses be bi-focals, allowing us to see not only all the beautiful highly colored prospects but at the same time to watch our step and mingle optimism with caution. An able and experienced captain of a vessel, whether it be the Ship of State or one that sails the Seven Seas, even in the calmest weather posts a round-the-clock watch, scanning the calm seas and the clear horizons for any possible change or disturbance. Let us maintain such a careful watch without unnecessarily reducing "Full Speed Ahead."

J. C. KEPLINGER

President, Hercules Motors Corporation

The demand for internal combustion engines, including gasoline, diesel and natural gas types, should increase during the present year. Many signs point to this.


J. C. Keplinger

Beginning late in 1953 and continuing into 1954 the internal combustion engine industry experienced a lowering demand for its products, due primarily to the cessation of activities in Korea and the relatively high inventory position of its customers. This led to a gradual leveling out in the return to a peace-time economy.

As we begin the New Year our industry as a whole appears to be in a good position to take advantage of any increased demand, which appears as a reasonable prospect based upon upward trends reported in business generally.

With the period of readjustment behind us and with inventories worked back to encouraging levels, 1955 looks to the writer as a year in which aggressive selling, economical manufacture and new product development will yield good returns.

The Hercules Motors Corporation approaches the New Year with confidence that its new program, involving many far-reaching developments which will fill a long-existing need in the internal combustion engine field, will stimulate business, and anticipates a period of tight competition which will result in benefits to both buyer and seller.

J. P. KILEY

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Co.

I believe the year 1955 will show a somewhat higher volume of rail freight traffic and that the increase will range from 4% to 7% over 1954.

So far this year we have had fine operating weather, and with a continuation of it, we expect our operating results for the first quarter will be substantially better than the corresponding period a year ago.


John P. Kiley

Because of increased benefits granted our employes during the year 1954, we will be faced with higher operating costs this year. I refer particularly to holiday wage payments and health and welfare payments.

At this time the agricultural outlook for 1955 in our territory is favorable, and with some revival in the output of manufactured goods (of which there is an indication), we look forward to a reasonably good year.

Our railroad, in terms of mileage, is now among the largest in the country having all of its traffic handled by electric and Diesel-electric locomotives.

Our road property and equiment are in excellent shape and we are in a position to handle promptly and efficiently a substantial volume of additional traffic.

ALLEN S. KING

President, Northern States Power Company

The area served by Northern States Power Company enjoys an economy that is well diversified as between agriculture, dairying and large and small industries. The swings of the business cycle are less pronounced in the NSP area than they are in many sections of the country where economic foundations are built upon one or a few large industries or natural resources.


Allen S. King

The experience in 1954 substantiates this general observation. Residential building continued at a high level; retail sales maintained substantial increases, and many portions of the industrial activity maintained smaller but satisfactory increases. In the third and fourth quarters of 1954 there was a decline in certain manufacturing businesses; particularly in agricultural implements and in those affected by reductions in government defense orders. However, the impact of these curtailments was softened by the continued expansion of other parts of the economy of the area.

Northern States Power Company experienced a satisfactory year in 1954, with a 7.6% increase in gross revenues. The Company continued to benefit from the favorable diversity of load and revenues, experiencing increases in residential, rural, and small light and power sales more than offsetting some declines in certain industrial classifications.

Forecasts indicate that new housing construction in 1955 will continue at about the same rate as in 1954. The resulting increase in residential customers coupled with a wider use of electrical equipment, such as washers, dryers and air conditioners, should push residential, rural and small light and power sales upward along the trend lines experienced for a number of years.

Consistent with the stable growth pattern that has characterized its service territory, NSP 1955 construction expenditures for new and expanded facilities to meet demands for electric and gas will amount to $51.6 million, which is approximately two million dollars more than was spent in 1954. Generating capacity of 100,000 kilowatts will be added to the system in 1955 with the completion of Unit No. 3 in the Black Dog plant near Minneapolis, wihch will bring the total rated capacity up to 1,233,630 kilowatts. This is the second 100,000 kw unit installed in the System, and a third, scheduled for operation in 1956, is now under construction at the High Bridge plant in St. Paul.

The area served by Northern States Power Company in Minnesota, Wisconsin, North Dakota and South Dakota, including the Twin Cities of Minneapolis and St. Paul and some 500 other communities, is expected to continue its solid growth pattern during 1955, with a steady though not spectacular increase in general business, and with the probability of some retail lines reaching an all-time high.

FRANK L. KING

President, California Bank, Los Angeles, Calif.

Compared with normal standards, 1954 was an active and progressive year even though the general economy operated at a somewhat lower level than in the record year of 1953. Presently a spirit of optimism regarding business in 1955 is almost universally evident.


Frank L. King

The construction industry, which gave vigorous support to the economy in 1954, is expected to continue to prosper in 1955.

Higher output by utilities in 1954 points to a steadily increasing demand for power, both residential and commercial. Indications are that this trend will continue in 1955.

The automobile industry has recently reached its highest production level since 1950. Leaders in the field predict that production in 1955 will exceed 1954 by more than a quarter of a million passenger cars. Greater activity in the steel and rubber industries has resulted from the increased production by automobile manufacturers.

A feeling of cautious optimism prevails in the petroleum industry, with production in 1955 expected to be 3% greater than in 1954. According to trade sources, the threat of a general decline in product prices seems to have disappeared.

In banking, the growth of demand deposits reflects the nation's increased industrial activity. Such deposits have increased steadily, the rise in Southern California being even more rapid than in the nation as a whole.

All the notes of optimism that are sounded certainly do not mean that 1955 will be a year without problems; in fact, many of our problems become more acute as industrial growth and expansion are accelerated. One problem is the development of executive manpower. Ninety-two per cent of the participants in a recent survey expressed the opinion that the biggest problem of bank management, as well as of industry in general, is the training and building of successor management. In 1954, the economy operated at more than double the level immediately preceding World War II, yet in the case of many companies, both large and small, key administrative talent tends to overburden competent executives, the resulting premature retirements thereby aggravating the problem.

Despite the optimism expressed by business leaders and the prosperity predicted by many financial writers, certain prominent economists believe that the year 1955 should be approached with some caution. In any event, we may be sure that the future, while bringing its quota of problems, will also be laden with opportunities. Industry should expend every effort in developing management to meet the challenge: management not only capable of coping with problems as they arise, but able and elert to grasp the outstretched hand of opportunity.

FRANK F. KOLBE

President, The United Electric Coal Companies

Considerable publicity has been given the so-called "sick" coal industry, and during the past two or three years it has had numerous problems. Competition within the industry, importation of foreign oil, and "dump gas" given the coal producers considerable trouble. Also the tremendous loss of tonnage with the railroads has been a factor controlling a considerable portion of the national production.


Frank F. Kolbe

It would appear the loss of production because of these things has reached its limit. Most railroads have completed their diselization program as far as they intend to go. It is apparent that with storage domes in the gas industry, increases in well-head price, and other situations, coal will reclaim a large part of the business now being supplied by the so-called "dump gas."

It is difficult to predict what will happen on the importation of residual oil that is displacing coal to a large extent. However, this should not get any worse than it has been in recent years.

The public utility use of coal will continue to increase and I think the over-all picture for the coal industry in 1955 is somewhat improved over the past three years. I predict an increase in national production of approximately 10%, with possibly some improvement in the average price returned to the producer.

1955, to me, has a somewhat improved outlook over recent years.

H. F. KRIMENDAHL

President, Stokely-Van Camp, Inc.

It seems to me that the food industry has an outlook of fundamental soundness as we enter the new year. The inherent characteristics of our over-all economy are sound. The population of the United States is increasing at a rate of about 2½ million people per year and the unsatisfied needs and wants of this expanding population are enormous.


H. F. Krimendahl

It appears that we have achieved a reasonable balance of power between capital, labor and government which should produce relative stability. Moreover, the attitude of these three economic forces, together with the attitude of the general public, is optimistic. These factors should result in prosperity.

The food industry has every reason to expect a large measure of success in such a favorable climate of population growth and productivity. Food is a primary necessity of life and in an era of prosperity can be merchandised to become a luxury as well. In sheer tonnage there can be no reasonable doubt that the American people will need and demand an ever-increasing quantity of our products.

It seems to me that the problems which the food industry will encounter this year and in the foreseeable future are self-contained ones. As I see it, these problems will be of our own making, for all external elements seem to be entirely favorable to us. Just what are these problems?

I see them as being ones of over-production and excessive competition which can result in uneconomical operations for all concerned. When we think of the food industry we must remember that the manufacturer, the wholesaler and the retailer are essentially partners. Each is dependent upon the others for success. Within these operational elements there is also a large measure of inter-dependence. That is to say, while free competition is the foundation of our American way of life, it can be destroyed, or at least damaged, by capriciousness and irresponsibility. Excessive production by a few can endanger the inventory soundness of the entire industry by encouraging uneconomical competitive practices. In turn, unsound competitive practices between manufacturers, between wholesalers, or between retailers, can create uneconomical profit margins which could grow under extreme conditions into tentacles that might throttle an otherwise economically sound industry. This damage can be averted if most of us practice reasonable restraint in our individual efforts to increase our competitive stature.

In addition to the problems arising from the competitive struggle for a larger portion of the market, there are also some problems inherent to the techniques being employed in handling the lifeblood of any business—its inventory. While I have cautioned against the production of excessive inventories, I see a grave danger in reducing them to the point where being out-of-stock produces an equally disastrous result—having nothing to sell. The retailer, the wholesaler and the manufac-

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turer are, in fact, partners in the development of consumer acceptance of products and the labels which they bear. If any one of these partners permits his supply of such products to become exhausted, their consumer acceptance becomes diluted and the consumer will inevitably look elsewhere. This causes substantial loss to all concerned—a loss of the previous effort expended for the development of the consumer acceptance, a loss of the immediate sale, and a possible and even probable loss of future sales.

To summarize, I see nothing but a healthy future for the food industry—not booming, but healthy—if those of us in this industry will operate our businesses in accordance with well-accepted economic principles of maintaining a proper balance between production, inventories and pricing.

ARTHUR B. LaFAR

President, Angostura-Wuppermann Corp.

The fiscal year of the Angostura-Wupperman Corporation begins on Sept. 1. In the first four months of the current year sales of Angostura aromatic bitters ran 34% ahead of the same four months of the previous year. These figures explain, in part, why our outlook for the coming year is optimistic.

Arthur B. Lafar

In a product such as Angostura, which has a unique place in the minds of consumers because of its intrinsic qualities, and an acceptance that goes back over more than a century and a quarter, such a great spurt in sales must be attributed either to a change in certain habits of consumers that is favorable to increased use of Angostura, or to the discovery by the public of new uses for the product. Both situations exist in today's market.

There have been two decided trends in liquor consumption during the past several months. One, of course, is the increase of at-home drinking. This has been favorable to sales of bitters, since a man making his own cocktail is less apt to forget the Angostura than the hurried professional barman. The at-home drinker makes his cocktails from standard recipes, and the standard recipes for Manhattans and Old Fashioneds and other popular cocktails call for a few dashes of Angostura. The other trend is concerned with a recent swing toward whiskey-on-the-rocks in place of the highball before dinner. The idea has been promoted and advertised extensively by leading distillers. The public has taken to whiskey-on-the-rocks, with some modification. The modification being a twist of leman peel and a few dashes of Angostura, to smooth out the flavor and provide more taste appeal. The Angostura-Wupperman Corporation is currently encouraging this practice by reminding the public in advertisements in leading consumer magazines that Angostura bitters make whiskey-on-the-rocks a more palatable cocktail.

The increased use of Angostura by the public is not tied in solely with any changes in consumer drinking habits, however. It will be surprising to many to learn that during the past ten years when liquor sales are reported to have made a gain of only 2%, sales of Angostura bitters registered an astonishing 54% increase. The major part of this sales increase has been in the 2-and 4-ounce "consumer-size" bottles. This can only mean that the public has accepted Angostura for something else, in addition to its historic use in beverages.

The truth of the matter is that Angostura bitters has moved into the American kitchen to accomplish for foods the same thing it has always done for drinks. That is, improve the flavor. This "discovery" by the public of a new use for Angostura bitters has not been entirely accidental. It is part of the long-range program of the Angostura-Wupperman Corporation to insure an expanding market for our product. For some years we have been informing the American people that Angostura is, indeed, the perfect all-purpose liquid spice, and urging them to try it as a flavoring agent in food. That it is an effective, convenient and reliable flavor is testified to by the fact that some of America's most renowned test kitchens have acceptedy it as one of the basic flavoring agents, and have passed the word along to the public through every outlet of information reaching the women in the home.

During 1955 we are pursuing these lines even more aggressively, with consumer advertising directed specifically to the use of Angostura as a food flavoring. The foundation of acceptance of this new use of bitters has been laid; we have a firm start and plenty of reason to believe that the homemaker will be increasingly receptive to additional suggestions for using Angostura in food recipes.

In addition to the use of Angostura bitters as a food flavoring in American households, this past year has seen a tremendous increase in the use of Angostura on the commercial level. At the present time, Angostura is being used in bulk by manufacturers of table sauces, spaghetti sauces and pizza pies; by bottlers of soft drinks and one of the major cola drinks; by candy manufacturers; by packers of mince meats and plum puddings; by bakers of fruit cakes and mince pies; by the bottler of one of America's leading liqueurs; and, in vast quantities, by meat packers in every part of the United States, who market ground meats, such as frankfurters and sausages. The most recent commercial user to order Angostura is a frozen food processor, who informs us that this all-purpose seasoning is the only product his firm has found whose spicy flavor "holds" through the process of preparing frozen foods for marketing.

There is no wonder, then, that our outlook for 1955 is a good one. We have three growing markets for Angostura bitters: the liquor field, the home and the commercial food processing field.

S. E. LAUER

President, York Corporation

As we in York Company see business for 1955 it looks encouraging. In this statement we are gauged pretty much by our own experience in watching the definite improvement in large industrial and commercial construction. Reports from our national field organization show increases rather than the decreases which had been forecasted. There seems to be continued strength in housing, in highway building, schools, hospitals and many other institutions. And we notice a terrific upswing in the construction of shopping centers in suburban areas all over the country. Some of these even include small hotels and run into terrific sums of money in capital investment. The downtrend we have experienced ourselves and noticed generally is a reduction in defense spending and orders from this source.

S. E. Lauer

As to our own situation here in York Company, we expect business in 1955 in our own line of refrigeration and air conditioning to be as good or better than 1954. If our total sales are not better it will be due to the fact that a number of our defense contracts are running out and may not be fully replaced. It is true that we have been running at a much lower rate of production in the last six or seven months—possibly 35% below last year. This was due to unseasonably cool weather last spring and early summer and an abnormal growth in the room air conditioner industry. To avoid excessive inventories during the period of adjustment in this business we had to curtail production. This situation is righting itself and we are starting to add employees to our payroll. About 50 were asked to return the week of Jan. 3 and we expect that there will be a gradual build-up through the addition of about 1,000 employees between now and May 1.

York Company's principal concern is that of being constantly caught in the "cost-price squeeze," with wages and salaries going up year after year and with no offset through price increases. In a number of product lines prices have actually been decreased during the last few years. We have managed to offset much of this adverse condition through a more alert and better trained sales force, through better manufacturing methods and tools, through new design and redesign of products, through the introduction of new products for new markets and through some gains in labor efficiency.

We don't know what 1955 holds in the way of wage and other cost increases, nor can we predict that we will be able to continue to even partly offset such cost increases if they come every year. It takes time to redesign, retool and reach the market with a finished product. There are some industries, of course, where the price curve follows the cost curve. But York Company and many industries are not that fortunate.

Our Board of Directors has authorized capital expenditures of about $3,000,000 to be spent through 1955. Part of this appropriation will go toward expanding production of certain product lines, including new products. The major expenditure will be in the West York plant, which is being completely revamped for more streamlined manufacture of the heavier products for cost reduction and contemplating some increased capacity.

BARRY T. LEITHEAD

President, Cluett, Peabody & Co., Inc.

The business climate for 1955 looks very favorable. With an upturn in general business indicated, production and sales of virtually all Arrow products are expected to be greater during 1955 than 1954. The rise in income of workers will come from the fact that about one million more people will be employed and that wages in general will be moderately higher. It is expected that the population of our country in 1955 will increase about 1.7%. But disposable personal income is expected to increase twice that much or about 3.8%. Consequently, this difference will show up in a better standard of living for the average family.

Barry T. Leithead

In consideration of the total U. S. production and inventory situation, generally, 1955 should be a more solid base than either 1953 or 1954. During 1953 manufacturers were stocking up on raw and semi finished materials and merchants were also stocking goods. This resulted in production of more goods than were finally sold and inventories rose. Thus, in nearly all industries, during 1954, inventories were trimmed at every level of distribution. So it seems that for 1955, production and demand are likely to follow each other more closely.

Our own company inventories of both raw materials and finished Arrow shirts, casual wear, underwear, handkerchiefs, and ties are in better balance today than a year ago. Grey goods prices are also firmer now than they were a year ago. Apparel manufactures are receiving larger orders and in turn have had to enlarge production plans for both grey goods and finished goods.

Men's wear sales normally follow the trend of disposable personal income. As a man's disposabe income advances he tends to spend more on his own attire and take more interest in new styles and colors of his clothing. The continued swing to casual wear is establishing a dual wardrobe for men, one for business and the other for leisure and sports. While expanded casual wear fashions promise added sales volume, the regular business shirt and tie lines continue in strong demand. Sales of department stores and men's wear shops during the last quarter of 1954 reflected easier spending on the part of the consumers.

For stable products the company plans to maintain its prompt complete fill-in service to retailers on basic stock. This service is most important to retailers because it safeguards them from losing sales on the most wanted items.

In the period ahead retail competition will be keener but hard work and more efficient selling and merchandising will make the difference between acceptable profit margins or profit margins below par.

We at Cluett, Peabody & Co., Inc., feel optimistic and look forward, with confidence, to the year 1955 as a growth year.

G. V. LEECE

President, Gardner-Denver Company

Since the Gardner-Denver Company relies basically on four general industries; namely, mining, heavy construction, petroleum and general industrial manufacturing, it is not difficult to analyze our 1955 sales prospects. With one possible exception, the 1955 sales potentialities of all four major divisions indicate some improvement over 1954.

G. V. Leece

With the constant demand for base metals, plus the uranium mining activity, the mining equipment sales should be good. The exploitation for oil in both domestic and foreign areas will continue, and the drilling of new wells will probably carry on at a pace slightly higher than in the year 1954. The heavy construction industry, including highways, dams, public works projects, irrigation and hydro-electric developments, should show a material increase, while industrial equipment sales should remain close to the 1954 level.

CARL H. MAAR

President, Lincoln National Bank & Trust Company of Syracuse, New York

The year 1955 should be most interesting to all of us. It may be the first normal year we have experienced in our greatly expanded economy. The huge backlogs of demand accumulated during wartime restrictions are nearly exhausted in most cases and business is being done on a day-to-day basis.

Carl H. Maar

The most important factor which should be considered in this connection is that our economy is changing from one of shortages to one of surpluses. Therefore, we are finding ourselves entering a buyers' market instead of a sellers' market. Such a situation should be termed normal, although many business men may think otherwise because of the many years in which they have been doing business in a sellers' market.

In view of this situation we can anticipate that 1955 will be a year of active and keen competition in most phases of business. The biggest stimulus to a good level of business will come from the American consumer. If he buys as expected, business volume during the year should be excellent.

We can be certain that every business will have to be on its toes, with salesmen ringing doorbells. However, American enterprise has the "know-how" and will accomplish the transition with little disturbance to our total economy.

During 1954 inventories were reduced approximately $4,000,000,000. This situation provides a healthy atmosphere as we enter the new year, giving industry the flexibility needed to develop business in 1955.

There are plenty of plus factors which should support prosperity for our country during the next twelve months. The most important of these may be summarized as follows:

(1) Probable reversal of the inventory trend.
(2) Increased Federal expenditures, especially for defense.
(3) Continuance of a favorable personal income level with some tax relief.
(4) Sizable expenditures for roads, schools and local improvements by states and municipalities.
(5) Population growth.
(6) Money rates will remain low, and as such, will be a stimulant to business activity.
(7) There will be a favorable foreign demand for American goods.
(8) New home construction will continue at a high level.
(9) Greater hope for world peace.

These factors working together should produce a level economy and not one of boom and an unfavorable aftermath.

The outlook for banks in 1955 may be slightly on the plus side as compared with 1954. Loan volume should rise slightly as corporations borrow to rebuild inventories and consumer credit shows a moderate increase. Deposits should increase as the Treasury continues its deficit financing program. Government security holdings probably will be larger at the end of the year. Interest rates and bank operating costs are likely to remain stable and net operating earnings of most banks should increase moderately.

ROBERT S. MACFARLANE

President, Northern Pacific Railway Co.

Most industrial leaders and economists are predicting that 1955 will be a good year for business. I believe business in the country as a whole will be as good as last year and perhaps a little better and I look for business in Northern Pacific territory and on our railroad to compare favorably with 1954.


Robert S. Macfarlane

Agricultural expansion continues in the great Columbia Basin in Washington State and in the Missouri Basin in North Dakota and Montana, and oil exploration and development continues in the Williston Basin. These factors, plus an extremely favorable outlook for construction — housing, public works and industrial—which is most important to Northwest economy, add up to reasons for optimism when considering the outlook for the Northwest and the Pacific Northwest. Northern Pacific anticipates more exploratory activity affecting its oil and gas holdings in 1955 than in any previous year. Thirty-nine wells are required to be commenced during the year under agreements which have been concluded. These exploratory wells are to be drilled in the Williston Basin, Powder River Basin and Central Montana.

Additional development wells are being drilled continuously by Northern Pacific and Shell in the Cabin Creek field on the Cedar Creek anticline and by Amerada and Northern Pacific in the Fryburg field on the Northern Pacific main line west of Dickinson, North Dakota. The Pine field, where Northern Pacific has a substantial interest, is being developed by Shell with five strings of tools. Additional agreements are being negotiated.

Two important developments in Northern Pacific passenger and freight service—inauguration of the Vista-dome North Coast Limited in transcontinental passenger service and reduction of a full day in westbound Twin Cities—North Pacific Coast freight schedules will stimulate our business. Northern Pacific expenditures of nearly $28,000,000 for new equipment and improvements this year will help the economy of the entire area.

ROBERT T. MARSH, Jr.

President, First & Merchan's National Bank of Richmond, Va.

In spite of fears expressed a year ago in some quarters, 1954 as a whole was a good business year, probably the second best in the history of our country. After some letdown in midyear, we saw a restoration of confidence and a pickup in business. The year 1955 opens in an atmosphere of optimism and, barring greatly unfavorable foreign developments, I expect the year will be as good or better than 1954. Banks have noted an increased demand for loans from business recently indicating their plans for increased volume. Of course, not all lines will be as profitable as others and I believe salesmen will have to compete in a buyers' market. I expect the cost of living to be little changed and with a Federal deficit expected, there is little hope for a reduction in taxes this year.


R. T. Marsh, Jr.

J. A. MARTINO

President, National Lead Company

I believe National Lead Company will have a very good year in 1955. Operating at high levels during the early months of 1954, the company's business picked up momentum toward the end of the year and this trend will probably continue into the present year.


Joseph A. Martino

Last year at this time many of the nation's economists were citing danger points which, they said, could lead to a severe recession. Some of these signals were a threatened slump in building construction, a cut in automobile and steel production, a general reduction in government expenditures. Actually the automotive industry did suffer somewhat in 1954, steel production did decline and government expenditures were down about $5,000,000,000. Industry sales, including those of National Lead Company, were reduced from the record year of 1953 but earnings after taxes kept pace, largely as a result of the elimination of excess profits taxes.

And today the nation's economy is facing one of its best years. Most signs point toward higher sales and earnings and a period of general prosperity. The steel industry is expected to jump back to new production peaks. The automobile industry, a major key to the nation's economy, is all set to produce 6,000,000 cars in 1955, an all-time record. Building construction will continue its amazing pace of the past two or three years.

These are all industries in which National Lead Company has an important stake. All of them have complete confidence in a banner year for 1955, with none of the indecision that characterized early 1954. As the situation looks today, I am quite certain that the nation in general and National Lead specifically will have a prosperous year in 1955.

THOMAS B. McCABE

President, Scott Paper Company

Prospects are excellent that the pulp and paper industry will see further expansion in 1955. Its last year's production came to within 1% of the 1953 all-time record. There is good indication, barring unsettlement in labor relations in some vital industry, that this year will be the paper industry's best.


Thomas B. McCabe

At Scott Paper Company we are planning in 1955 to top our 1954 capital expenditures of $32 million and are setting our sights for a substantial increase in sales.

We take our very optimistic attitude because we recognize a number of important favorable factors influencing the outlook for our whole economy:

Our population is steadily increasing. At the same time foreign trade is beginning to offer possibilities of real significance. Incomes after taxes and liquid savings are breaking records. There is unprecedented appetite for products that contribute to better living. In Washington the President continues to merit and receive the confidence of business, the public, and our friends abroad. Government is slowly withdrawing from its tremendous spending program. The dollar is once again gaining public confidence.

Possible drawbacks to improving our economic situation are the lack of scientific knowledge of distribution, the lack of significant development in the field of marketing research, and what in many cases are obsolete tools in personal selling.

Once we have the foresight to make the necessary expenditures in this field, as we do in the physical sciences, we will be able to supply a missing link to the greatest era of prosperity the world has even known.

J. L. MAUTHE

President, The Youngstown Sheet and Tube Company

The year ahead gives promise of being a good one for the steel industry. We anticipate approximately a 10% rise in steel output for the industry for 1955, or about eight million tons more than the 1954 production figure of nearly 88 million tons.


J. L. Mauthe

The 1954 business recession was one of the most moderate in history, despite the sharp drop in steel production. Measured in terms of final consumption of goods and services as distinct from industrial production, many sectors of the economy actually showed gains in 1954 over the previous year. For example, total consumer spending in 1954 topped that of 1953. Total construction was also higher. And state and local government spending reached a new high in 1954.

In fact, the only two important sectors of the economy which showed substantial declines last year were Federal Government spending and business inventories. Federal Government spending dropped $9 billion between 1953 and 1954 and business inventories, including manufacturing, wholesale and retail stocks, declined about $5 billion.

The contraction of these two important sectors of the economy resulted in a decline of 10% in industrial production from 1953 to 1954 and a 20% drop in steel production.

Looking ahead, there are three important bright spots on the business horizon. First, from all indications the correction in business inventories is now over and the prospects are for some inventory accumulation during the year ahead. For example, in the case of steel, a reversal of the inventory contraction cycle has already begun. Also, in the case of automobiles, dealers' stocks of new passenger cars are less than one-half the size of stocks a year ago. And the need to build up these dealer's stocks will boost automobile production and steel consumption in the months ahead.

The second bright spot on the business horizon is the current high level of consumer incomes. National personal income is now running slightly ahead of a year ago and is expected to increase further as industrial employment gains and the work week is increased. Another factor which will add to purchasing power this year is the expected increase in consumer indebtedness. Total consumer credit outstanding is now somewhat lower in relation to personal income than a year ago.

The third bright spot on the business horizon is the outlook for construction which, according to many recent prophecies, will set a new record in 1955.

With steel inventories near the lowest levels for many years, it is reasonable to expect steel production in 1955 to equal or exceed the estimated steel consumption of 96 million tons. As a matter of fact, the build-up of customer steel stocks has already begun and is likely to continue through the first half of the year.

On the basis of orders now on the books, and the expected high level of automobile production in the first three months, a good first quarter for the steel industry now seems assured. Second quarter production is harder to predict, but may well be near the 80% operating level.

I can see no dark clouds on the business horizon at present. Business has to grow in this country if we are to maintain our standard of living, if we are to continue to provide for the constantly growing population. We will continue to expand and modernize, as we have ever since the end of World War II. We must, if we are to stay strong.

HON. THEODORE McKELDIN

Governor of Maryland

Here in Maryland, the prospects are good for some very significant steps in the march of progress which we have enjoyed in these recent years.

The citizens of Maryland are well aware of the State's needs, plans and opportunities, and the General Assembly is becoming more and more influenced, as it always should be, by the expressed will of the people.


Gov. Theo. McKeldin

It is necesary for the State to raise about $28,000,000 in new revenue this year to meet our tremendous population and its impact on our public schools, hospitals and other institutions and services.

I am proposing a 1% increase in the 2% consumers' sales tax effective next June 1, and a 1% increase in the 2% income tax effective next Jan. 1. The income tax, beginning next July 1, will, if this fiscal plan is adopted, be collected through payroll deduction. I am confident that the plan will be enacted so that our excellent schools and hospitals may maintain their gains and continue their advance.

It is my opinion, too, that the Legislature will take initial steps this year to surrender the unwonted power it long has wielded over the counties of Maryland by submitting to the voters a County Home Rule Amendment to the Maryland Constitution. Last November, the voters approved such an amendment for Maryland municipalities.

It is expected too that legislation will be enacted in this session to bring about vast improvements in our Courts—particularly in Baltimore City. These will include substitution of a Baltimore City Superior Court for the unwieldy system of courts now grouped as the Supreme Bench of Baltimore City. Also included will be reorganization of the Traffic Courts and Police Courts of Baltimore, now under an outmoded magistrate system.

There will be some new legislation to further strenghen our new system of parole and probation, and we shall extend the good work we have started to combat juvenile delinquency. The latter will include the establishment of a work camp for deliquent boys beyond the walls of our training schools.

We have, of course, our big 12-year road building program launched last year, and we are moving toward construction of a tunnel under the Baltimore Harbor, which will be the greatest engineering accomplishment in the history of the State.

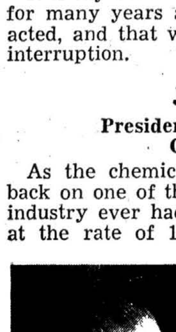
We also are approaching the construction stage of two new state office buildings—one in Baltimore City, and the other in Annapolis—the Capital.

It is my belief that Maryland will need no new taxes for many years after this year's fiscal program is enacted, and that we shall continue our progress without interruption.

JOHN E. McKEEN

President & Chairman of the Board, Chas. Pfizer & Co., Inc.

As the chemical industry enters 1955, we can look back on one of the most amazing quarter centuries any industry ever had. Since 1929, our industry has grown at the rate of 10% a year while American industry as a whole has averaged 3%. Even greater progress is forecast for the next quarter century. Some authorities have predicted an increase of 400% by 1975. The direction is still upward and there should be no lag in 1955.


John E. McKeen

At the heart of the chemical industry's growth is the spectacular way in which we have applied scientific research to creating new materials and processes. We spend more money (estimated at almost $400,000,000 in 1954) on research than any other industry and will continue to do so in 1955 and the years to come. No chemical company of consequence depends any longer on one or two products as it might have done only a generation ago. Research has made it possible for a single firm to market scores of basic products in a vast variety of forms.

Competition will continue to be keen in 1955. The American free enterprise system provides the best

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means of meeting essential human needs. As each of us endeavors to contribute the maximum to fulfill these needs, industry as a whole will gain. This is another good reason for expecting the chemical industry to grow in 1955 as it has in the past.

With each passing year, American industry as a whole depends more and more on the chemical industry. We now produce materials for all of the 72 major industries in the United States. Our chemists and other scientists are solving problems in textiles, fuels, fertilizers, plant diseases, food, the raising of livestock and in hundreds of other fields.

In the field of human health, the chemical industry takes great pride in what it has already accomplished and holds high hopes for the future. The year of 1954 saw the development of new drug products that will pay off not only in sales during 1955, but also in saving lives and improving the health of people all over the world.

The wonderful accomplishments of recent years have not made our industry complacent. As long as cancer, the common cold, high blood pressure and other problems remain unsolved, we cannot be satisfied. A solution for any one of the major disease problems might have as great an impact as the antibiotics have in the last decade.

As an industry which has contributed so much to helping people live longer and healthier lives, we have a great responsibility to see that they also have enough to eat. We have already taken important steps towards solving the world food problem; witness the phenomenal animal growth promoted by antibiotic feed supplements. Our researchers are constantly searching for ways and means to help the farmers grow enough food for everyone. More than that, we believe that our scientists will find chemical agents which will make it possible for the human system to get more body-building nourishment out of any diet. The possibilities for our industry in this direction are staggering when we ponder what this would mean on a world-wide scale.

No American industry is more interested in foreign trade than ours. Overseas sales figures more than justify this interest, but we also like to think that by helping to eradicate disease and starvation, the chemical industry in the long run is making a significant contribution to the eventual establishment of world peace and prosperity.

WILLIAM A. McKINLEY

President, The Midland Steel Products Co.

I would say unequivocally that business conditions look good for the entire year 1955. Perhaps the early part of the year will be better than just "good." The public has reaffirmed its confidence in the future by enlarged purchases of hard goods. In our business, that of supplying frames and power brakes to the manufacturers of automotive equipment, the automotive industry is our barometer. Consumers are responding exceptionally well to the offerings of the automobile companies, and their demands will probably continue almost unabated for several months.

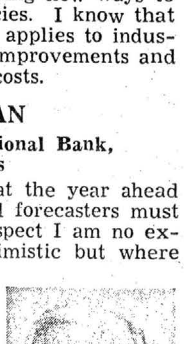
W. A. McKinley

The somewhat lean times we experienced last year resulted in intensified research to create greater demand by making more attractive and better quality products. Increased cost of these improvements was kept down by studying and applying new ways to eliminate waste and reduce inefficiencies. I know that our own company, and I am sure this applies to industry generally, is continuing to study improvements and to institute new methods of reducing costs.

ARTHUR E. McLEAN

President, The Commercial National Bank, Little Rock, Arkansas

In expressing an opinion as to what the year ahead holds for business, I am sure that all forecasters must have many misgivings and in this respect I am no exception. There is a desire to be optimistic but where there are unfavorable factors to be dealt with, I do not believe these should be ignored. The business trend has at least taken an upward turn and the volume of business to be done should again be greater in 1955. When December comes, the year 1955 will most probably be recorded as a good business year.



Arthur E. McLean

However, in many respects, I do not believe it is going to be an entirely happy year. Inflation is again with us, and political expediency will determine too many decisions in Washington. An increase in the minimum wage level will not stabilize our economy. It simply means another series of wage increases in all brackets, a further increase in the cost of living, more unemployables who have some earning power but can not earn the minimum wage, and down again goes the value of the dollar and the value of the peoples savings.

Not only have many businesses been unprofitable in 1954 but many will experience little recovery in the year that lies ahead. They will have trouble in coping with increased labor costs as will agriculture which is faced with surpluses and lower production quotas. There are certainly danger signals on the horizon that can not be ignored; a much too rapid rise in prices for listed securities, fading hopes of an ability to balance the budget and relief from wartime taxes that are too high.

The nation's problems can be solved but it will require staying with sound measures, more determination to do a good job, and the taking of a political risk in so doing. Wide assurances that all is well is not enough.

H. V. McNAMARA

President, National Tea Co.

We at National look with a good deal of confidence to continued prosperity and further improvement in economic conditions in 1955.

Our plans reflect that confidence. For instance, we now have under lease, for opening in 1955, 75 new supermarkets in the 10-state area in which we operate. In addition, new locations now being considered will probably bring the figure to around 85 new stores. This represents an investment, by ourselves and the lessors who will buy the property and build the new stores for us, of between $15 and $20 million.

H. V. McNamara

National is also considering acquisitions in various parts of its territory so as to expand further within the area we now serve: from the Gulf of Mexico to Canada, and from the Dakotas on the west to Michigan and Indiana on the east. Included in our long-term plans are new warehouses in Chicago and in the "Quad-City" area on the Illinois-Iowa border.

Naturally with such plans, we must have extreme faith in the future, and particularly the prospects for 1955.

We are now the fifth largest food chain in the United States with a sales volume in 1954 of approximately $520 million. At our present rate of expansion, we look for sales of $575 million or more in 1955.

Our company's organizational and personnel development program is keeping pace with physical expansion plans on three levels:

(1) Our official family has been developed and increased in the past few years and more and more top-level decisions are being made by our advisory committee which operates as a discussion group to decide operating procedure.

(2) Establishment of capable key personnel in all the important operating and merchandising positions with capable young people understudying these men to take over these or like positions in our present branches or those to be acquired in our expansion program.

(3) Development of a large group of younger people in stores, offices, and warehouses on whom we draw, as they get experience on jobs in their field, to fill key positions as the need arises.

Our college training program, as well as on-the-job training, has been instituted to prepare the younger generation in our company to take over management and operation in years to come.

While the growth and expansion of National Tea Co. is being accomplished at a rate far in excess of the industry average, each forward step is made only after deliberation and discussion, and is based on sound and profitable business judgment. Meantime, profits must be maintained or improved. Therefore, expansion is being carefully planned to keep pace with earnings and to insure that our business "lives within its means."

Much of National's gains in the past, and our projected gains of the future, has and will be due to: (1) Improvements in stores and facilities, (2) Aggressive merchandising and advertising, (3) Intelligent management, (4) Development of personnel.

These, of course, couldn't have been possible without another, and possibly the biggest, factor: The ability of the American consumer to live better, eat more, and enjoy a higher standard of living as a result of vastly improved economic conditions in America.

WARD MELVILLE

President, Melville Shoe Corporation

A strong finish was staged by retail shoe sales in the last quarter of 1954. The industry, generally, expects this strength to carry over into 1955, so that the year as a whole — for both production and sales — will be somewhat better than 1954. This expectation is supported by the facts that total population will be larger, that prices are stable, and that consumers' shoe inventories at the year-end were slightly below those of a year ago.

A basic factor for the shoe industry, of course, is the number of feet in the United States. The population growth of the past 10 years is practically a guarantee that more shoes will be sold to young adults in the years to come. Possibly the biggest news of 1954, for the shoe industry, was the fact that births in that year set a new high for the U. S., going over the four million mark for the first time. Add them to the 37 million other babies born in the last 10 years of bumper baby crops, and you have a big "bulge" of good shoe customers in the next 20 years, first as "teen agers" and then as young adults. The members of both of these groups—male or female—buy more pairs per person than in the older age groups.

Ward Melville

Here is a "growth" factor of great importance to the entire shoe industry. The impact in any one year, of course, is not massive, although the population of the country will be significantly higher in 1955 than in 1954. When it is realized that the population has grown as much in the past three years as in the entire decade between 1930 and 1940, it is clear that population growth is a factor of both short and long term importance to the shoe industry.

CRANDALL MELVIN

President, The Merchants National Bank & Trust Company of Syracuse, New York

Barring a shooting war, business in the United States during 1955 should surpass any prior year. Probably the best indicator of our national welfare is not the usually quoted Federal Reserve Board's Index of Industrial Production, but the more comprehensive Gross National Product which measures the value of all the goods and services produced in the country during a period of time. For 1954 the Gross National Product was about $356 billion. For 1955 this might rise about $14 billion, or nearly 4% to $370 billion. This would exceed the previous high record set in 1953 when our Gross National Product totalled $364.9 billion.

Crandall Melvin

Any opinion of 1955 business activity must consider the role our Federal Government will play. A year ago many people were apprehensive over the decline in business that was taking place. Some talked of a recession and wondered how high unemployment would go and how far stock prices would decline. Prompt action on the part of the Government undoubtedly helped start the recovery in business which today is so marked: the decreases in reserve requirements for commercial banks, the open market purchases of Government securities, the lowering of taxes, the easing of credit, all showed the Government could and would use its monetary and fiscal powers to keep business at a high level. All of this was accomplished with a decrease of over $10 billion in Federal expenditures for national security (third quarter of 1954 Federal expenditures were at an anual rate of $42.1 billion, compared to $52.3 billion in the third quarter of 1953). This has been a noteworthy performance and the recent action of the Federal Reserve Board in raising margin requirements shows the government is going to act just as decisively to prevent any speculation excesses. Also during 1954 the cost of living held remarkably steady and the latest figure (114.5 for October, 1954) is within 1/10th of 1% of the average for 1953 (114.4). Thus has recession been averted and active recovery promoted. This recovery should continue into 1955 although competition will be keen in many lines.

What are some of the reasons why the current recovery in business is going to continue?

(1) **Inventory Position:** Inventories in manufacturing and trade showed a steady increase from the late summer of 1952 until they reached a peak in January, 1954. Since then they have decreased every month to the latest figure of $77.48 billion as of last October. It seems sensible to expect that this substantial inventory liquidation has about run its course. With business picking up, inventories will start to be replenished as is now the case in steel.

(2) **Capital and Construction Expenditures:** In 1954 expenditures on new plant and equipment by U. S. business totalled $26.682 billion. This compares with the very high expenditures of $26.5 billion and $28.4 billion in 1952 and 1953, respectively. The estimate made by American business for the first quarter of 1955 is $6.1 billion, compared to $6.2 billion in the first quarter of 1954. This is a very modest decline and long range planning and improved technology will require a continued high level of construction expenditures. Furthermore, residential building should continue to expand aided by the liberal credit terms of the Housing Act of 1954. New housing starts in November, 1954 were 103,100, compared to only 81,500 in November, 1953. New houses in 1955 may reach 1.3 million, compared to 1.1 million in 1953. This will of course act as a powerful stimulant to commercial construction as well as to the demand for household products.

(3) **Government Expenditures:** Federal Government purchases of goods and services are currently at an annual level of $47.9 billion. It is interesting that this is only about 13% of Gross National Product, whereas they comprised more than 22% of GNP in both 1952 and 1953. It appears likely the expenditures of the Federal Government will stop declining. The continuance of the cold war, the proposed pay raises to servicemen, the new highway program, the possibility of additional aid to Asia, all augur against further declines in Federal expenditures. At the same time, 1955 should see an increase in the expenditures by state and local governments for new schools and other public services.

In short, 1955 should see a high level of consumer income. With the threat of inflation and recession vitiated and with a strong confidence in the future, consumer expenditures and savings should continue to run high. Thus consumer demand for houses, services and goods promises to remain at a high level. Likewise the demand for goods and services on the part of our Federal, state and local governments promises to show a net expansion. Moreover, the demand for goods and services on the part of general business will also show continued growth. With Government, consumer and business demand now increasing, it may be expected that business activity, though not of unsound boom proportions, will nevertheless surpass any prior year.

R. W. MOORE

President, Canada Dry Ginger Ale, Inc.

Before 1954 drew to a close, events of the year in the soft drink industry gave unusually clear indications of what we may expect in 1955. Giving due allowance for the hazard involved in making predictions at any time, I think it is safe to forecast the following.

R. W. Moore

Soft drink sales will almost certainly reach a new high, both in total volume and in per-capita consumption. The industry has been remarkably successful in bringing about steady increases in per capita consumption year after year. Coupled with the constant rise in population, this creates really sizable gains in the total volume of consumption. Last year's sales were materially affected by cool summer weather over large areas of the country. It is hardly to be expected that such unfavorable weather conditions will return this year. Thus the sales curve should continue its upward climb.

Canned beverages until now have created far more conversation than sales volume. Like most new developments, the new package caused a flurry during the fad phase, but during the past year it settled down and now accounts for less than 5% of the market. We expect that canned beverages will grow in volume, but at a slow rate.

It can also safely be predicted that sugar-free, dietetic drinks will find a larger market in 1955. Our experience in promoting our Glamor line last year indicated a solid and growing acceptance on the part of weight-conscious consumers. Most of this is new business, and it seems clear that a wider market exists than has yet been tapped.

Another phase of soft drink merchandising which will probably be exploited further during the year ahead is through vending machines. These silent salesmen create extra sales at times and places wherein consumers could be reached in no other way. Vending machines, particularly the multiple-flavor types, will definitely play a larger role in the industry's opertions this year.

Over the past few years there has been a noticeable trend among independent bottlers to adopt national franchise brands as a means of strengthening their market position. This of course also strengthens the national brands, both competitively and through the broadening of distribution which results. We at Canada Dry expect to add a considerable number of licensed bottlers this year, continuing our policy of widening the availability of our products. As a further expression of our confidence in the future of the industry, we ourselves are building two large, ultra-modern plants to serve the New York and Vancouver markets. I am sure that others in this field join me in looking forward to a banner year.

ARTHUR E. A. MUELLER

Chairman of the Board, North Central Airlines, Inc.

As a matter of personal interest I have just reviewed my forecast made in your magizine a year ago. By and large, I feel rather proud of my record as a prophet as substantially all of my expectations have become reality during the past 12 months. The prophets of gloom who were so prevalent in late 1953 have been disavowed and very few of their dour predictions have materialized.

Arthur E. A. Mueller

We at North Central Airlines are engaged in the development of a local service or so-called "feeder" airline business and are experiencing a continual growth from year to year, interrupted very little by fluctuations of general business. Thus in 1954, number of passengers carried on our system consistently averaged between 30% and 40% above year ago levels. However, we feel that it is significant that the percentage increase was greater than this in the closing months of 1954 and believe this may well serve as a basis for expecting more travel and consequently more business activity in the territory served by our company. I believe that an increase in business travel in the highly industrialized Middle West which we serve can well be interpreted as forecasting increased activity nationally in business during the coming year. We are so firmly convinced that the improvement in business will continue that we recently authorized a 25% increase in seating capacity on all the airplanes in our fleet.

Of further significance in interpreting business trends we believe is the fact that commercial travel on our Airline has increased in greater proportion than vacation and pleasure travel during the past three months. It is obvious that this indicates greater business activity on the part of industries and business in the area served by us. We furthermore have noted a more uniform pattern of airplane usage from the geographical standpoint over our entire system. This means that business is more uniformly active than it was during the first half of 1954. All of this, it seems to us, forms a rather solid base for increased business activity in the year to come.

In my foundry and metal-working interests we find a very much improved situation at the start of 1955. Readjustments by various industries served by us seem to be prettey well completed. We experienced a considerable amount of this in the second and third quarters of 1954. General volume of business seems to be back to late 1953 levels and in some cases ahead of that. Being a manufacturer of component parts, we feel that our business has considerable barometric value. Activity of this magnitude on our part has always historically forecast an increased volume of business generally. Our volume of inquiries is probably the greatest on record and we are acquiring orders on a greater percentage of quotations. We are certain that this indicates a good volume of business in the foreseeable future.

While I am convinced as indicated above that the outlook for 1955 is basically very favorable, I cannot become as enthusiastic as might be indicated by strong financial markets recently. I believe every indication is for a satisfactory volume of business, but I am sure that competition will limit margins of profit and will make it increasingly difficult for financially weak, poorly managed and many small companies to make a satisfactory showing in 1955. The importance of intelligent and aggressive selling is obvious under such circumstances.

Politically, the small- and medium-sized business is finding it more and more difficult to obtain satisfactory results and will become increasingly more insistent on more favorable tax treatment and a more sympathetic Washington attitude.

BALMER NEILLY

President, McIntyre Porcupine Mines, Ltd.

Before the 1955 trend in Canadian gold mining can be intelligently forecast, the following two questions need to be settled:

(1) What rate of assistance will the Dominion Government offer gold producers?

(2) Are the rates for hydro power in northern Ontario to be increased and if so how much?

A prompt decision has been promised but in the meantime plans must be left in abeyance.

H. L. NICHOLS

Chairman of the Board, Southwestern Public Service Co.

Our electric service area comprising about 45,000 square miles has enjoyed an increment of population and demand for electric service far beyond the national average for many years, and in the past few years the population increase has been averaging close to 5% a year and sales of electric energy have been increasing an average of about 15% per annum.

H. L. Nichols

This illustration of growth characteristics in the Southwest received somewhat of a jolt during 1954 due to extremely adverse weather conditions — first drouth and, second, unusually heavy rainfall.

Now as to the year 1955, there is presently every indication of the rate of population growth and increased electric revenues being restored to the increment of growth effective for several years prior to 1954, with a well-diversified economy comprising agriculture, natural resources, nearly all phases of industrial plants, as well as distributing media. The only serious aspect of the appearance for 1955 is the possibility of a continued drouth condition; but even that threat is well balanced due to the fact that our service area includes some 3,500,000 acres under irrigation.

Retail sales per family in our area are not only far above the national average but two of the principal cities served, namely Amarillo and Lubbock, have ranked first and fifth respectively in this vital sales statistic. It is expected that this high level of expenditures will continue during 1955 and beyond.

Outside of possible limitations due to drouth conditions that might be experienced during 1955 and subsequent years, the outlook for business and general economy of our service area, principally in the State of Texas, is highly favorable with a class of population of pioneering stock and almost 85% American-born Anglo-Saxons.

C. A. NORRIS

President, Alaska Juneau Gold Mining Company

Many optimistic statements on the outlook for continued prosperous business and conditions may be anticipated.

In the field of domestic gold mining, however, just the opposite outlook prevails. Generally speaking, gold mining in the United States and its possessions continues to be very discouraging. Only those few properties whose grades of ore are sufficiently high to stand today's high operating costs, may be maintained in commercial production, although at considerable sacrifice in profit return; all the lower grade mines must remain inactive and at the same time endure high maintenance cost. They cannot be abandoned, however, except at terrific and permanent investmnet loss to owners.

C. A. Norris

This condition has prevailed now for over a decade, and there appears to be no disposition on the part of any Congress or the Administrative Branch of our government (regardless of political complexion), to make any move toward alleviating the situation. Domestic gold mines which were highly productive (as, for example, the Alaska Juneau Mine), whose payrolls, earnings, and profits supported whole communities and bore substantial tax burdens—Federal, state, and local—and paid good dividends as well, have been left to "die on the vine." By now, most everyone knows or believes that gold should be revalued in terms of the presently depreciated dollar, but nothing is done about it. Gold miners do not ask for price supports, as in the case of farm products, on which it is now estimated that Federal losses for the fiscal year ended next June 30 will amount to $750,000,000. They desire only that gold be set free in world markets.

Quite a few gold mining companies have undertaken diversification in recent years, some with a modest amount of success, operating on limited amounts of capital available for the purpose. It is something, however, that cannot be accomplished overnight. Some companies with limited capital but possessing large quantities of idle mining machinery and supplies are directing effort in the field of strategic metals, and just now in the search for uranium, for which metal there is a guaranteed market.

Like gold, or any other metal, you must first search and find a potential mine and then secure capital for development of sufficient ore reserves to justify plant investment. There are no short cuts to success.

Perhaps the best summation of the views of the mining industry is embraced in the "Declaration of Policy" adopted by the American Mining Congress at its recent meeting in San Francisco. On "Gold and Monetary Policy" it recommended:

"(1) That the restrictions on the purchase, sale and ownership of gold by American citizens be immediately removed;

"(2) That the gold standard be restored at the earliest practicable time;

"(3) That Congress fix the ratio at which the dollar and gold are to be made fully convertible and determine other technical procedures involved in the restoration of the gold standard, after receiving the recommendation of a Commission of its creation, to which men skilled in appraisal of the world's potential gold supplies as well as men of competence in domestic and international finance and trade should be appointed by designated government authorities;

"And that the first of these steps should be taken immediately."

While the Gold Reserve Act of 1934 remains upon our statute books, it constitutes a definite road block to a fair market value for gold. It no longer serves any good purpose and should be repealed. The Bretton Woods Agreement is another monstrosity which should be repudiated by common consent of the signatory nations.

DONALD W. NYROP

President, Northwest Orient Airlines

This year of 1955, which we are entering, is being studied probably as closely as any in our industrial history. Its trends will mean much to all business and all citizens.

Donald W. Nyrop

No one person has the answer. If he is a business man, he can only base his judgments on the experiences of his own firm as they relate to the broader national economy.

Transportation, obviously, is very responsive to the ups and downs of this economy; and for this reason a commercial airline may be regarded as a reliable barometer of what lies ahead. The accuracy will be further established if the prospect of its own coming year is projected from a pattern that has been well drawn during the previous year.

It is for this reason that, in generalizing about 1955, I must look at it from the standpoint of Northwest Orient Airlines, whose domestic transcontinental route crosses the northern tier of states with their wide diversity of resources and activities. The year's prospects appear reassuring.

Northwest is looking ahead to a $70 million year in 1955. As a happy augury at its outset, NWA carried on Jan. 2 a record number of passengers on its domestic route.

The company's revenues for 1954 (unofficial so far until the final audited figures are available) were $63,023,000, or more than a million dollars above the 1953 total of $61,834,000.

Some 1.2 million passengers were carried on the domestic, Orient and Honolulu routes during 1954. This was an increase of about 10% over 1953's previous high of 1,099,000. We are looking ahead, of course, to breaking the million-passenger mark by a still wider margin in 1955.

The ratio of increases in revenues and passengers in 1955 should be even greater than it was during the past year because we shall be getting additional aircraft and expect further utilization of our present fleets of planes.

These summaries mean more than an analysis of the fortunes of Northwest Orient Airlines.

They mean that many people have money to spend on travel, whether they are businessmen who use the airplane to promote trade, or tourists who go on trips and vacations. It is reasonable to assume that if they have comparable or even greater sums to spend on travel in

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1955, they also will have money to spend on other things.

So, on the basis of what we ourselves have done during the past year, are doing now, and plan to do, it appears that 1955 will be a year of substantial gains.

W. A. PARISH

President, Houston Lighting & Power Company

The attainment of a nationwide generating capability of 100 million kilowatts; connection of the industry's 50 millionth customer; achievement of all-time high levels in production of energy per unit of fuel—all these combined with the observance of Light's Diamond Jubilee to make 1954 a year of continued progress for the electric utility industry.

W. A. Parish

The future appears to offer opportunities that challenge the imagination, as well as problems that will require farsighted planning and leadership to arrive at solutions which protect the interests of investors in and customers of the industry.

Certainly growth trends of recent years in use of electric power by all customer groups are encouraging. Industry's average annual kilowatt hour usage per worker has risen 65% in the last decade, and automation which is receiving increasing attention and use by industry today appears destined to push the figure to unforeseeable levels in the future.

Through its use of better lighting, aid conditioning and other applications, business is following a comparable pattern of growth.

Probably the most revolutionary changes are destined to take place in home use of electric service. Certainly the nation's homes are embracing electrical appliances and equipment at an accelerating pace. Mushrooming newcomer in the field is air conditioning, with improved lighting, electric cooking and water heating joining such stand-bys as refrigerators, freezers, and a whole host of others to broaden the horizons of use.

Two of the problems facing the industry stem primarily from increased home use of electric service. The wiring in a very high percentage of the nation's homes has become entirely inadequate to supply the needs of the average home owner, a situation which poses a serious threat to maintenance of growth in use experienced in recent years. Much work directed to solution of the problem is already being done—continued expansion of these efforts is a foregone conclusion.

In the southern regions of the country, air conditioning and other seasonal uses have raised summer peak loads as much as 35 to 40% above those of the nonair-conditioning season. The heat pump, affording complete electric operation for both heating and cooling, appears to be a partial answer to this problem.

The problems of heavy taxation of the investor-owned electric industry, the preference clause with its highly discriminatory application in favor of public ownership, and the continuing efforts of the advocates of nationwide socialization of the electric power industry are still with us. They leave no room for sanguineness, nor for relaxation of the industry's fight for preservation of the free enterprise system. They are not a cause for despair, however—they are rather incentives to accelerated progress and leadership.

PATINO R., ANTENOR

President, Patino Mines & Enterprises Consolidated, Inc.

It is exceedingly difficult to forecast the course of tin prices and production in 1955, as major political and international factors are involved.

Certain signatory countries, including both consumers and producers, have not yet ratified the International Tin Agreement which it is hoped would assist in keeping the spot price of refined tin metal, between floor and ceiling prices of £640 and £880, respectively, per long ton (equivalent to 80 and 110 cents U. S. per pound). Under the above Agreement the International Tin Council was to be allowed to purchase tin when the London Metal Exchange price should fluctuate between £640 and £720, and was to be obliged to purchase when the price should be less than £640; at the other end of the scale the Council was to be obliged to sell tin when the price should exceed £880, and was to be allowed to sell when the price should vary between £800 and £880. A buffer stock was to be formed by the producing countries, the initial stock being of 15,000 tons (of which not more than 75% should be in tin metal and the balance in cash), with provision being made to increase same to 25,000 tons if necessary.

Patino R., Antenor

It now appears that France will insist, amongst other modifications, upon a ceiling price of £840, and hence delays or modifications are now envisaged in spite of the attitude of "benevolent neutrality" adopted by the U. S. Government. This recent uncertainty had the effect of causing the spot price of tin to drop from the 1954 high of £825 to £681 per ton, equivalent to 103 and 85 cents U. S. per pound, respectively.

Another major uncertainty is due to the U. S. Government not yet having divulged its future stockpiling plans. Although official figures are not issued, it is understood that some 40,000 tons have been accumulated in excess of the original minimum stockpile requirements (which were generally presumed to be about 300,000 tons, equal to at least five years U. S. consumption of virgin tin). For many years the U. S. stockpile has absorbed the world excess tin production over consumption, which excess has averaged about 36,000 tons annually during the past four years. If the U. S. were to discontinue purchases for the stockpile, production would have to be reduced by means of a quota system that the International Tin Committee would impose. In the first half of 1955, the U. S. Congress will decide the fate of the Texas City smelter, which is operated at a loss by a U. S. Government agency. Fortunately, there is an excess of tin smelting capacity in the world.

Although few new mines have been discovered, world production has increased every year since the end of World War II, in spite of a decline in Bolivia since the principal mines were nationalized. Bolivia has been displaced by Indonesia as the second largest tin producer in the world (Malaya being the largest). As, in addition, Thailand is the fifth largest producer, political developments in the Far East could seriously modify the existing situation.

World tin consumption has varied between 130,000 and 140,000 tons annually during the past four years and, owing to technological advances, such as electrolytical deposition, etc., is not likely to increase much.

W. A. PATTERSON

President, United Air Lines

The substantial progress made by the scheduled airlines of the nation in 1954 has been written into the records. Operationally and traffic-wise, they never closed a more successful year. In 1955, with aggressive merchandising of the best product in their history, they may expect to achieve even more.

W. A. Patterson

In experience, in equipment, in dependability and service, the airline industry is in a strong position to further its already deep penetration of the total travel market. It is interesting to note that while that market dropped 34% from 1946 through 1954, the scheduled airlines increased their passenger miles by 182%. In 1954, it is estimated that the airlines carried more than 70% of all first-class travel (air plus Pullman).

While the airlines are actively and successfully competing for their rightful share of the overall market, it is recognized that all forms of transportation have their place in the nation's social and economic growth, and that each form must be healthy if it is to make its proper contribution. It is hoped that each type of transport will grow and prosper by concentrating on those services which it can provide most efficiently and economically to the public. Meanwhile, of course, public benefits from technological progress such as have been introduced by the airplane cannot be denied.

As in every other year, there are problems for the airlines in 1955. Not the least of these is the narrowing margin between airline revenues and expenses. While operating revenues are reaching new highs, expenses are climbing even faster.

Perhaps something can be done to correct certain inconsistencies in the airline fare structure, and thus relieve this squeeze.

Meanwhile, the airline patron is paying only slightly more for our product than he did before the war, despite the fact that he is getting a far better buy in terms of speed, comfort, dependability and overall service. Today, for example, he can fly in deluxe comfort from coast to coast without a stop in 7¼ hours at a cost of 6.3 cents per mile as compared with the 5.9 cents a mile which he paid for 16-hour coast to coast flights with four stops en route only as far back as 1940.

Actually, air fares today are only slightly above prewar levels for first-class flights, even less than prewar for air coach service and below first-class rail fares on many segments.

It is with considerable enthusiasm and some optimism that the airlines enter the new year. With the same rate of progress as they demonstrated in 1954, it would appear that the months ahead will be good ones both for the airlines and their customers.

G. S. PEPPIATT

President, Federal-Mogul Corporation

The outlook for business in the bearing field naturally parallels that of the general economy of the nation and particularly the automobile, truck, farm implement and other industries requiring engines. For many years our business has been a growth business because in the mechanization of our economy engines have played such an important part.

Guy Peppiatt

Today there are more cars, trucks, airplanes, and other vehicles using engines than ever before, and most households are equipped with vacuum cleaners, refrigerators and other devices that use bearings of one kind or another.

In our business, the service end is a major factor. Not only is there an original equipment demand depending on the general economic conditions of the times, but also there is a continuing service business here and throughout the world. Our industry is particularly proud of its ability to provide customers almost everywhere with immediate service for their bearing needs.

Research and engineering play a vital role in our business. Few people know that a bearing may be comprised of many metals—that it has many specific dimensions and that its manufacture is an exact science. Research is constantly being conducted toward making better bearings with longer life and higher quality.

But today the most important single factor is the sale of new automobiles and the servicing of all automobiles and trucks. Statistics about the automobile business indicate a constant growth in their use and, barring a national catastrophe, a continued large new car market. This will be beneficial to the bearing business but not an answer by itself. This has always been a highly competitive business, and that is healthy. There will be competitive days ahead with the customer getting benefits and those companies meeting these needs best, getting the most returns. The outlook is good, but the going will be strenuous.

W. T. PIPER

President, Piper Aircraft Corporation

Nineteen fifty-five promises to be a prosperous year for the light plane maker. After much trial and error, we have learned where the real market is. During the latter part of World War II, many surveys were made which seemed to indicate that there would be a tremendous demand for small single engine airplanes. No industry had ever been so advertised as this one, due to the extensive use of planes in all kinds of military activities. The tens of thousands who had been trained as pilots were expected to continue to fly. Veterans who did not wish to get other training could learn to fly at government expense; they flocked to the airport creating a large market for the small planes, but as soon as their money was gone, practically all the student pilots stopped flying and the boom collapsed.

W. T. Piper

Many manufactures quit building airplanes, so that now only four companies are reporting sizable sales. Thinking in regards to private flying has changed radically in the past few years. We now recognize the fact that the real value of air travel is for long trips, but most people do not make enough long trips to justify the ownership of a plane. This means that the market is limited to those who for one reason or another frequently make long journeys. So much time can be saved by flying and wages are so high, that corporations cannot afford to have their men travel by slower transportation.

The light plane manufacturers have steadily increased the size, speed and range of their planes. The smaller, single engine ones are still in demand for spraying, seeding, fertilizing, etc., and planes seating four or more are selling readily from $7,000 to $20,000. Most people do not wish to fly at night or across wide expanses of water with a single engine and the large corporations got around this by buying war surplus airplanes with two or four engines for the top executives, but until recently there has been no small twin engine planes made. Three years ago two twin engine planes were put into production, but this year for the first time, four planes of this type, seating four to seven passengers, are available at prices ranging from $32,500 to $70,000. These planes carry fuel for long hops, are equipped with several radios and have complete instrument panels.

Besides being a system of travel good only for long hops, the airplanes have had the weakness of being usable a comparatively few hours per year. These new twins can fly above most overcasts and at night, as well as in marginal weather. With them private planes can approach airline reliability. Their ability to operate from small airports gives them great utility and opens up a new untapped market. The twin engine airplanes are sure to revolutionize and greatly increase the use of planes for executive flying.

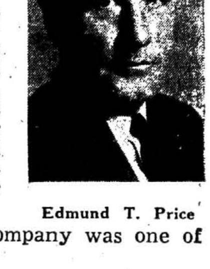
The sales possibility of these twin engine airplanes is tremendous; they are sure to practically revolutionize and greatly increase business flying.

EDMUND T. PRICE

President & General Manager, Solar Aircraft Co.

We anticipate no great change in the continued demand for aircraft and aircraft components in 1955, and we believe that Solar will have its share in this market. While the aircraft industry is subject to inevitable dislocations as older aircraft go out of production and work starts on newer models, nevertheless all available statistics indicate a healthy year ahead.

The engineers and scientists at Solar are constantly seeking new and improved products and processes, both for aircraft and for general industrial use. Some of these products developed since the end of World War II—notably small gas turbines, industrial expansion joints, aircraft control devices, and coatings for metals—are on the verge of a period of substantial growth, and we anticipate sizable production in the year ahead.



Edmund T. Price

Solar is fortunate in that the company was one of the first to develop large volume production techniques for jet engine "hot parts." As a result we have established a reputation with leading airframe and engine companies as a dependable source of quality components. This confidence in Solar will continue to be one of our most valuable assets.

On still other products, development and engineering work is about concluded, and we hope to introduce these items in 1955. Some of them will fill long-felt needs in the aircraft and other industries.

Another important event in 1955 will be the announcement of certain licensing agreements with foreign companies which are now being negotiated by our European branch, with headquarters in London.

In recent years Solar has expanded its factory space in San Diego and Des Moines, and large numbers of new machines have been obtained. The company is well equipped, therefore, to handle important new orders rapidly and efficiently.

In the year ahead it appears that the great bulk of Solar's output will continue to be products for the aircraft industry, since our national policy indicates that there will be no lessening of our defense preparations. The air arms of our military services are growing in relative importance, and we expect Solar to participate in the new orders that are issued as it has in the past.

C. H. REEME

President, The Udylite Corporation

Our field is primarily the Electroplating Industry. We manufacture various types of equipment used for plating, we develop processes and we provide the metals and chemicals used in the various processes. We feel quite confident about the outlook for the coming year. Business in our industry should be good. Manufacturers, generally, are conscious of the need for the latest, best and most efficient equipment and methods.

C. H. Reeme

One of the most important factors in the metal finishing field is the automotive industry. This industry contributes heavily to the general prosperity of the country. We are starting the new year with exceedingly heavy automobile production and the various automobile manufacturers are looking forward to production totals for the year exceeded only twice in the history of the industry.

The appliance industry is also an important factor in the metal finishing field. It is a fiercely competitive business and the manufacturer realizes he must be highly efficient. There appears to be a general expectation that sales in the appliance field will be up around 10%.

Building activity shows every sign of continuing throughout the year at a high level. This means not only demand for such plated articles as plumbing fixtures, building hardware, etc., as are built into the structure, but also a demand for many types of appliances to outfit the new units of living quarters.

A good portion of our business comes from what we call "job shops," shops which do no manufacturing, but are set up to do metal finishing for manufacturers who do not have their own facilities for that purpose. The folks operating these shops realize that they must have the latest and most productive equipment and processes in order to meet their competition.

Consumer income is on the rise and consumers are not hoarding their income. They are ready and willing buyers of the latest types and styles of articles to provide for all types of needs. Consumers generally, seem to feel quite confident that their incomes will continue at a good level.

All of this adds up to good business in our field for the year 1955. We recognize that it will be a year of keen competition but we expect a year of good business in which careful planning and hard work will have their rewards.

JOHN M. REEVES

Chairman of the Board, Reeves Brothers, Inc.

The cotton textile industry took a turn for the better three or four months ago. This has come about after nearly two years of poor business due largely to overproduction during and immediately following the Korean episode. The resulting large inventories had to be liquidated and this was exceedingly difficult while trying to maintain normal production at reasonable profit. These inventories were well liquidated by the middle of 1954 and from that date business began to show some improvement.

John M. Reeves

Price advances have taken place several times on a number of fabrics and have brought such items from a loss basis to the place where they show a fairly satisfactory profit. There are still, however, certain cloths of the lower and coarser constructions in the more highly competitive field that show very little profit. Many mills have sold their production for the next three to four months. The apparel and retail industries have an optimistic outlook for spring and summer business. The heavy selling of fall and winter apparel just past should put cutters and retailers in a strong open-to-buy position for this coming fall. The indications are then, that the year 1955 could show steady improvement at the mill level.

This improvement may well be upset, however, if restrictions are not forthcoming on imported cotton goods. Further lowered tariffs are one serious threat, but their harm can be likened to throwing gasoline on the already viciously burning fire as a result of existing tariff levels.

If the amount of imports from Japan alone is maintained at the same pace of goods landed in September, October and November, 1954, we can expect more than one-half a billion square yards coming from this country into the United States during 1955. This combined with imports now to be expected from other countries, could seriously cripple the American Textile Industry.

Furthermore, Japanese goods today are of a far higher quality than in the past. Their machinery is modern. Their manufacturing methods are efficient. And their stylists are alert to the current wants of the American market.

American mill owners have watched this situation coming with trepidation since 1945. We have seen Japanese spindleage increase from 1½ million to 8 million in ten years. How, then, can we possibly compete with them in an open market when their labor costs are one-tenth American labor costs, with labor representing half the cost of producing cloth?

Progressive American mill men are well aware of the importance of multilateral international trade. There is no question of their being firmly behind the principles of the Reciprocal Trade Agreements Act up to the point of serious harm to their industry. They recognize the need for sacrificing a portion of our domestic market so that certain foreign nations will prosper by finding a market here for a portion of their exports. But this cannot be an unlimited doorway.

A solution to this problem may be found by the setting up of maximum quotas. A quota of imports from all foreign countries could probably be 350,000,000 square yards and still not hazard the American Textile Industry. I sincerely hope that our representatives at the forthcoming Geneva Conference will take this matter under the most careful advisement.

ARTHUR REIS, Jr.

President, Robert Reis & Co.

In 1955 business should improve in the men's furnishings field over 1954 levels. Our industry should share in the expected improvement that appears to be facing the general economy. Retail inventories are reported to be balanced and at comfortably low levels. This is in contrast to the conditions prevailing a year ago. Then inventories were somewhat higher and a determined effort was in progress to keep buying within decidedly conservative bounds. Excellent November and December business should exert a favorable influence on Spring plans for the industry.

Arthur Reis, Jr.

New colors and new fabrics combining with a variety of new packaging should give this field a new appeal to the consumer. High styling has created additional volume for many industries, and it should now do likewise in the men's furnishings field. A smaller percentage of the consumer dollar has been going toward apparel purchasing, than in the prewar and immediate postwar years. Nineteen fifty-five may well be the year wherein this trend is reversed.

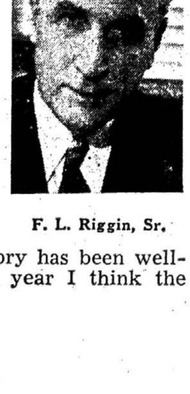
In our field over the course of the last several years, brand merchandise has held its own. The public has become accustomed to reliability in pricing and in quality. With consumers generally trading up, it is likely that brands will be able to make further progress in 1955. The one threat to this progress, however, is discount houses. It will be necessary for brands to maintain vigorously the one-price system or they will rightfully lose out with their traditional retail outlets —and if they lose out there, they will also be dropped by discount houses.

FRED L. RIGGIN, Sr.

President, Mueller Brass Co.

On an overall basis, 1954 was the most prosperous peacetime year in our country's history. The failure of even a minor depression to appear, following many dire prophecies of such a recession, proves conclusively that our business structure in this country is on a very sound basis.

In recent months the change for the better has been so pronounced that even the most cautious are now inclined to feel that there is very little danger of any business collapse in the coming year.



F. L. Riggin, Sr.

I believe that optimism will dominate 1955, and that the pessimists are fading away. I believe business activity will be greater in 1955 than in 1954, and I think living standards will be higher, incomes will be greater, business will be more successful and profits will be larger. With respect to our own business, I believe the demand for our goods will be greater than in 1954. Inventory has been well-adjusted and some time during the year I think the trouble we have been having with prices will also be adjusted.

All in all, I believe that 1955 will be as good or better than 1954.

H. A. ROEMER, Jr.

President, Sharon Steel Corporation

The outlook for the Sharon Steel Corporation for the new year is considerably brighter than that of a year ago, when Sharon was in the process of curtailing operations due to a decrease in steel requirements. In recent months, the demand for steel products has shown a gradual improvement and present indications are that the operating rate of the company will be at a higher level for the beginning of the new year.

H. A. Roemer, Jr.

The recent lighting of Sharon's second blast furnace brought the steel division of the Roemer Works in Farrell to 85% of capacity—the highest point of production reached in 1954. The highest point for the year in employment was also reached at this time with a total of 8,917 employees for the entire corporation, and an annual payroll amounting to approximately $36,500,000. The low point in employment was during the month of August.

Several of the facilities throughout the corporation were expanded or modernized during the past year. No major changes to products or production facilities are planned for the present year, although the program that has been in force for the past few years of modernizing existing facilities will be continued.

D. J. RUSSELL

President, Southern Pacific Company

It can be expected there will be continued industrial development during the coming year throughout Southern Pacific's territory in the West and Southwest where constant growth in population and economic activity has resulted in an average net gain of one new spur track industry a day for the past 25 years along our lines.

Donald J. Russell

To keep pace with the growth of this Golden Empire, Southern Pacific has invested more than $400 million in locomotives, cars and other transportation property in the past five years. Expectation is that heavy investments will continue.

Already ordered for delivery by the end of May 1955 are 163 new diesel locomotive units to help handle the growing traffic volume.

We are continually making studies with a view to developing methods and equipment that will improve the efficiency of operations and provide better service. Considerable effort in research and advance planning will continue during 1955.

Avenues for further improvements in operation include expanding the use of diesel locomotives; improving of terminal facilities, including construction of gravity classification yards, the huge push-button switching yard now under construction at Houston being an example; coordinating and expanding train and truck haul, including the trailer-flatcar system; stepping up train performance between terminals with additional Centralized Traffic Control installations and roadbed improvements; continuing the program to reduce freight damage in transit, and the concentrated training and educating of personnel.

During 1954 our trailer-flatcar, "piggy-back," service was extended to handle traffic moving between the San Francisco 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. Toward the end of the year, Southern Pacific was moving about 155 loaded vans on an average day.

By the end of January, 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.

Our Accounting Department plans to expand the uses of mechanical and electronic equipment to streamline further our paperwork methods.

In 1955 we will place six new dome cars in operation and will convert 25 dining cars into "Hamburger Grill" cars to extend this popular service to most trains. Ten new double-deck cars will be placed in the San Francisco Peninsula commutation service. Following receipt of additional new locomotives early in January, all of our streamlined trains are now hauled by diesels.

A major consideration for 1955 is how to obtain better public understanding of railroad problems and accomplishments, and public support for fair treatment of the railroad industry, such as in the case of continued diverting of mail and military traffic to the railroads' competitors, since such actions would tend to relegate the railroads more and more to the status of standby carriers, although in times of national emergency the railroads will be expected to carry most of the load.

Public understanding should also be sought for the railroads' need of greater freedom in adjusting freight rates, either upward to meet increased operating costs or downward to meet competition.

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CHARLES F. ROOS

President, The Econometric Institute, Inc.

Military spending represents so large a portion of Gross National Product that it must be given serious consideration in any sound forecast of business. Our forecasts are based on the assumption that this spending will range between $35 billion and $40 billion for the foreseeable future.

Charles F. Roos

Stalin, like every other dictator, needed a police force to maintain his power. He could not feel safe with the Russian Army in this role because of the aristocratic background of its officers. Therefore, he recruited the secret police under the leadership of Beria. This new force was largely recruited from the dead-end "kids" of the cities, a group which owed no allegiance to the old Czarist regime. Stalin attempted one purge of the army officers, but the rise of Hitler saved most of this group. The war itself elevated the army in the respect of the Russian people. Then in 1953 Stalin died.

Very shortly thereafter Beria made the mistake of placing his men in every strategic place in Russia. What the motive was is immaterial. The fact is that this move frightened his associates. The army arrested him and the army demanded his trial. He was found guilty of various capital crimes and executed a little over a year ago. Since that time, at least three of his Lieutenants have been tried and executed and the Russian Army has greatly increased its influence in the Soviet Council.

The Russian Government has been releasing political prisoners taken by the Stalin regime. Moreover, there is even information indicating that the Russians have ceased taking political prisoners. Workers for the Siberian mines and farms are being recruited by means of special incentives. And in recent months, the Russian Government has offered its citizens opportunities to buy homes on credit! Perhaps it is not absurd to assume that Russia is in evolution, if not actual revolution, which is destined to remove many of the most irritating differences.

But, if these fundamental changes are taking place, it is important that the Russian Army's influence be maintained. History shows that we may contribute to this end by maintaining our own military forces and at least occasionally disagreeing with Russian foreign policies.

In these circumstances, the business outlook for 1955 will be primarily determined by the civilian pressures. Assuming that the Federal Reserve Board will pursue policies leading to expansion of the money supply, new orders and production are apt to rise in 1955. However, the extent of rise and the pressure on prices and profits will differ materially in the various industries.

L. R. SANDERSON

President, National Gypsum Company

We are optimistic about 1955!

We expect that the construction industry that enjoyed a good year in 1954 will lose none of its steam this year. At National Gypsum, we are confident that 1955 will be the greatest year in the company's history. Sales in 1954 were $126 million, a new record. We expect to set a new record this year. Our 35 plants throughout the country should operate at capacity or near to it.

L. R. Sanderson

Earnings in 1954 were approximately $4.50 per share compared with $2.71 per share in 1953. This year's earnings should be well in excess of last year's.

Our forecasters estimate that new construction activity nationally will reach $39.5 billion in 1955, a 7% increase from the record-breaking $37 billion spent in 1954.

Last year new babies born built up a four-million plus record. The death rate was the lowest in United States history. With the population of the country growing at this unprecedented rate, the demand for housing continues to increase.

This strong demand for new dwellings, coupled with easier credit terms and longer-term mortgages, is expected to send new dwelling starts up to 1,400,000—an increase of about 200,000 over the past year and, in excess of the 1,396,000 record set in 1950.

We anticipate larger houses this year. The rising rate of household formation and the increasing number of families with three and four children point to this.

The growing desire for home ownership is another factor that is expected to influence the continuing heavy demand.

Additions and alterations to existing homes should be up 7% over last year, or close to $1.2 billion. Commercial construction is expected to expand to a new high of $2.3 billion of work in 1955.

The urgent need for school construction will doubtless send this phase of the industry to new heights.

In order to meet this skyrocketing demand our company is continuing to expand its facilities and more expansion is planned.

In Nova Scotia, we are spending more than $6 million developing the largest deposit ever discovered in North America. The project is one of the most highly mechanized quarrying and ship loading operations yet devised; and when completed, will save the company more than $1 million a year.

Two gigantic ocean freighters are being built for us. They will replace three older and smaller vessels and will transport gypsum rock the year-round to our seaboard plants at Portsmouth, New Hampshire, New York City, Baltimore, and Savannah. Expansion of our Savannah plant to tie in with the new system has been completed. We are well along in our expansion of the New York and Baltimore plants.

A mine is being opened and equipped at a deposit that our company discovered near Shoals, Indiana. The raw materials, although at an unprecedented depth, are of high purity. National Gypsum as the pioneer in the area has obtained the cream of the deposit. The gypsum plant which is under construction at the site will be the most modern ever built. Service to our customers in the Midwest will be quicker and better. The company will save because the freight costs will be substantially less since long hauls from distant plants will be eliminated.

A training program for our more than 500-man sales force that was inaugurated last year is being continued. This year, we are placing the emphasis on product installation and application.

Our research department is busy adding to and improving our line of products to enable us to take a greater share of the market.

We, at National Gypsum, believe that this nation is entering a sustained period of unprecedented prosperity and growth. We are ready, willing and anxious to play a more important part in this expanding America.

TEVIAH SACHS

President, Waltham Watch Company

The current outlook for the Jeweled Watch Industry for the year 1955 indicates that it will be another highly competitive year. With the slightly diminishing volume of business, a more strenuous effort is going to be made by all nationally-known watch houses to get as large a part of the available business as possible. The most aggressive manufacturers will, without a doubt, reap the full benefits of the efforts that they put forth.

Teviah Sachs

Advertising will probably be increased and the fight for the consumer dollar will be carried on not only by national advertising, but also locally through every outlet available to the industry.

It is apparent that the industry will have to study distribution channels very carefully and give attention to the big inroads made upon the retail jewelry business by the discount houses. Policies will have to be set and openly acknowledged. Increase in competitive styling will be carried on, and eye appeal of the products will determine more than ever the extent of distribution that will be attained.

The confidence of the retail jeweler in the manufacturer will to a great degree also determine the accomplishment of each producer this year.

1955 will be the first year during which the watch industry will be operating under the new tariffs, and the results will indicate just what the effect has been on the American watch manufacturers and the importers. The government has publicly stated that the skills of the American watch industry itself are essential to national defense and should be preserved. This is of importance to everyone.

ARTHUR J. SCHMITT

President, American Phenolic Corporation

Prospects for 1955 look very good for those industries supporting the electronic, aircraft and military programs. While tremendous progress has been made heretofore in such fields as miniaturization of electronic components making them more adaptable to further improvement in compacting and sealing out moisture and contamination, there are still wide areas of engineering and manufacturing not completely solved.

Arthur J. Schmitt

At the same time wires and cables need further development to keep pace with improvements of electronic components. The need for miniaturization of wires and cables to withstand increased heats and with ultra-efficient insulation which will not deteriorate will keep that phase of the electronic industry on the move. There is an unbelievable dollar potential in space and weight saving miniaturization coupled with reliability in the electronic and aircraft fields. In the electronics industry there will be no place for complacency. Military requirements alone will continually drive the industry into new and more far-reaching fields. We have already seen in these early days of the jet and guided missile age the absolute necessity for more accurate, rugged and dependable electronic gear to function at greater altitudes and speeds.

Aviation has been the great educator of industry. The influence of aviation on industry in general has forced the development of improved metals and better welding and fastening techniques requiring these manufacturers to set up laboratories for all types of testing not heretofore regarded necessary. It was only a few years ago that many manufacturers did not even have X-Ray equipment for checking welding operations. Today manufacturers must have so much of this type of testing equipment that it requires separate departments with highly trained personnel who can evaluate such things as thickness of plating and determine its effectiveness over the life of the product. Similarly with electronic components, the manufacturer should have testing equipment capable of determining such things as performance of an item at—25° F and even—100° F.

Manufacturing is fast joining the circle of exact sciences rather than relegating itself to the fabrication of materials for a specific purpose. American industry has come a long way in this progression, yet it has only begun. This significant change in the character of the manufacturing industry will see a greater impetus in 1955 and succeeding years.

J. WILLIAM SCHULZE

Vice-President and Treasurer, Bath Iron Works Corp.

Our own company's outlook for 1955 is that we shall probably do as much business as we did in 1954, if not a little more.

The shipbuilding industry as a whole at present is at a low ebb, but projected ship construction has improved materially. The timing of actual contract awards will determine whether or not the year 1955 will receive much benefit. As is generally known, a time lapse, which varies from six months to a year or more depending upon the character of the vessels, for the preparation of plans and procurement of materials and components, is necessary before physical construction can begin.

NORMAN SCHWARTZ

President, D W G Cigar Corporation

Today, the future of the cigar manufacturing industry looks bright. This is particularly true for those companies which have attuned themselves to this modern scientific age and, as a result, have become the leaders in the industry.

Norman Schwartz

In the past our industry, one of the oldest in North America—and perhaps because of its age and deep rooted traditions—had been satisfied to go along without change and had often resented change. It has lagged far behind in its acceptance of modern business techniques and frequently refused to meet its problems in the realistic manner which other industries have employed to solve their equally pressing problems in this changing world.

The past few years have seen a profound change. Now, the leading cigar companies are going all out to make up for their past complacency. Every phase of the business from the growing of the tobacco leaf to the consumer is being studied intensively. The scientist, both during the growth and processing of tobacco, is assuming a position of great importance within and without the manufacturing establishment. Modern and constantly improved machinery has largely replaced hand labor and is producing a more uniform and better product. Young men with new ideas are being employed and listened to. Methods used in other industries for improving the product and increasing efficiency, are being studied and adapted in the cigar industry. Market researchers, package designers, personnel experts, and all the tools of today's business world are now a well recognized part of the leading cigar companies.

The industry has also recognized the necessity for creating new consumers of their product. One of the relatively new answers to this has been the introduction of the little cigar or "cigarillo" as it is known in the trade. It has been successful beyond all expectations and today several hundred million of these are being produced and sold annually, with demand still increasing. It is felt that many thousands of new cigar smokers, many of them in the younger age groups, are thus being created.

The financial problems, particularly the necessity of carrying huge tobacco inventories so that it may be properly aged for mildness and sweetness have also been boldly faced, expertly studied and largely solved with the cooperation of the leading banks and financial institutions in the country.

This industry revolution, at it may well be termed, has only occurred in recent years and the impact of this new vitality is just beginning to be felt, and will surely be reflected in improved sales and profits and a healthier over-all financial picture.

Today the customer of cigars receives a finer and more pleasant cigar than ever before. It is designed to suit his pre-determined taste. It is packaged to catch his eye and retain the original aroma and freshness. It is distributed to be available to him wherever he may be. It is primarily made to provide him with relaxing pleasure at a price which he can afford.

Never in the long history of our industry have management and the two major industry organizations—The Cigar Manufacturers' Association and The Cigar Institute—been so alert to and prepared for the possibilities which they feel await them in 1955 and thereafter.

W. H. SCHWARZSCHILD, Jr.

President, The Central National Bank of Richmond, Va.

The direction of opinion appears to augur favorable business activity in 1955. Two important factors bolster business inventories which have declined $5 billion during the past year as well as the normal population this estimate. The forecast of the government and the construction industry is that the volume of construction will equal and probably exceed the volume experienced in 1954; spokesmen for the automobile industry estimate that the production of new cars in the new year will exceed that of 1954 and that they will be readily sold.

Construction and automobile production are two major factors in steel consumption, our major heavy industry. With a continuation of basic activity estimated at current levels, which are high, and taking into consideration that there will probably be some replacement of increase underlying the demand factor, I feel the outlook for business during 1955 cannot but be good.

FRANCIS P. SEARS

Chairman of the Board, The Columbian National Life Insurance Company

I believe 1955 will be a very good year for our business of Life Insurance.

Although the net income, after payment of the confiscatory Federal taxes on people with large gross incomes, is much less than any time before World War II, yet average people receive greatly increased net incomes, and they are the ones who buy most of the Life Insurance issued. Policyholder payments average only 3.3% of their income for Life Insurance; only about $115 annually. They realize more and more that Life Insurance is the best protection for their families and for old age, so with prosperity generally predicted for 1955, I expect a better year than ever for Life Insurance production.

Francis P. Sears

Just recently, several of the great leaders in industry in the United States have stated their belief that there will be great prosperity in 1955—the Presidents of General Motors, General Electric, United States Steel; also, Commerce Secretary Weeks; Forecaster David Lawrence; Chairman Martin of the Federal Reserve Board.

The automobile, house and highway construction, oil, public utility and steel companies all should have wonderful business in 1955 and Life Insurance companies should share it.

The threat of war hangs over the world like a dark cloud, but I cannot believe that any great Communistic nation will risk its own destruction through retaliatory attacks from the dreadful atomic and hydrogen weapons; certainly the free nations will not start wars. The recent French actions supporting Premier Mendes-France's proposals allowing rearmament of Germany and settling the Saar controversy are very helpful.

Some people feel that stocks are selling too high and quote the high market prices of the Dow-Jones industrial list, but that list is not really representative of all stocks and is too heavily weighted by six or seven stocks which have doubled in price; a list of fine stocks selling way below 1929 figures could easily be drafted, including the most popular stock in America—American Telephone and Telegraph Company which is selling at about 175 compared with over 315 in 1929; followed by American Tobacco, Chrysler, International Harvester, Loew's, and National Distillers of the Dow-Jones list selling way below earlier figures.

Beverage, cigarette, coal, department store, drug, packing, railroad, sugar, textile, and watch company stocks are all selling way below previous prices, and one must think of those favorite railroad common stocks of years ago, all selling above 200—New Haven; Northwestern; and St. Paul, but utterly wiped out by the Interstate Commerce Commission. Think of the great public utility holding companies almost wiped out by the vindictive campaign against them by a former President, while thousands of investors who had been allowed to borrow huge sums on minute margins lost heavily. It is pitiful to think of such splendid great properties as the New York Central and the Pennsylvania Railroad, with billions of dollars of value and of gross earnings being forced to earn practically nothing for their stockholders. Really, most of our financial troubles have been due to political behavior—pleasing the public by requiring too low rates; pleasing other countries by allowing too low tariffs.

But now we have an honest, honorable, and fair-minded Administration which believes in encouraging individual effort and fair treatment of business, and I feel that the prices of stocks apparently selling high today are in most cases justified by their earnings and prospects.

Many life insurance stocks have had a big market rise in 1953 and 1954, but the good earnings and splendid prospects for further growth seem to justify present prices.

I have made a point of comparing these true growth stocks with rolling a snowball in a field of snow, retaining the original bulk and continually increasing size by new acquisitions.

J. P. SEIBERLING

President, Seiberling Rubber Company

Prospects for the tire industry in 1955 are good. Compared to 1954 results, improved sales are indicated for both the replacement and original equipment markets.

Increased production of new cars and trucks in 1955 means the automotive industry will need some 32.8 million tires during the year against an estimated 31.7 million delivered to this important market in the past year.

J. P. Seiberling

The outlook is also good for the replacement tire market, although 1955 will not be a record-breaking year.

Peak replacement years were 1946 and 1947, when the industry was satisfying the heavy demand for tires which had been built up by the war-shortage years. The next best year was 1950, when about 56.8 million replacement tires were sold.

I believe the industry will sell approximately 56.3 million replacement tires in the current year—about a half-million units short of the 1950 mark, but almost 3% more than were sold in 1954.

The greater portion of this increase can be expected to come from the passenger tire market, where replacement sales should reach approximately 48.3 million units, measured against some 47 million in the year just past.

Although the potential replacement passenger tire market is made up of almost 34 million cars two years old or older now in use in this country, not all of this tremendous potential can be converted into actual sales in 1955.

The reason is: Today's tires are the best ever produced by the industry. They last longer and need replacing less often.

An improved year can also be expected in the truck and bus tire replacement market. I expect the rubber industry to sell at least 8 million units in this field compared to an estimated 7,780,000 in 1954.

This increase can be predicted by the improved economic situation which exists as we begin the new year. More trucks will be on the highways, transporting goods to fill the growing demand of our expanding economy.

Here again, however, the full potential replacement market has been reduced through technological improvements. The truck tires our industry is producing today are a much better product than similar tires of three or four years ago and should give more satisfactory service.

I believe we can look forward to a stronger export market in 1955. Many foreign countries have strengthened their economies, and will need more tires and tubes as their economic activity moves to higher levels.

Tire and tube prices will move upward during the current year. This can be expected because of higher labor and material costs—which took effect in the final quarter of 1954—and also because of a violent price war which raged throughout most of the past year and drove prices down to unprofitable levels.

The overall picture for the rubber manufacturing industry in 1955 is promising. It should be a year of considerable improvement over 1954.

FRANK A. SEWELL

President, The Liberty National Bank and Trust Co., Oklahoma City, Okla.

The business outlook for the nation in 1955 suggests a year of great overall business activity, exceeding 1954.

Prospects point to increases in industrial production, employment and wages, gross national income, disposable individual income, retail sales, and construction. It looks as if commodity prices and the cost of living will be about the same as 1954, and that plant and equipment expenditures will be down only slightly. No new taxes are anticipated in 1955. Finally, 1955 looks like a year of world peace, a situation answering the prayer of the entire business community.

Frank A. Sewell

The weakest major spot in the forecast of the new year is agriculture. We in Oklahoma and the Southwest are greatly concerned with and affected by the farming situation in this area. We are not so dependent upon agriculture in Oklahoma as we were a few years ago, due to the coming of industry with payrolls into this area and the comparative growing importance of petroleum and gas production, processing, and transportation. Agriculture, however, is still the source of our greatest income, and business is generally affected by the condition of the farmer. It is difficult for many to understand how business in our state has been so active in 1954 in spite of two years of drought. Nineteen fifty-four was an unusually good year for business in our state, second only to 1953.

The drought in 1953 was a cruel one, but the one in 1954 was worse. Last year's drought is said to be the worst one here in over 20 years. According to Ferdie Deering, editor of the Farmer-Stockman, "The year ended with most of Oklahoma receiving from one-third to one-half the normal rainfall, and the Jan. 1, 1954, livestock estimate in Oklahoma showed an 8% increase in cattle numbers over the same estimate a year earlier, but they were worth only half as much." During 1954 the drought sent thousands of cows and heifers to slaughter with the result that there is a lower cattle population outlook for the future in our state.

Cotton and corn production last year were near the lowest on record, and so was the production of grain sorgums, which is an important crop in central and western Oklahoma. Wheat was about the same as the year before, but was produced on fewer acres.

The agricultural prospect for 1955 in Oklahoma is not a bright one because of the continuation of the drought over most of the state. We badly need soaking rains to salvage much of the current wheat crop and to provide subsoil moisture for crops yet to be planted. Cotton acreage has been reduced from over 1,000,000 acres to 873,000 acres in 1955, and wheat acreage was reduced 12%. There probably never has been a time when good farm management was more important to the prospects of the Oklahoma farmer than in 1955. His cost of production will probably be high, his acreage of basic crops will be down because of allotment, and prices very probably will be no better than stable. Good business management is a must for our farmers.

Outside of the agricultural field, almost everything is healthy in Oklahoma, and if we could be blessed with ample rainfall Oklahoma would experience one of its greatest years in business in 1955.

CARROL M. SHANKS

President, The Prudential Insurance Co. of America

I am looking forward to a year of good business activity. There are several factors which prompt my belief. In the first place, studies indicate that 1955 may produce national spending totaling $370 billion. This figure exceeds the record 1953 spending by $5 billion and the 1954 level by about $14 billion. I would not be surprised to see a new high of $295 billion in personal income which, after taxes, will give the consumer about $261 billion to spend, more than ever before. I think government spending will not increase over 1954, at least not very much, but I do anticipate an increase in business spending.

Carrol M. Shanks

Studies indicate that the number of employed persons will be upped by approximately one million, leaving unemployment at about 4% of the total labor force, or about normal for prosperous times. A 5% rise is indicated in total wage and salary income. Farm and business income will also rise, though probably not quite that much. Most of this increase in personal income will be spent for the things people want and need, and the level of personal savings, estimated at $19 billion, will be slightly lower than in '53 and '54.

This overall optimistic viewpoint does not mean to me, however, that we will have a year of boom. It does indicate, however, that we will continue to push our standard of living steadily upward, and build soundly for our country's future economic prosperity. I am heartened by what I think lies before us, and I believe the turn of events should carry us toward the stability we all desire so much.

WALTER A. SHEAFFER, II

President, W. A. Sheaffer Pen Co.

The writing equipment industry enters 1955 with prospects for a record sales year, tougher competition and a leveling off of ballpoint sales.

Among the factors that will influence the industry's performance will be pen manufacturers' policies on illegal retail price cutting. Maintenance of price structures, distribution networks and brand reputations requires stronger action by manufacturers against retail discounting. Our company is a leader in the fight against price manipulation.

W. A. Sheaffer, II

We believe a national-brand manufacturer has a responsibility to dealers and consumers that requires him to combat price manipulation on his product. Price cutters can't perform for the public the necessary distributing and servicing on which national-brand manufacturers must depend. Our campaign against the discount houses is based on a desire to have for our products the kind of distribution that will be most beneficial for us and for our customers.

Sheaffer Pen's 1954 sales record indicates national-brand producers can prevent illegal price cutting of their merchandise without sales losses. In a year of readjustment for most industries, sales mounted steadily, being about 14% greater than in the previous calendar year.

During the past year Sheaffer's started legal action against 304 price cutters in fair trade states, cut off 501 retail outlets suspected of price cutting, and obtained fair trade agreements with 194 retailers otherwise faced with fair trade injunctions.

Improvements in writing tools, more aggressive promotion, gains in literacy and a 20% increase in the school-age population during the next five years should help push the writing equipment industry's annual re-

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tail sales volume from $250,000,000 in 1954 to $350,000,000 by 1960.

Consumer enthusiasm for the Snorkel fountain pen has well demonstrated the public's demand for better writing instruments. The Snorkel's success contributed heavily to our sales rise in 1954.

Sheaffer sales for the nine months ending Nov. 30 were $22,644,000 compared with $19,552,000 for the like period in 1953. Sales for the fiscal year ending Feb. 28, 1955, are expected to run around $30,000,000, compared with last year's $25,161,532, previous all-time high.

Ballpoint sales should begin to level off in 1955, after the dramatic increases of the past three years. Although the ballpoint is here to stay, it probably won't make further inroads on fountain pen sales. Our experience shows it has not affected the sale of quality fountain pens which provide the individualized handwriting not possible with ballpoints. And ballpoints don't stimulate the pride of ownership associated with quality fountain pens.

Consumers are becoming annoyed by the need for buying refills for small-capacity ballpoints and are beginning to demand better quality and longer writability. Accordingly, our company will put stronger promotion behind its long-writing ballpoints in 1955.

The export market for quality instruments is expanding rapidly as most foreign pens are vastly inferior to American makes. Ft. Madison's foreign sales increased 8% in calendar 1954. Similar increases are expected in the coming year. Our foreign markets are also supplied by manufacturing subsidiaries in Australia and Canada. The Canadian subsidiary increased its production capacity considerably in 1954 by completion of a new $1,500,000 factory at Goderich, Ontario.

LANSING P. SHIELD

President, The Grand Union Company

To get a headline, one should say that the outlook for food retailers and consumers in 1955 is a bleak one. Since the reverse is true, my comments will be confined to a brief summary of the basic conditions in the food industry and their cumulative effect on the retail operation in 1955.

Lansing P. Shield

The super market industry has had many friends working for it. One of these is the automobile, which has drastically changed shopping habits of the American consumer. It is the primary reason for our cities moving out into the country and the creation of new shopping centers.

Another favorable factor is the estimated population increase of 56 million people by 1975. With the prospect of feeding all these additional millions, who can be bearish for the long pull? A baby is born every 12 seconds in this country and those born yesterday and tomorrow will live longer. That means not only will there be more mouths to feed but they will have to be fed for more years.

Because of technological advances, disposable personal income, while slightly lower in 1954, will move higher over the years. Steadily increasing production per man-hour means a steadily advancing standard of eating.

Nineteen fifty-five will mark the silver anniversary of the super market. In a quarter of a century it has become the giant of the food industry. Scientific methods applied to distribution, material handling, packaging and merchandising have transformed the first super markets into the miracle markets of today. The miracle of tomorrow will be the super market of tomorrow. It will make the markets of today as obsolete as the cracker barrel of yesterday.

R. PERRY SHORTS

President, Second National Bank & Trust Company, Saginaw, Michigan

As an old-time banker who has joyfully skidded through many prosperities and miserably muddled through many depressions, I predict that 1955 is going to be a very good year for American business—at least from 5% or 10% better than 1954. My contacts with businessmen of all sorts and descriptions—from small-town merchants, contractors, salesmen, plant managers, etc., up to the directing heads of some of our large corporations — and knowledge of what they are saying about their prospects and programs for the immediate future, cause me to feel that *confidence* is wider spread today among the businessmen themselves than at any time in many years past. I also notice that the economists are almost unanimous in their forecasts of good business in 1955.

R. Perry Shorts

However, there is no guarantee of any such upsurge, and all these forecasts may turn "sour" unless the businessmen themselves get in and "pitch"—for whether business will be good or bad in 1955 will depend largely upon their own efforts. No new war is expected to help them this year, no vast backlog of unfilled orders, no settled labor conditions, no heavily depleted inventories, no large defense-spending programs, no new business-producing inventions or discoveries, no reduced material costs, no reduction in taxes, and no Santa Claus of any kind is in sight. Our businessmen will have to do some hard thinking and hard working, not to manufacture more products, but to create a greater demand for the products we already have, to make them more attractive, more serviceable, more appealing and altogether more irresistible to customers—all of which will make competition mighty tough. The people will have plenty of money to buy more goods with—but we must make them do it.

The Eisenhower Administration and its splendid accomplishments toward sound currency and sound economy, are chiefly responsible for this great *confidence* of today. They have again proved that America can prosper in times of peace. For the first time in years our people feel that there is now a trustworthy pilot at the wheel—one who stays on the course and does not swerve with every political wind that blows—one who thinks more of the welfare of his country than of his "party" or his own political career—and one who believes that true economic progress rests on private enterprise and not on Government supports. He knows that production makes prosperity and non-production makes depression, and that you can't increase the country's wealth without hard work—law or no law. And he also knows that history records not one single case where Government planning ever raised the standards of living or provided freedom for *any* people.

In view of the recent election, however, which re-established the Democrats in power by a paper-thin majority, it is evident that American business has much at stake in this new Congress. If business falters or drops off again, the so-called "Liberals" in both parties will seize the occasion to blame it all on the businessmen and promptly demand that the Government "take over" and repeat their old-time program of inflation—"Tax, Spend and Elect" with more taxes, more Bureaucrats, more spending and more Government controls. They think they can manufacture prosperity faster by these unsound political means, than by the old time-honored formula of individual thrift, hard work and old-fashioned honesty.

To prevent such a catastrophe, we businessmen have a big job cut out for us in 1955—but, with the help of "Captain Ike" and his competent crew, I have another kind of *confidence* that our good old "Ship of State" will "sail on" through all these threatening storms to economic progress and freedom and peace.

HERBERT L. SHUTTLEWORTH, II

President, Mohawk Carpet Mills, Inc.

The outlook for business in the carpet industry during the year ahead is, in my opinion, good. Industry sales could easily exceed 1954 results by 5% to 10%, and profit margins should increase substantially from their present unsatisfactory levels.

H. L. Shuttleworth II

An increase in sales seems a logical expectancy in view of the continued high level of consumers' disposable incomes, the continuing home building boom, the ever increasing population, and the all-time low levels of unemployment. Supplementing the normal benefits from these favorable economic factors are several current developments which should enable the carpet industry to recover some of the ground lost to other competitors for the consumers' spendable dollars in recent years. First, an industry-wide advertising program is now being launched, emphasizing the functional values of carpeting in the home. Secondly, time-payment purchase plans are being applied to carpet purchases with more enthusiasm than heretofore. Thirdly, aggressive in-the-home selling programs will be used by more retailers. And finally, the new tufted and woven lines just introduced by manufacturers appear to embrace unusually good attention-getting merchandise.

The profit outlook for the industry also appears more favorable. First, the increasing use and acceptance of man-made fibers will make the industry less susceptible to wide and unpredictable swings in the cost of carpet wools, all of which come from foreign sources. Secondly, the industry seems less susceptible to some of the price competition that kept manufacturers' profit margins at dangerously low levels much of the time. And finally, some mills have shifted operations to newer and reportedly lower-cost southern plants. These factors, together with the spreading of overhead over the expected larger output, and barring unforeseen cost increasing forces, should enable the industry to make some recovery from the extremely poor profit showing for 1954.

HOWARD SIMPSON

President, The Baltimore & Ohio Railroad Company

H. E. Simpson

This company just completed its survey of prospective traffic for the year 1955 which leads us to believe we will be about 5% more than in 1954. Because of the reduction in rates put into effect to meet competition, we do not expect our total earnings will be more than 2% over 1954. Operating economies which will be placed in effect throughout the year, notably a substantial addition to our fleet of Diesel locomotives, should enable this company to handle the traffic load more economically, with result that it is anticipated our net income will exceed that of 1954.

ROBERT F. SIX

President, Continental Air Lines

Continental Air Lines during 1954 carried more passengers, freight, mail, express and parcel post on its flights serving six Rocky Mountain and Southwestern states than ever before in its 20-year history.

Robert F. Six

Looking to 1955, the commercial air transportation industry holds greater promise for the future than ever before.

Continental Air Lines — on the threshold of integrating the routes of Pioneer Air Lines of Dallas with its own—offered 289,104,458 available seat miles to the traveling public and 36,037,029 ton miles to shippers, approximately 6.5% increase over available seats and weight in 1953. This was made possible principally by the purchase and operation of new and larger aircraft during 1954.

Through services operated jointly with other airlines between major cities contributed importantly to our record volume of passenger traffic. These interchange services accounted for 62,809,206 passenger miles, 37.5% of the total passengers miles operated by Continental during the year. Douglas DC-6 through flights of Continental accounted for 48,945,286, 29% of the total passenger miles flown by Continental.

Continental's DC-6 through services are operated jointly with American Air Lines between Houston and the West Coast and with United Air Lines between Tulsa and the Pacific Northwest. A Super Convair through service is operated jointly with Braniff Airways between Denver and St. Louis.

Continental Air Lines and Ameircan Air Lines in September, 1954, inaugurated a DC-6 reduced-fare Coach flight between Houston and West Coast cities. In three months operation with 80-passenger aircraft, this service has carried 12,327 passengers 6,725,928 passenger miles, indicating the tremendous acceptance by the traveling public of this new service.

In the systemwide picture, Continental Air Lines' passenger miles in 1954 were 167,477,107, a 12.5% increase over 1953 when they amounted to 148,919,370. The airline carried 417,147 passengers in 1954, a 12.8% increase over 1953 when it carried 369,794 passengers.

Total cargo ton miles (first 11 months, 1954), was 1,052,157, a 6.5% increase over the like period of 1953 when it was 933,663.

Pounds of air mail carried (first 11 months), 1954 were 2,727,731, a 13.3% increase over the like period of 1953 when the airline carried 2,407,768 pounds. Ton miles of mail flown during the 1954 period amounted to 573,499, a 22% increase over 1953 when the airline carried the mail 470,277 ton miles.

The final integration on April 1, 1955, of the routes of Continental Air Lines and Pioneer Air Lines will increase the route mileage to 4,797 serving 46 cities. The purchase of Pioneer will increase the scope of Continental's operation into major cities of Texas and New Mexico, some which we are not now authorized to serve, and others where Continental will gain new route segments in additional directions.

ROBERT B. SMALLWOOD

President, Thomas J. Lipton, Inc.

In both tonnage and dollars, total volume of the U. S. food industry last year reached a new high. And based on the promising current outlook, I feel sure that a still better record will be made in 1955.

Robt. B. Smallwood

Two main factors seem to underlie the steady increase in food sales. First, of course, is that consumers these days are relatively prosperous. This makes it possible for the average American family to buy more and better things to eat. Second, the manufacturers, processors and distributors in the industry are all working hard to do a more and more efficient job. The sharply competitive nature of the food business today leaves little room for any easy-going philosophy.

Larger and more effective programs of research and development are constantly bringing about improved quality, more convenience and added attractiveness of food products generally. On the marketing side, real progress is indicated by the endless move toward more hard-hitting promotion appeals linked with aggressive selling and merchandising effort in all channels of distribution.

One development that I have been especially close to is the fast growing U. S. market for tea in recent years. This healthy inmprovement, in my opinion, is a fine example of cooperative team-play in action.

By joining hands with the American tea trade, the governments in India, Ceylon and Indonesia together are more than matching our funds for an industry-wide promotion campaign in this country. At the start this called for great courage by leaders of those countries, where the standard of living is so much lower than our own. Yet they felt that the risk was worth taking, as one means of helping to strengthen their respective economies. That the risk has, in just a few years, begun to pay excellent dividends is most encouraging to all concerned.

In the tea trade we strongly feel that this demonstration of international partnership, keyed solely to the idea of mutual expansion, is what the free world needs much more of at the present time.

C. R. SMITH

President, American Airlines, Inc.

C. R. Smith

The reports that we receive from all sections of our nationwide system indicate a reasonably uniformity about confidence in basic business conditions during 1955. We believe that confidence is justified.

We are planning a substantial increase in our air transportation services for 1955, both in the air passenger and in the air cargo field, and we expect good load factors for the service to be operated.

Capital expenditures for buildings and facilities for the year of 1955 will exceed those of 1954, to prepare for the increased business expected for the future.

FORREST M. SMITH

President, National Bank of Commerce of San Antonio, Texas

Business conditions in San Antonio and its area during the past year have been generally very satisfactory. Deposits in our bank hit a new high, and profits for the year have also amounted to a new high figure. A number of firms have reported record sales, especially in connection with their Christmas business. Drought conditions still are being felt in a number of sections, which consequently have an effect on local business. As to the New Year we see no unfavorable factors which would prevent 1955 from being another good year for business. Residential building undoubtedly will continue to be an important factor in our economy. The automobile business has greatly improved and we are looking forward to another good year.

Forrest M. Smith

R. H. SMITH

President, Norfolk & Western Railway Co.

We on the Norfolk and Western are optimistic about the prospects for a better railroad business year in 1955 than we had in 1954.

R. H. Smith

Primarily because of reduced activities in heavy trafic producing industries such as steel and coal, our volume of traffic in the first ten months of 1954 was lower than the volume of traffic during the same period in 1953. But a reversal in this trend became evident in September and by November the traffic volume lines had crossed. Our traffic volume and earnings for the last two months of 1954 were considerably ahead of the same period in the previous year.

This trend is continuing markedly during the first half of January.

ROBERT J. SMITH

President, Pioneer Air Lines, Inc.

The general outlook for business in 1955 in Texas and New Mexico is good. It now appears that the general volume in goods and services will set a new high depending upon one primary situation respecting which reservation must be taken. This pertains to agricultural and livestock prices in the first instance, and an adequate supply of moisture in the second. The prolonged and accumulated deficiency of moisture resulting from severe drought conditions which have been the common experience in this area for four to five years has left its mark in deficient sub-soil moisture and poor surface cover of range and farm lands. Given normal supply of moisture in the first half of 1955, it can be expected that agriculture and ranching operators will overcome the problems presented by present prices for their products, which prices appear likely to prevail during 1955. The improved techniques in agriculture and ranching, resulting in better care for the land, have been the primary safeguard against a dust bowl during these trying years.

Robert J. Smith

The petroleum industry appears more stable now than at any time in the past 12 months, primarily as a consequence of good conservation practices.

The trend toward an increased industrialization continues, with the number of persons engaged in manufacture showing steady increases and these are expected to continue during 1955.

Expenditures for services of all types continue at a very high rate and will likely set new records in 1955. Per capita income in Texas and New Mexico has increased substantially more rapidly than the national increase and this trend will likely continue in 1955.

The expenditures of state and local agencies of government will likely be higher in 1955 than in any preceding year and for the same reasons likely to apply nationally. I think it worthy of note that the ratio of the population owning homes and belonging to churches continues about the same. It seems to me that both are significant and provide omens for good in 1955.

JOHN I. SNYDER, Jr.

Chairman of the Board & President, U. S. Industries, Inc.

Business in general ought to be moderately better this year than in 1954 but we do not expect it to equal 1953 in any of the fields in which our company operates. We expect our aircraft component business to be a little off, our machine tool business to be fairly steady, our milk handling equipment business to be a little better, our carbon and stainless steel tank business to be quite a bit better than in 1954, and in general expect to rack up a good sales record and a better earnings record than last year. We believe that 1955 will bring about more intense competition in each of the fields in which we operate and that this competition will extend to pricing but do not expect to see any violent price readjustments during the year.

John I. Snyder, Jr.

So far as the general economy is concerned, we believe that any price dislocations that take place in our industry, which is primarily heavy metal fabricating, will be reflected only to a very small degree back through to consumer goods. We are aware that beyond price competition there will be a necessity for us to exert greater and better sales effort in order to maintain our position. We believe this to be true of most manufacturers in our lines. This is, of course, a continuation of the trend away from emphasis on production and towards emphasis on sales which has been in evidence since 1948. We believe this to be a healthy situation.

ROBERT S. SOLINSKY

President, National Can Corporation

As a member of the can industry, I view 1955 optimistically. All indications point to greater sales volume and profitable operations.

Robert S. Solinsky

This industry has shown consistent growth over the past half century, a period which approximates its life and that of my company. The consumption of cans has grown far faster than the population from very few cans per capita in 1905 to over 1,000 cans per family last year. The can has been in the forefront of the sweeping trend from "cracker barrel packaging" to the smaller, convenient and sanitary unit package of today, and the can industry has grown with that trend.

In contributing to this sweeping change that has so profoundly affected the American standard of living, the can industry is still reaping the benefits of growing consumer demand for new items in cans, for prepared foods and non-food items that have eliminated so much drudgery from the life of the housewife and the average American.

Especially prominent in the modern trend is the consumer demand for a single trip package. The most important and promising example of this trend in 1955 is the metal can for soft drinks which barely scratched the surface of the potential market last year. If the carbonated and non-carbonated beverage industry follows the pattern of the beer industry, which has already reached a point where the can has more than one-third of the market for packaged beer, the potential market for such cans might well be twice the annual production of beer cans last year. Even estimating conservatively, the soft drink can should very soon be as large an item for the can manufacturer as the beer can which last year accounted for over 15% of our industry's sales.

A good business year promises but does not insure good business for every industry and every company. Industries, and companies within industries, may still experience fierce competition for the consumer's dollar. Only alert and aggressive management can insure a company or an industry success in any year whether business is poor, normal, or above average.

But when business in general is good, package business has to be good. The practically unanimous opinion of businessmen and economic analysts is that 1955 will be a good year. Good business for any product packaged in cans obviously means equally good business for the manufacturer of the can.

The can is successful because it can be filled and closed, pasteurized, frozen or processed and packaged at high speeds and low cost and also because of its merchandising impact. It lends itself to high appeal labeling for impulse sales, to multi-pack take-home cartonning and to effective store display.

Given a year with the high level of activity expected in 1955, and riding the continuing trend in modern packaging which has already brought our industry among the top ranking of the country, we in the can industry confidently expect a most successful year in 1955. The can will continue to enjoy greater sales next year because it helps the packer sell his product and the consumer to purchase and use it.

R. E. SOMMER

President & General Manager, Keystone Steel & Wire Company

The past year has been one of continued progress at Keystone. During 1954 we reached our all-time employment high. A wage increase affected all Keystone employees and brought our average hourly wages to a new high of $2.722 per hour, approximately 36¢ per hour higher than the steel industry average in October. Then too, Keystone employees averaged almost five more working hours per week than other steel company employees. Under a new agreement signed with the Independent Steel Workers' Alliance, exclusive bargaining agent for our employees, the insurance program offered to them and their dependents was improved. A broader pension plan was also announced as of Nov. 1.

R. E. Sommer

1954 saw the final conversion of the industry to a most competitive sales position. Backed by the understanding and cooperation of our skilled production and maintenance employees, along with an aggressive merchandising and advertising program, our salesmen were able to keep our output sold and more than retain our favorable position in the industry.

In doing so we strengthened ourselves by adding new products, equipment and buildings to offer even better service to our customers. All this was made possible, of course, because a satisfactory profit was made during the year. Thus, we were able to continue our regular quarterly dividends to shareholders, to contribute to some of the community's deserving social and educational activities, and at the same time, reinvest a considerable portion of our earnings for plant buildings and equipment needed to maintain the progress of this 65-year-old company.

For us, the days ahead hold considerable promise. Demand for industrial wire has increased; forecasts for a strong building program in 1955 indicate a continuing high demand for wire for construction; and the agricultural market, too, holds strong and steady, particularly in the Midwest.

All in all, therefore, our outlook is far improved over this time a year ago . . . and our position is sounder to answer the challenge of the days ahead.

WALTER E. SPAHR

Professor of Economics, New York University Vice-President, Economists National Committee on Monetary Policy

No person living today has ever lived tomorrow. We cannot know what the events of tomorrow will be. It is by the employment of the methods of science that human beings obtain truth. We wish we could predict economic events of tomorrow scientifically. But science for the past is accurate description; for the future a belief in the area of probability. Science recognizes no law of necessity in the recurrence of any observed sequence of events. The use of the words "will" and "must" in prediction is not a characteristic of the scientist.

Dr. Walter E. Spahr

If our accurate statistical data were sufficient to enable us to observe the degree of regularity in the recurrence of an observed sequence of events, we could predict the probability of a recurrence, or continuation, of that sequence within the limits dictated by the number of cases observed. But the unfortunate fact is that we have relatively little evidence in the economic world in respect to which the regularities of the recurrences, or the behavior of trends, of events have been established sufficiently well to permit precise prediction of a type that reveals significance as measured by the standards of science.

Scientific prediction in the economic world is circumscribed by so many limitations that such prediction is, consequently, of negligible importance. The number of variables in the economic and political spheres is beyond human calculation. Our statistical data are generally inadequate for purposes of scientific prediction. The regularities in the behavior of even a relatively few samples are rarely established. It is known that directions of many, perhaps most, trends can change at any time and without prior warning. Our common variety of predictions is therefore highly unscientific in quality; and unscientific predictions are misleading.

Since we do not have the evidence by which we can know the degree of probabilities as to the occurrence of the many anticipated events of the future, what can the saver and investor do within the limits of reliable knowledge? His reliable knowledge is that he does not know whether prices and production will rise or fall. Therefore, to conserve his savings and to earn what he can make them yield, he should divide his savings and investments into two parts: one part should be employed in anticipation of a rise in prices and possibly in production; the other should be employed in anticipation of a fall in prices and possibly in production. If there should be a high degree of stability in prices and production—which generally, apparently, does not continue for many months—the offsetting of one unknown against

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another of an opposite kind should produce conservative results. And, if the swing should be up or down, gains should tend to balance losses and the result should be in the direction of the conservation of accumulated savings. Pursuit of either the upward or downward possibility is gambling, not wise investment, in the light of the inadequacies of our ability to forecast economic events with any important degree of precision.

We are running these days on an irredeemable currency as a medium of exchange and wth cheap money policies and a multitude of other artificialities, largely government-generated, permeating our economic activity. The optimistic opinion, commonly associated with such manifestations, appears to be widespread. We should remind ourselves that under an irredeemable currency we once had the longest economic recession and depression in our history. As counted by the National bureau of Economic Research, the recession and depression of October 1873 — March, 1879, lasted 65 months; that for June, 1929 — March, 1933, lasted 45 months. An irredeemable currency is a potent force contributing to economic maladjustments which tend either toward a progressive loss in purchasing power of the currency or a jamming of workable relationships between costs and selling prices with consequences that finally plunge a nation into an economic recession and depression.

S. M. SORENSEN

Executive Vice-President, Hammond Organ Co.

With fall and early winter sales reaching the highest levels in its 26-year history, the Hammond Organ Company moved into the New Year by announcing that percussion control will be added to all its models.

S. M. Sorenson

Estimated net earnings for the 1954-55 fiscal year will exceed 1953-54. The company earned a record $3.35 a share for the fiscal year ended March 31, 1954. Dividends already paid amount to $1.55, including three regular disbursements of 35 cents and an extra of 50 cents.

The addition of percussion control makes the Hammond Organ capable of delicate shadings of expression and nuances never before possible on any organ. While the traditional performance of the organ has not been changed, with percussion control it is now possible for organists, experts or beginners, to produce a wide variety of tones similar to the harp, chimes, marimba, celeste, xlyophone, vibraphone and others. This new feature increases the scope of musical artistry and should have a further effect upon sales.

Another factor that will have a bearing on sales in the coming year is the company's new franchised dealer organization in Canada. Sales tests completed in the past point up the tremendous potential of the Canadian market. The Canadian sales organization is established on the same basis as the company's successful United States sales organization, whose franchised music dealers sell Hammond Organs on a semi-exclusive basis. No jobbers or distributors are included in the setup.

In appraising 1955 from a business standpoint, note should be taken of increasing popularity of organs in homes. Because our market potential is so great, each year offers increased sales possibilities for Hammond Organ.

L. P. SPERRY

President, Scovill Manufacturing Company

Although the quantity of brass consumed in the United States in 1954 was roughly 20% below the tonnage of the previous year, the changeover from mass production of comparatively simple forms for defense use to the more specialized customer requirements from American industry has brought a compensatory balance in the dollar return to the brass mills of the country.

L. P. Sperry

The adjustment to a program of peacetime needs has been effected in such manner as to give assurance that brass is maintaining its position as a basic industrial material. Important as a year's profit and loss statement is to any single company or industry, the prospects for the long pull are the determining factor in management's thinking. This is particularly true in the case of an industry, such as brass, which has grown with the country since the start of the 19th Century. Although subject to surface squalls, the flow of this oldest of alloyed metals into our productive life finds a reassuring symbolism in the Gulf Stream.

Two consideratiaons dominated planning by the industry during 1954. One of them had been pretty well resolved by the year-end; the other is one with which brass mills have to live year in and year out.

The former relates to the new logistics of industry as a whole. Steady progress in the means and speed of deliveries has swung the emphasis from maintenance of inventories to reliance on the pipeline between the start and the finish of the industrial process. On first thought this would seem to mean that the primary producer is now forced to "hold the bag." In actual fact, the change in emphasis works to the competitive advantage of the efficient operator who is geared to meet the early delivery dates now expected by customers.

Copper is obviously the conditioning factor in the second consideration. As the primary component of brass, its price and availability, both current and prospective, control the ability of the brass mills to maintain steady production and to meet price competition from other materials for many of the applications in which brass is historically dominant. Further, any differentials in the price and availability of copper between the United States and European markets affect the competitive position of our brass industry, if this situation continues over any substantial period. Still another factor is the impact of taxes on producers who are forced by copper shortage to draw on their metal inventories accumulated at lower than current prices.

During 1954 several developments influenced the domestic copper market. One has been the policy of the Chilean Government to sell its copper to world dealers instead of directly to users. Another was the combination of our Government's stockpiling program with the reduced flow of copper into consumption during the miners' strikes last summer and early fall. Still another is the continuing price differentials which is drawing world copper and domestic scrap away from our market and into Europe. How far eastward some of this latter copper is getting after fabrication in Western Europe, is a matter for speculation.

From the viewpoint of America's brass industry, the tight situation in foreign metal markets has tended to dampen the ardor of foreign brass manufacturers about entering the American market.

An operation so closely enmeshed in our productive economy as is the brass industry is necessarily affected by the rise and fall in that economy as a whole. In 1954, our industry again demonstrated its ability to keep on course and maintain position in what we all believe is a vigorous and expanding economy.

A. H. STARRETT

President, The L. S. Starrett Company

In this highly technical and specialized field of producing mechanics' hand-measuring tools and precision instruments, we enter 1955 with courage and optimism. We believe, however, due to the uncertainty of attack by any foreign nation with ideas inimical to the welfare of our great country, we must submit to high taxes and continue to keep strong, build constantly to resist any second Pearl Harbor. With Government spending high on the list; a great improvement in steel and automotive industries; carloadings well up; continued installment buying and home construction, there must be a noticeable improvement in 1955 over 1954.

A. H. Starrett

Business in our field receded at the start of last year and lasted about nine months, when there was a very slight noticeable improvement. With strong predictions for betterment by the ever-willing economists and "trend spotters," supported by the opinion of the Federal Reserve, we are inclined to agree that 1955 may be from 3% to 5% better than in 1954, and that 1956 should accelerate to a still greater degree.

M. J. SPIEGEL

Chairman of the Board, Spiegel, Inc.

In view of our confidence in the soundness of the economy, and the favorable predictions of both government and private economists, we believe that retail sales in general will be slightly better in 1955 than those enjoyed in 1954.

M. J. Spiegel

The mail order industry may share this increase to a lesser degree than other types of retail enterprise, due to the limiting effect of various U. S. Postal regulations and increased competition in general. However, the mail order industry has traditionally been ingenious and aggressive to the degree that it has usually found ways and means to meet obstacles in the past.

The mail order catalogs for spring '55 have more and better color pages, improved merchandising, better promotions and a wealth of new items that have made merchandise news. Our own catalog, for example, offers a wide selection of pets and farm animals for the first time in mail order history.

The addition of burros, goats, monkeys, Shetland ponies, piglets, swan, talking birds, dogs, cats and other animals to the 40,000 more conventional items in the Spiegel Catalog recognizes the present day trend to large families and suburban living. Sundown farmers can now raise their own meat for the deep freeze, and provide their children with pets that would be impractical in a city apartment.

Another departure is the free Prudential life insurance issued to Spiegel mail order customers, protecting any balance up to $1,000 due on a Spiegel charge account, should death take the wage earner in the household.

In evaluating the outlook for mail order, it is also significant that catalog prices for the spring season have been based on a relatively low point in the price levels that existed in 1954, and therefore catalog prices should stand up well for the entire six months' life of the catalogs, as compared to retail store prices.

These factors would indicate that the mail order industry can look for an improvement in industry sales during 1955.

LAWRENCE F. STERN

Chairman of the Board,
American National Bank & Trust Co. of Chicago

While there was some decline in business in 1954, the downtrend was rather mild in most industries. The signs of betterment, which were evident in the last quarter of the year—higher steel production and the like—should continue in 1955. These improvements coupled with a continuation of the good automobile sales, warrant some optimism for the year.

Lawrence F. Stern

Estimates have been made that the Federal Reserve Board index production which averaged about 125 in 1954, should be around 132 in 1955. The other usual indexes which are used as yardsticks for business—gross national product, retail spending, wage rates, dividend dispersals—should in 1955 be somewhat better than we have experienced in the past 12 months.

There are a few developments, of course, that may very well limit the breadth of the improvement. While farm prices may level out and stop their downward trend, it is not reasonable to believe that there will be any real recovery during the year. If this proves correct, or nearly so, farm income will be moderately lower and those industries which depend on rural buying power will have to look forward to 1956 for any substantial changes.

Along with the general business improvement will come wage demands and strike threats, of not actual strikes, in such important industries as steel and motors. These could hurt and necessitate a reappraisal of business prospects. They could easily affect business profit margins and along with severe competition, reduce corporation profits. This is the darker side of the picture.

On the whole, however, there are reasons to feel that 1955 should be better than 1954, even if the improvement is not very substantial.

L. C. STOWELL

President, Underwood Corporation

It is natural to approach each new year with confidence. A note of optimism is essential to any business operation, and when this optimism has a sound basis in fact as it does when we enter 1955 it is most encouraging. It has been our experience that business machines being mainly items of capital purchase are not subject to very much impulse buying. Instead, they are procured after careful study of a problem of business statistical control in order to solve or simplify such a problem.

L. C. Stowell

Our business is in the midst of an extensive research and development program. As the operations of industry and government become more complex it is necessary to continually simplify the control operations. Our Electronic Computer and Punched Card Divisions, as well as the typewriter and business machine divisions of Underwood, all function for this purpose. As we continue to increase the automatic operation of business machines we eliminate many of the human error possibilities and provide the checks and balances which prove work progressively and thus eliminate rechecking. This provides the administrators of business with prompt, accurate information which in turn enables them to make intelligent administrative decisions.

There is no way to peer into 1955 and determine year-end results beforehand. I am confident, however, that we shall have a progressive and fruitful 1955.

J. M. SYMES

President, The Pennsylvania Railroad Co.

Pennsylvania Railroad earnings will show a decline in 1954 compared with the previous year, due to increased costs and the drop in rail traffic which began in the fall of 1953 and continued throughout most of 1954. A decided improvement in earnings occurred, however, in the last half of 1954, resulting from continuing control of costs and a slight improvement in business.

James M. Symes

Industry and business generally in the area served by the Pennsylvania Railroad are optimistic as to 1955. The anticipated higher volume of production should, of course, be reflected in increased rail traffic, perhaps to the extent of a 3% to 5% advance in our freight volume in the first half of the year, with indications of an even greater increase over 1954 in the second half.

We expect the Pennsylvania's earnings in 1955 to be higher than in 1954, not only as a result of increased business volume, but because of the continued return on the capital improvements which have been made during the post-war period.

Further improvement in the efficiency and economy of operation is anticipated.

CHARLES A. TAYLOR

President, The Life Insurance Company of Virginia

The outlook for the life insurance business in 1955 seems to me good. The American public's needs for life insurance are a long way from being met and those needs are being added to rapidly by the formation of new families, births of babies and the assumption of heavy home mortgage liabilities. Steady employment during 1955 should produce the money with which life insurance can be bought and the life insurance companies themselves will have more salesmen and better salesmen.

Charles A. Taylor

The carry-over of investment commitments, plus the anticipated large home, road, industrial and institutional building programs should provide good investment opportunities and continue the upward trend in life insurance interest earnings. I believe too, that operating expenses may have reached a leveling off point. Although I look for 1955 to be distinctly better than 1954.

CHESTER D. TRIPP

President, Consolidated Coppermines Corp.
Chairman, Economic Trend Line Studies

As we look into 1955, I feel that the same forces that were exerting their influences in 1954 still continue. There is no question but what there is more optimism in the land today than there was at this time a year ago, and I see no reason for an early change in the forward direction in which we are moving.

Chester D. Tripp

I am not going to burden the reader with reciting a lot of obvious things that are the facts of today, such as peace looks more promising, house building is continuing, national income is slowly expanding. It may be more important to devote more time on some of the items that could in due time change this trend. To put the matter briefly, we should be mindful of the possibility that 1955 might reverse the pattern of 1954, and that whereas the first quarter looks very promising, the last quarter might be subject to some misgiving. For the moment, suffice it to say that available money is in generous supply, that the spending habits of the people are not hesitant, and not only does the future look bright, but may expand substantially unless by our own foolishness we interfere with the process.

There is a risk, for instance, that we may try to build a boom on top of a boom. It is very clear that there are large groups in the country that strongly urge that the government step into the breach and do something about the so-called sick economy. Substantial groups are preaching the doctrine that the government should spend new sums in order to stimulate our activity. This is a strong pressure, has great political appeal, and catches many a willing ear; but the facts are, that money is already a little too available, and that if we are not very careful with our money policy we can stimulate a false activity that before the end of the year might begin to have dangerous aspects. A boom at the present time would be most unfortunate. It could result in a bust that would call for large government expenditures which, in turn, would be devastating to the sound value of our currency.

Although one is not warranted in assuming that a speculative boom in securities is under way, there are strong indications that some industrial activities are receiving too much optimism from the general public. Markets are getting more active, and although no large amount of money is being diverted to market purposes at this writing, we will be better off if investing is done on its merits in the coming months rather than based on unbridled enthusiasm.

I think we are going to learn the hard way that our so-called capital gains tax is a misnomer and that it has done much to narrow markets at a time when they should be broadening. In my opinion, if our tax laws followed the Canadian or English pattern, we would be safer today. The facts are that the capital gains tax is, in substance, a transfer tax that does much to reduce market liquidity. It is very possible under the present law for an individual to sell securiites calling for a substantial capital gains tax, and then if he should die shortly thereafter his estate would pay a double tax through inheritance levy.

I have personally gone over some very large accounts in the last few weeks and have conferred with others, and I am surprised to see what a large percentage of securities cannot be logically sold under almost any conditions on account of the tax or the fear of double tax. This is a bad situation; it congests markets and is apt to have the result of having the market go higher than it normally would only to decline more than it should at some future time.

This transfer tax aspect has already demonstrated itself in the realm of house ownership. Under the original law, a householder that sold at a profit had to pay a 25% tax. In most cases, however, he was transferring from one location to another and he soon realized that the profit that he was being taxed on was only a phantom, and the same increment of increase applied to the house he was purchasing. This absurdity appealed to the tax writers and the law was changed so that if an individual sold a house and replaced it within a short period of time, the capital gains tax did not apply. This change had a profound effect on the liquidity of real estate, and if I am not mistaken we would be better off if the same rule applied to any form of property. In times such as we are now entering, the liquidity and convertibility of all markets is of great importance, and a bulge in the stock market might become excessive for the reasons given above.

Another aspect of the economy that might jeopardize and congest our future is a rise in labor costs that could result from extreme business activity. This is a subject on which one can be easily misunderstood. Labor compensation should be, and as a matter of fact, eventually always will be in line with the cost of living, but if that compensation soars more rapidly than production we could easily price ourselves out of many markets including our own, thus dampening activity and again bringing on major unemployment. It is not surprising that labor leaders, in order to preserve their own positions, often demand too much and more than the traffic will bear. For the short pull their efforts may appear rewarding but in the longer view they can stop activity, reduce legitimate expansion and hurt themselves, as well as the community in general. Under present conditions it is hard to see how agricultural compensation can improve, and if the things that agriculture has to buy get more expensive, a buying strike might be generated that would easily spread to industry itself.

The money markets, and the policies that control them, are powerful and at the same time dangerous devices. As presently operated money can always be available, but it is obvious that there are long drags between the effect on a money policy and its promulgation. People get impatient, as many are at the present time, and it is clear that if we get unsound in making money available to industry, we are simply borrowing from the future and loading debts on our children and grandchildren that will be hard or impossible to pay.

It seems out of place to say much about the foreign situation. For the minute it looks better, but forbearance and wisdom are of vital importance. Much of this has been demonstrated the last year, and I am inclined to believe that in spite of pressures to the contrary, reasonable common sense will prevail in these undertakings.

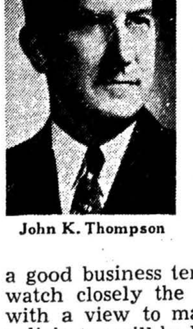
When one gets pondering a year ahead, the ghosts of many difficulties present themselves. I have mentioned two or three, and others undoubtedly are worthy of consideration; but as in the past, many of the difficulties will never occur, and to a greater degree than most periods in the past, our future is in our own hands and depends on integrity, common sense, and the exercise of wisdom.

I look forward to 1955 with considerable optimism. The stage is set for better things and I see no reason why our progress should not continue on the even tenor of its way, but in light of the expanding economy I thought it appropriate to mention a few of the things that might interfere, not for the immediate future, but they may become evident as the months roll by.

J. K. THOMPSON

President, Union Bank of Commerce, Cleveland, Ohio

Although somewhat spotty, 1954 was a pretty good year for the economy as a whole, not as good as 1953, but better than most people expected it to be.



John K. Thompson

The Federal Reserve authorities, during 1954, followed a policy of active ease in the money markets. There were reductions in the banks' rediscount rate and in the banks' reserve requirements. The United States Treasury in refinancing its maturing obligations, and issues for new money requirements, was careful not to compete for funds in the areas where it might interfere with a plentiful supply of funds being available for construction or other purposes which might increase employment. Considerable progress was made, however, in lengthening the maturities of the government debt. The monetary authorities, through their policies, were helpful in maintaining a good business tempo in 1954. They will undoubtedly watch closely the developing business picture in 1955 with a view to making such adjustments in monetary policies as will be best for the general economy.

I think that 1955 will be a somewhat better year for business than 1954. National security expenditures, which were substantially less in 1954 than in 1953, will probably be maintained at about the current level. Business inventories which were built up substantially in 1953, were considerably reduced in 1954. There will probably not be any further inventory reductions overall in 1955, and there may be even a slight increase in them. It is expected that steel production in 1955 will exceed 1954 by at least 10%. While business expenditures for new plant and equipment will probably further decline, such decline should be pretty well offset by expenditures for highways, school buildings, water systems, and other public works and facilities. It is probable that 1955 will see a continued high rate of residential construction. I think that sales of passenger automobiles in 1955 will exceed the approximately 5,300,000 sold in 1954.

I believe there will be an increase in average employment in 1955 over 1954, that the average number of hours worked will show a slight increase, and that personal income in 1955 will be as high as it has been in any other year, which should also apply to disposable income after taxes and personal savings. I think there will be very little change in the consumer price index, which has shown very little change in the past two years.

To summarize, I think that business in 1955 will be somewhat better than in 1954, but probably not quite as good as in 1953. Money will continue to be readily available in 1955 and the banks and other lenders will be well able to take care of all requirements for worthwhile purposes at reasonable interest rates.

GEORGE F. THURBER

President, The Second National Bank of Nashua, New Hampshire

Banking has concluded another constructive and profitable year, and the outlook for 1955 is very good. The quality of assets is excellent, deposits are high and earnings prospects are better than normal.

Geo. F. Thurber

Bankers, during 1955, will have to solve the problems arising out of increased competition in all phases of industry and banking, high levels of loan demand, investment requirements and flexible Federal Reserve credit policies.

The coming year will be highly competitive in industry. Many companies, during the past year, have been preparing for such a period. Executive policies have stressed the need for more efficient production facilities and improved productivity of labor. Distribution outlets and sales policies have received considerable attention. Capital weaknesses and excessive inventory situations have been corrected as far as possible. To solve these problems, many mergers were completed during 1954 and because of increased competition, 1955 will see more and larger mergers. Increased competition will result in a rising trend of business failures, due to smaller gross profit margins and reduced volume for some companies. This will result in larger loan losses for some banks. Generally speaking, however, large reserves for loan losses have been set up in recent years and should be more than adequate for anything foreseeable during 1955.

Banks will find 1955 more competitive than usual, particularly from tax-exempt and partially tax-exempt financial institutions. Mutual savings banks will offer higher rates of interest on time deposits and longer terms and higher ratios of value on mortgages. More important, however, will be the increased aggressiveness of savings and loan institutions, which are less restricted on branches, liquidity, rates of interest and loan terms and amounts. On a larger scale, insurance companies will compete more fully for mortgage loans, term loans and investments.

Increased loan demand is a certainty based on forecasts of high levels of automobile production and construction activities. Financing for tax purposes in the first half year will be larger. A skeptical attitude is necessary for continued optimism on automobile production because of the large production in the final two months of 1954 which should result in lower production for 1955; particularly in the latter part of the year. Demands for an "annual wage" by labor unions about the first of May could have serious consequences and may lead to harmful strikes.

Any decline in general business activity, however, should not be serious, and will be more than made up by construction requirements. While construction of manufacturing facilities may slacken, new construction of schools, hospitals, roads and homes will require financing. All in all, rates for loans and investments will tend to be higher.

Whereas during 1954, the policies of the Federal Reserve System and the Administration aimed at increasing the money supply to combat deflation, their efforts during 1955 will be towards restricting excessive use of credit in order to prevent inflation.

To summarize, 1955 will be a profitable year for banking and industry, but also a year of keener competition.

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ARNULF UELAND

President, Midland National Bank of Minneapolis, Minn.

In spite of the dire predictions of certain politicians, and some others, the country's economy in 1954 fell only a little below 1953 and was the second best in our history. In general the Upper Midwest shared fully in this high level prosperity and in many respects exceeded the national averages. Agricultural production, which is the mainstay of this area's economy, continued at a high level and resulted in continuing surpluses of some products. Farm prices, while unsatisfactory, have been comparatively stable and an average decline of perhaps 3% was the smallest since 1951.

Arnulf Ueland

The tone of business has gradually improved during the past 12 months and there is now a much more encouraging outlook than a year ago. The prospect for world peace has improved. A substantial inventory liquidation has been accomplished. Money conditions are liquid and stable, and credit is readily available at low rates. Capital for investment is plentiful. A large volume of both public and private construction is projected. Disposable income is at a record level, and personal consumption and consumers' spending seems to be moving upward. These favorable factors are offset to some degree by the weakness in agriculture and by a declining level of industrial building and defense expenditures.

The present outlook warrants an attitude of confidence for the new year, at the same time it presents a challenge to thoughtful people in business and agriculture — a challenge to appraise markets, to control costs, to meet competition, and to maintain our high level of productivity and prosperity.

CARL W. ULLMAN

President, The Dollar Savings & Trust Co., Youngstown, Ohio

There is a difference of opinion as to the business outlook for the year 1955. Many observers feel that business will be good in the first half of the year. Others see weaknesses in the economy that may grow serious as the year progresses. The latter are concerned with the high level of stock prices, with the increase in mortgage debt, with the unbalanced Federal budget and with the growing competitive struggle for the consumer dollar.

Carl W. Ullman

The more optimistic observers see construction activity maintained at current high levels, business inventories increasing, continued defense spending, and a modest increase in steel and automobile production. Looking beyond the present year they see a continued growth in population, meaning more homes and more goods, and a continued rise in the general standard of living as a result of new technological improvements and increased industrial research.

The attitude of the Federal Reserve Board is one of conservative optimism.

I feel that the outlook for 1955 is reasonably good. Some businesses will prosper more than others. If unfavorable factors develop that affect an individual business, there will be greater need for careful planning, hard work, close attention to inventory and receivables, and a strict control of debt.

W. G. VOLLMER

President, The Texas & Pacific Railway Co.

About this time each year many leading economists and businessmen carefully analyze the major components of our national economy and then—with considerable accuracy—prophesy the trend of business for the next 12 months.

W. G. Vollmer

This year the prophecy is cautious and conservative—but firmly optimistic. All of the basic economic factors indicate the trend in business which began in the latter part of 1954 will continue moderately upward throughout 1955.

The principal economic bright spots on the business horizon which support the optimistic outlook for 1955, are:

The Gross National Product (the total value of goods and services) is expected to be more than in 1954—and probably will be close to the 1953 peak of $364.9 billion.

Per capita income likely will break all records in 1955;

State-local spending for public works will be high;

Inventory liquidation appears to have ended;

Money and credit should be readily available;

Expenditures of the Federal Government are estimated to be high, although slightly under 1954;

Personal spending, which rose to approximately $234 billion in 1954, well may surpass that mark in 1955;

Official forecasts indicate new home building in 1955 will rise 13% over 1954;

New construction activities are expected to reach $39.5 billion, which is 7% above the 1954 record of $37 billion, while about $13 billion are expected to be spent on repairs and modernization.

The Census Bureau shows (1) that the rate of population increase is in excess of 2,750,000 yearly; (2) that the number of families with three or four children is increasing in the middle and higher income groups and, (3) that there is a desire for better homes by those who have the ability to pay for them.

The economic development of the Southwest continues upward and the predictions are that this progress will continue for many years, for the wealth-producing potentialities of this region are great.

Everything considered, it seems reasonably evident that (1) business in 1955 will be somewhat better than it was in 1954; (2) the volume of traffic available to the railroads, as well as to other modes of transport, will show a moderate improvement, and (3) competition for the nation's traffic will grow in intensity.

EDWIN VENNARD

President, Middle West Service Company

Edwin Vennard

With respect to the business outlook for 1955, first we make certain assumptions although these are also our beliefs:

(1) There will be no major war.

(2) There will be no major depression.

(3) Government will continue preparation for defense at the same rate as in the immediate prior years.

It is our opinion that there will be a continued mild inflation during 1955 with a continued steady rise in business and production.

CLOUD WAMPLER

President & Chairman of the Board, Carrier Corp.

As the air conditioning industry enters the mid-year of the 1950's which I have prophesied will go down in history as the air conditioning decade, a brand new $14 billion market is opening up. This is in the air conditioning of existing homes currently served by heating systems employing "wet heat."

Cloud Wampler

Carrier Corporation, pioneer and leading industry manufacturer, has developed for introduction and immediate sale in 1955 equipment for economically air conditioning the approximately $22 million homes which previously have been considered too difficult or expensive to air condition.

This means that the industry's greatest potential, the residential market, has been doubled. And all homes of any size or type may now be air conditioned.

The equipment responsible is the newly-developed Carrier Summer Weathermaker, not much larger than a room air conditioner. It is installed with a minimum of ductwork inside the home and is connected to a refrigerating package using no water for condensing, located out of doors.

The existing home, rather than the new one, is fast becoming the major part of the residential market. During this year for the first time, I anticipate the majority of Carrier's home sales will be for existing dwellings.

Back in 1952 when total sales for the industry at retail had climbed to about $1 billion for the preceding year, I hazarded a guess that a decade hence, in 1963, industry sales would reach $5 billion. The elapsing years have shown us to be moving well along toward that figure.

In 1953, retail sales volume for the industry climbed to about $1¾ billion. In the year just completed, it grew again to nearly $2 billion. And 1955 should see the $2¼ billion mark reached.

Some years ago I also hazarded a guess that total dollar sales of residential equipment would pass those for room air conditioners in about the year 1958. In view of the fact that total residential volume at retail should rise from $100 million in 1954 to $160 million this year and that room air conditioner sales will probably be only a little over $300 million, I think we can say that this prediction too is well on its way toward becoming a reality.

The growth in air conditioning for existing structures has been clearly indicated by the trend in office building conditioning in which field Carrier does a large volume of business. Within the last few years new office buildings have been constructed at a rapid pace and virtually every one of them has included complete air conditioning. Availability of modern, new, air conditioned office space has triggered an even greater amount of business in air conditioning existing office buildings.

New business for Carrier alone last year in large air conditioning systems was two to one for older against new office structures. This compares with 1953 when existing buildings used less air conditioning than did new structures.

The reasons for the growth of air conditioning in all fields is solid business economics—greater efficiency, and protection of investment.

There is also another large field into which the industry is now moving. For every person working in a business office, there are more than two working in a factory whose alertness and competent effort are equally important. I believe there will be intense competition among manufacturers so long as the promulgated program of co-existence continues to survive. Maximum efficiency will be required to reduce the cost of producing goods. I, therefore, expect comfort air conditioning of industrial plants to begin this year to show its truly great potential, which long range, seems second only to residences.

Stimulating the purchase of new homes with complete year-round air conditioning systems in addition to lower mortgage rates, is announcement of a scientific method for accurately determining average seasonal cooling cost for central air conditioning in any home. The major research project conducted by Carrier permits the new home owner to learn the cost of operating his system before he buys without having to wait for the entire season to pass.

Also announced by Carrier is a complete line of air-cooled self-contained Weathermakers for air conditioning suites of offices in older structures where the water supply is inadequate, or for those who do not want to give up part of the rental space for installing a cooling tower, or paying piping costs for a tower on a roof which may be far above.

Sales of room air conditioners at retail amounted to about 900,000 units in 1954, almost the same as in 1953. Provided we have normal weather this spring and early summer, the number of units sold should climb to about 1,100,000 in 1955. Although room air conditioners are the industry's most widely known product, they will represent less than 15% of the industry's total in 1955.

A. E. WALKER

Chairman of the Board, The National Supply Company

Encouraged by good business in 1954, the National Supply Company has entered 1955 in a spirit of conservative optimism. An evidence of this was the recent action by the Board of Directors increasing the dividend rate to 62½ cents per quarter, instead of the former 50 cents per quarter.

A. E. Walker

Present indications are that 1955 sales will be about the same as 1954, and possibly a share better. Our sales last year were approximately $230 million, second only to 1953's all-time record of $237,171,093. Our net income should be in excess of $9 million. It was $9,780,801 in 1953.

As the world's largest manufacturer and distributor of oil field machinery and equipment, the National Supply Company obtains about 80% of its business from the oil industry. Authorities predict a continued high rate of oil and gas drilling and production, which should hold our sales around the 1954 level. It is probable that competition will become more intense, but we are confident of our ability to hold our share of available business.

We are optimistic about prospects in the export field, where our business has been active. Orders totaling several million dollars were received during the past year from two foreign countries which previously had been the source of little business, and we believe there will be a pick-up in orders from other countries. National Supply drilling rigs and equipment are used today in virtually every oil producing country in the free world.

During the year we opened an oil field supply store at Las Morochas, Venezuela, our second store in that couuntry. We also opened new stores at Big Spring and Pearsall, Texas; Lake Charles, La.; Worland, Wyo., and at Virden, Man., and Drayton Valley, Alta., in Canada, bringing our total to 124. This is the largest number operated by any oil field supply company. We are engaged in a continuing program of modernizing our store buildings.

Our new plant at Gainesville, Texas, built at a cost of $3,700,000, started limited production late in 1954 and is expected to be in full operation by Spring. It is our seventh plant, and should provide a substantial addition to our manufacturing facilities.

Considerable new equipment has been installed in our other plants to keep them in top operating condition. These include plants for manufacturing oil field equipment at Toledo, Ohio; Houston, Texas, and Torrance, Calif.; a diesel engine plant at Springfield, Ohio, and the Spang-Chalfant Division pipe mills at Ambridge and Etna, Pa.

CHARLES A. WARD

President & General Sales Mgr., Brown & Bigelow

Charles A. Ward

Our sales of nearly $9 million since our new calendar selling season opened Dec. 1 reflect the optimism of American businessmen. Our customers are showing their confidence in the economic future by ordering 1956 calendars more than a year ahead of the time they are distributed. Another encouraging sign is that the average calendar order thus far is larger than a year ago. We have long felt that our sales are an accurate business barometer because our Remembrance Advertising services touch all lines of business throughout the United States.

J. B. WARD

President, Addressograph-Multigraph Corp.

We have completed a most successful calendar year of new orders for machines and supplies, with ascending dollar volume in October and November, culminating in an all-time record high in December. Add this to the favorable predictions of most economists for the current year and we could have in our business a total of over-confidence.


J. B. Ward

We firmly believe we face a year of great promise, but our thinking is balanced by the universal realization in every division of our business that there is no such thing as inevitable growth and prosperity. We feel the healthy business atmosphere predicted for the year 1955—although important—is just a plus factor in our favor . . . and 1955 will be a successful year for those who plan and do the things that beget success.

Management executives are more acutely conscious of the need for economy in operations than ever and imbalanced planning will not do the job. Increased sales volume must be correlative with the proper ratio between cost of goods sold and selling price, with a continuous effort to reduce expenses.

The story of Addressograph-Multigraph machines and supplies is one of office automation, which assures reduced costs. We have been preaching this doctrine to business executives for the past 62 years, and you can believe me when I say, we buy our own selling story.

FREDERICK R. WEISMAN

President, Hunt Foods, Inc.

I believe that 1955 is going to be a good year for American industry generally. The higher purchasing power and the increase in population are two favorable factors that will influence expansion of business activity. Our people, as consumers, have the opportunity to improve their high standard of living; our businesses have the opportunity to prosper if alert to the potentials of a changing market.


Frederick Weisman

The conditions which economists expect to prevail in 1955 have particular interest to those of us in the food industry. They indicate a continuation of economic trends that favored the growth of the food industry in 1954 at an accelerated pace. I am confident that every alert firm in the industry will expand the activities that contributed to its growth last year.

This means that our industry will be highly competitive in the months ahead. We can anticipate increased activity particularly in advertising, salesmanship, merchandising and packaging. Promotion will be geared to the changes taking place at the retail level; will give consideration to homemakers' increased knowledge of nutrition, the growing interest in time-saving foods and the special appeals needed to move food products from self-service grocers' shelves.

SYLVESTER L. WEAVER, Jr.

President, National Broadcasting Company

As we move into 1955, those of us in television and radio can look forward to a year of exploration and expansion. We will explore further in the direction we took in 1954 and expand in those areas which prove most promising. Some of the major advances in the industry can be predicted with a fair amount of certainty.


S. L. Weaver, Jr.

The year will see color television come into its own. The spectaculars and other color programs have excited new interest on the part of the viewers and have proved to advertisers that color brings a new dimension and new prestige to their selling campaigns. As the year opened, the Radio Corporation of America was delivering its new 21-inch color television tube to manufacturers. This 21-inch tube, the size overwhelmingly preferred by the public, will add tremendously to color set circulation. It is estimated that by the end of 1955 there will be about 250,000 color receivers in America's homes and, with the certainty of group viewing, we can expect more than a million viewers to spread the word on color after each major color performance. By the end of 1955, 112 stations of the National Broadcasting Company will be transmitting in color and of these, 21 stations will be originating their own live color programs.

The year, for us at NBC, will see the expansion of our participating programs. We will develop and extend still further the "magazine concept" of programming, which was designed by NBC to serve large and small advertisers alike and to attract the total American audience. This will be the first full year for our combination of magazine programs—"Today," "Home," and "Tonight," which already account for a full third of our total network time. These three programs have succeeded beyond our expectations as testing grounds for to consider other such magazine programs, some of which may be added to our schedule in the coming year.

The increase in our usefulness to advertisers and public will be reflected in increasing earnings. NBC's research staff estimates that during 1955, TV will take 14% of the advertising dollar, or a total of $1.3 billion out of a national advertising budget of $9.2 billion. This is an increase over 1954, when 7% of all advertising budgets went into television.

As television grows in scope and power, so grows our responsibility as broadcasters to us this medium for the common good. In 1955, NBC will conscientiously implement its policy of "enlightenment through exposure," which calls for the integration of cultural and informational values into entertainment programs throughout our schedule. We will continue, for example, to introduce great operatic music and ballet into our comedy and variety programs, so that viewers will have the opportunity to develop their appreciation of these arts. In addition, we plan such special features as color programs in cooperation with the Metropolitan Museum of Art and a series presenting the history of the first half of the Twentieth Century.

W. H. WHEELER, Jr.

President, Pitney-Bowes, Inc.

For the country as a whole, as well as for Pitney-Bowes, it seems to me that 1954 was a far better year than many of us thought it would be. American labor and management, pushing aside the overtones of pessimism that opened the year, and realizing that prosperity depends first on production, efficiency and bold, aggressive selling, turned 1954 into a very good economic year.


W. H. Wheeler, Jr.

Success in 1955 depends on the same courage and common sense, the same hard work and enthusiasm—for success never comes easy when the customer is the boss, as he always should be in a healthy economy. We have expressed our faith and determination to have another good year by increasing our expenditures in research and development to bring out new products and by setting even higher sales goals and backing them with record advertising support. We are confident 1955 will be another good year.

LANGBOURNE M. WILLIAMS

President, Freeport Sulphur Company

The U. S. sulphur industry, after a year of record production, begins 1955 with sufficient productive capacity to satisfy all needs of consumers both at home and abroad. Total U. S. output of sulphur from all sources in 1954 is estimated at 6,650,000 long tons, compared with 6,243,000 tons in 1953. About four-fifths of this production came from the salt dome deposits of Louisiana and Texas mined by the Frasch hot-water process.


L. M. Williams, Jr.

The gain in total output was made possible mainly by an increase in production of sulphur from these Frasch mines to an estimated 5,500,000 tons, about 350,000 tons more than in 1953. The Frasch sulphur came from 13 mines operated by five companies.

Boling dome of Texas Gulf Sulphur Company, the largest sulphur producer, continued to be the leading mine. Next in order came Freeport's Grande Ecaille and Garden Island Bay mines. The latter began operation late in 1953 and produced in excess of 500,000 tons in its first full year. Another new mine, Freeport's small Nash property, was put into operation in February.

The output of sulphur from sources other than salt dome deposits reached an estimated 1,150,000 tons, an increase of about 50,000 tons over the previous year. Approximately 350,000 tons represented sulphur recovered from sour natural gas and refinery gases, 400,000 tons sulphur contained in pyrites, and 400,000 tons sulphur in various forms from other sources.

Sulphur is one of industry's most widely used raw materials. In one form or another, it is indispensable in the production of fertilizer, chemicals, paper, steel, gasoline, rubber, rayon, paints and pigments and almost all other necessities.

Consumption during the past year continued high, paralleling general business activity. The pattern of its use by industry remained relatively unchanged. About four-fifths of the total consumed in the United States was converted into sulphuric acid — the workhorse chemical of industry—and the remainder was used in elemental form or in other compounds.

Abroad, the demands for U. S. sulphur increased sharply in 1954. It is estimated, on the basis of ten months' figures, that exports reached 1,600,000 tons, compared with 1,242,000 tons the year before. The United Kingdom and Canada received the largest amount, while other major recipients included France, Australia, New Zealand, Brazil, the Union of South Africa and Belgium.

An important development abroad was the start of sulphur production on the Isthmus of Tehuantepec in Mexico. This marked the first use of the Frasch process outside of the United States. Mexican Gulf Sulphur Company began production at San Cristobal dome and Pan American Sulphur Company at Jaltipan dome. In addition, Gulf Sulphur Corporation announced plans to build a Frasch process plant at Salinas dome.

The 1954 U. S. production record was largely the result of a series of efforts begun about five years ago to increase sulphur productive capacity. During the period six new Frasch mines were developed, and the number of undertakings to obtain sulphur from other sources was greatly multiplied.

The expansion program has brought what may be termed a "new era" in sulphur. Not long ago the nation was able to fill its sulphur requirements from the output of a very few minues, principally two. Now, although these two mines are still the largest producers, an increasing proportion of the supply is coming from the newer and relatively small mines.

The new operations generally are much less favorable than the big, successful properties developed in years past. The deposits are leaner and less accessible, the construction and operating costs higher, the risks greater. Finding and developing sulphur has become, and will continue to be, a very much harder job than it formerly was.

Most of the projects undertaken in this long-range expansion program have been completed, although some efforts are still in progress. Among these are a Frasch process mine at Chacahoula dome, to be put into operation by Freeport early in 1955, as well as several projects to recover sulphur from sour natural gas and refinery gases.

These new projects will add still further to the productive capacity of the industry. In the new year, sulphur consumers can look with confidence to the prospect of ample supplies of this essential raw material.

JUSTIN R. WHITING

Chairman of the Board, Consumers Power Co.

Present indications point to continued improvement in employment and production during the first half of 1955. Business in general for the year should be at a better level than in 1954. Our confidence in the long-term outlook for the area Consumers Power Company serves is indicated by the fact that we have planned construction expenditures amounting to $74 million for 1955. This is the largest program we have ever had.


Justin R. Whiting

Included in this construction is a new unit at the John C. Weadock Plant near Bay City of 156,250 kilowatts of capacity. This unit will be ready for service early in 1955. Construction will go forward on two more units of the same capacity at the B. C. Cobb Plant near Muskegon. One of these is planned for operation in 1956—the other in 1957. The addition of these units will bring Consumers Power Company's generating capacity to 1,865,968 kilowatts.

We will also construct substantial additions and improvements to our substations, transmission and distributing facilities. In the gas department, additional natural gas distribution facilities will amount to about $12 million and general items, including new buildings, will exceed $5 million.

Operating revenues in 1955, we believe, will exceed 1954 by approximately 8%. Many of our existing industrial customers are planning substantial increases in loads. Commercial building activities, we expect, will continue and residential building may well continue at the 1954 pace.

Late in 1954, 25,000 additional natural gas space heating customers were authorized and some 90% of these have already been connected. We still have more than 50,000 applications for space heating service on hand. We probably will add more space heating customers during the year.

Nineteen hundred and fifty-five should prove to be a good normal year.

J. C. WILSON

President, The Haloid Company

We at Haloid believe that the outlook for business in our field, which is primarily that of office copying, is quite good for 1955. Our photography and photographic products follow quite closely the pattern of general business, while those used in our new process, called xerography, are enjoying a sharp upward trend in sales.


Joseph C. Wilson

We believe business generally will be moderately better in 1955. The growth of population provides a solid demand for goods and services from additional people, new households and businesses. New companies and new industries are being established to supply the products that have been recently developed.

As industries and companies increase in size and complexity, they require more paper work in order to operate efficiently. Copying systems are an integral part of such paper work because the increased complexity means that more individuals have a voice in important decisions and must have information promptly.

Much emphasis is now being given to labor-saving machines and automation. One of the features of our products is to make possible saving of time and money

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through copying with light rather than manually. The primary target of the cost-cutter in the past has been the factory, but now he is turning his sights more and more toward savings in paper work.

The Haloid Company and others in this field are hard at work on new products that will do new jobs and do old jobs better. The pace of change is dynamic; and the amount of research and development effort in our industry promises to step up that pace considerably.

We look for increasing foreign markets as the economies of the free world improve.

In summary then we feel that there are four fundamental reasons for an optimistic outlook in 1955:

(1) We believe that general business will be improving.

(2) Much attention is being given by business management to the cost-cutting attributes of our major products.

(3) New products are to be introduced this year.

(4) And finally, the prospects for business in foreign markets are better than they have ever been.

I. W. WILSON

President, Aluminum Company of America

The future of the aluminum industry continues to be bright with promise. New markets for this light metal are developing steadily. Established uses are achieving healthy increases. The market outlook for 1955 is good, and long range potentials are also most encouraging.

I. W. Wilson

The rate of aluminum shipments for civilian use in 1954 was even higher than in boom-year 1953. The 1954 production of primary aluminum by the industry in the United States should amount to approximately 1,460,000 tons, which is more than 16% above the record-breaking tonnage of 1953.

ALCOA'S production of primary aluminum in 1954 is expected to be about 665,000 tons, despite the curtailment of electroytic smelting operations in the Southeast due to low water conditions, which adversely affected the supply of hydroelectric power in that area. ALCOA's $360 million expansion program, started in 1950, neared completion in 1954. The company's expenditures during the year on new facilities amounted to approximately $65 million, including certain capital expenditures not a part of the original expansion plan.

The program has included considerable enlargement of ALCOA's primary aluminum smelting capacity, and major additions to fabricating and processing equipment. The new smelting facilities have been completed and are in full operation. Expansion of the company's alumina producing facilities has also been finished.

Two new extrusion presses and additional wire, rod and cable manufacturing facilities were put into operation by the company in the Pacific Northwest. New facilities for producing tapered aluminum sheet and plate for the aircraft industry were installed at Davenport, Iowa. Foil rolling facilities were expanded at the Alcoa, Tenn., and Edgewater, N. J., plants.

Placed in regular operation during 1954 were a new ALCOA chemical products plant at Beauxite, Ark., and a plant at Lancaster, Pa., for the manufacture of screw machine products and aluminum fasteners.

In cooperation with the Air Force Heavy Press Program, ALCOA began operation of the world's largest (14,000-ton) extrusion press at Lafayette, Ind., during 1954. Also, installation of two great forging presses (35,000 and 50,000-ton capacities) was progressing toward completion at ALCOA's Cleveland plant as part of the Heavy Press Program.

The past year has been notable for advances in the development of aluminum alloys, processes, and finishes. Market gains have again been made in building products, transportation, electrical conductor, packaging, and in many other directions.

ROBIN L. WINKLER

Partner, Bernard, Winkler & Co., New York City

For more than one year the American people have been demonstrating their confidence in the future in a manner so obvious that analysts and seers, economists and politicians have been at odds to explain it. The stock market averages are at all-time highs. In a constant rush to explain the high prices the brokerage fraternity advises caution, yet maintains that prices are fair in relation to earnings, etc., etc. But surely there is a reason, a cause, basic to the high prices—and basic to the public demonstration of confidence manifested by the high prices of stocks.

Robin L. Winkler

For the first time in more than three decades the American people are able to pause, take spiritual breath, look out at the horizon and see Peace. Does a man build a house if he thinks it will be destroyed tomorrow? Witness the tremendous activity in the construction industry. And look beyond the new houses—the new schools, the new churches and the foundation of all—the American family. The American family is becoming larger today—because there is the feeling that we are building for a tomorrow that will not be lost to the bombs of destruction but animated by the atoms of peace.

The year 1955 will be witness to the greater verbalization of confidence. We have begun to see the physical marks of affirmation—in this year we will hear more about it. There probably will continue to be a flow of speculative money into the market, but the bulk of funds will find investments of sound quality, and the continuing confidence of the American people in the American future will be reflected not only in the everyday activities of the people but in the continuing strength of the stock market.

We will see more clearly the evolution of a unique social system—a social system that can benefit by peace to a degree our antagonists beyond the heavy portal find impossible to believe. Our dynamic capitalism — the American contribution to the world of ideas—is on the verge of tremendous growth. The time is here when the laborer, the union man becomes a capitalist. When a labor union buys a bank—when a factory worker owns shares in the company employing him—this is truly a type of economic partnership that can only bode economic health.

In 1893 Frederick Jackson Turner, the eminent historian, announced to an assembly of scholars that America had reached its last frontier. In the narrow geographical sense perhaps he was right, but as we look from our windows today we are witness to a frontier that is truly without limits.

In 1955 we shall come closer to the constructive utilization of the atom—and from this source of almost unlimited energy who can truly tell what American industry will develop?

JAMES D. WISE

President, Bigelow-Sanford Carpet Co., Inc.

Carpet manufacturers have weathered a period of difficult adjustment to far reaching changes in the industry, and can look forward to improved operations in 1955. The actual increase in square yard consumption of soft floorcovering over the past three years seems paradoxical in view of recent operating results. However, changes that have taken place in the relative yardage sales of different types of soft floorcovering have left both Bigelow-Sanford and the woven carpet industry with excess capacity in some important areas of traditional carpet manufacture, and the need for greater capacity in new constructions.

James D. Wise

The soft-surface floorcovering industry is no longer confined to the production of an all wool carpet woven on a conventional carpet loom. To the three conventional weave groups, a fourth, tufted carpet has been added. From a small bath mat business prewar, the tufting process in 1954 accounted for approximately 29% of all soft-surface yardage—and is still growing. The tufting machine, vastly improved in recent years, has enlarged the selection of well styled carpets in the widest choice of colors at low prices. The attention of manufacturers to product improvement has led to durable type backing (as distinguished from the flimsy canvas back of a few years ago); broadloom widths; the use of fibers other than cotton; and the development of machinery that has brought new texture to tufted carpeting.

These developments, coupled with changing style trends have produced substantial changes in the relative yardage volume of different types of soft-surface floorcovering being sold in America today. Prewar domestic woven, wool floorcovering accounted for nearly 100% of soft-surface sales. During the past year approximately 64% of soft floorcovering sales were in domestic woven goods, 29% in tufted and the balance of 7% imported. The Axminster loom which prewar accounted for 51% of total soft-surface sales now provides about 25% of the carpet sold. Although velvet yardage has increased, its percentage of total sales has declined from 26% to 22%. Wilton carpet has increased both in yardage and in percent of sales, from 12% prewar to 17% of the total. Woven carpet sales in 1954 were about 12% below the preceding year. Tufted broadloom sales on the other hand increased from approximately 15 million square yards in 1953 to around 25 million square yards in 1954. In addition there is substantial tufted yardage in small rug sizes and bath mats.

Changes of equal importance have taken place in floorcovering materials. In addition to wool, floorcoverings employ cotton, carpet rayon, nylon, saran and other man-made fibers. The all wool concept for carpet has receded in the face of new materials which make possible a luxurious handful of carpet which retails for less than $10 a square yard. All wool carpets constitute less than half of total soft-surface floorcovering sold today. Within a shorter space of time, cotton too, has given way. Two years ago cotton was the only surface component of tufted carpet. In 1954 cotton accounted for only 35% of broadloom tufted production. The balance of 65% was in carpet rayon-nylon blends and other man-made fibers.

The production of lower cost, better styled soft floorcoverings has stimulated carpet sales. Industry sales in the years preceding World War II averaged about 1.5 square yards per family. Today consumption is close to 2 square yards per family. Total soft-surface broadloom sales for 1954 are presently estimated at about 86,000,000 square yards of which 55,000,000 square yards are of conventional types, 25,000,000 square yards of broadloom tufted rugs and carpets, and the balance, imports.

The backlog of orders following World War II and the demand which came with the outbreak of war in Korea stimulated annual production of over 80,000,000 square yards of woven carpet. The greatly reduced 1954 sales volume of 55,000,000 square yards of woven carpet in a more normal market indicates the extent of idle production facilities in woven carpet—a burden which increased tufted sales have been unable to offset.

Several members of the industry, including Bigelow-Sanford have and are taking decisive steps to reduce their overhead costs, increase productivity and correct the imbalance of woven manufacturing facilities.

On the other hand, the company's tufted carpet operations at Summerville, Ga., were expanded in 1954. Further expansion of the company tufted plant is currently underway to meet market demand. Carpet rayon (Viscalon) for our tufted carpet is manufactured by the company's Hartford Rayon plant which is operating at capacity to supply staple rayon to other manufacturers.

Several new and important merchandising steps are being taken in 1955.

(1) Members of our industry have pooled their efforts for the first time to drive home to the public the benefits and value of our product (the beauty, quiet, comfort and warmth provided by soft-surface floorcovering) in the largest advertising and promotion campaign ever devoted to our products. The Carpet Institute campaign is directed toward promoting the sale of all soft-surface carpeting—woven and tufted—man-made fibers and cotton as well as wool.

(2) Instalment selling of rugs and carpets will be promoted in 1955 on a larger scale. Carpet retailers will have available for the first time several plans tailored to their needs and offering complete promotion services and simple financing arrangements. A good quality carpet for the average living room can be bought for as little as $10.00 down and $8.00 a month.

(3) New marketing methods directed to wider exposure of our products are being introduced.

The outlook for soft floorcoverings in the year ahead is encouraging. A rise is forecast for consumers disposable income in 1955, from the current rate of $254.5 billion to $261 billion by next June. Credit conditions should remain good. It is expected that more than one million new homes will be built next year, and new household formations will approximate one million.

Prices of the carpet industry's raw materials have been steady, and our selling prices should remain stable. Manufacturers' inventories are in line with sales. Retail inventories are reported to be in good shape, but on the low side.

During the past five years the increase in soft floorcovering sales (woven and tufted combined) has kept pace with the rise in consumers discretionary spending power. These factors plus the efforts of our industry to increase sales point to better business in the year ahead.

H. B. WOODMAN

President, Interchemical Corporation

Realization of the tempo of industrial activity which is generally expected for the first half of 1955 will provide Interchemical with a high level of operations. We are manufacturers of chemical coatings—printing inks, industrial finishes, textile colorants, coated fabrics and others—and our entire output goes to industrial users. Our market is very diverse so it is not surprising that our sales tend to follow the Federal Reserve Board Index of Industrial Production, adjusted to exclude heavy industry and armaments since we do not serve those segments of industry.

Several factors encourage us to hope that we may do better than the industrial average. One is the ferment of innovation and development in the packaging industry which provides a market for more than a third of our output. The constantly increasing and diverse uses of cans, of transparent packaging films and containers and cartons generally offer us many promising opportunities to expand our sales of the colorful inks, enamels and sanitary linings which are used for decoration and protection. Nearly all segments of the packaging industry are successfully enlisting the products in the merchandising revolution which started with self-service stores.

We believe that a number of moves successfully completed in 1954 will work to our benefit in 1955. During the year we took broad steps which will both extend our coverage and increase our volume in the industrial finishes industry, an industry which offers substantial rewards for the type of technical service we are organized to provide. Appropriations for new plant, and for improvement of existing facilities, for 1955 are at a new high for Interchemical.

We continued to augment our research organization during 1954 and we anticipate an increased flow of the technical accomplishments which are so important in our chemical coatings service to industry. Our research program contemplates gradually broadening into fields where we are not now engaged but which, because of certain characteristics common with our present business, appear to hold promise for us.

We believe that Interchemical's faith in the future is demonstrated by its continued and increasing investment in larger and more efficient plants, better service to customers and a vigorous and effective research program. Our diversification and growth have been in the industrial field, which we are best equipped to serve. We are looking forward with confidence to what we believe will be a new era of usefulness.

C. E. WOOLMAN

President & General Manager, Delta-C&S Air Lines

The steady annual traffic gains scored by the nation's scheduled airlines over the past six years should continue in 1955. It is reasonable to expect a five or six million passenger increase which will boost this year's total to 40,000,000 passengers. Logically, further gains can be expected in other types of traffic—air mail, air freight, and air express.

C. E. Woolman

Between 1949 and 1953, the scheduled airlines of the U. S. more than doubled their passenger totals—from 14,698,864 to nearly 35,000,000. Last year's 12% increase added up to a 5,000,000 passenger gain.

If their growth continues, scheduled airlines by 1965 will carry an estimated 70,000,000—double last year's total. As a "growth industry" which has not yet achieved its full potential, air transport, in my opinion, can look forward to steady annual gains over the next 8 to 10 years. After that period, the industry expansion very likely will be tied more closely to the normal population growth and other factors which influence the overall national economy.

New records in safety, as well as in the number of passengers, were established by the air transport industry in 1954. Scheduled airlines last year flew a record total of 21 billion passenger miles at a fatality rate of only .07 per 100,000,000 passenger miles. This means that for each fatality, the equivalent of 2,670 roundtrips to the moon were flown without mishap. Continuous progress in electronics will contribute to even safer flying in the future.

Air travel in 1955 will continue to be one of the most outstanding bargains available. Fares are lower than in 1929—taking into account the depreciation of the dollar—a situation unique in the transportation field. In addition to lowering the base fare level, there is an ever-increasing volume of air coach service operated at discounts from that base level.

Passengers on trunk airline routes will fly in the finest equipment ever to span the skies, and total available seats will be the highest in airline history. Delta-C&S Air Lines, along with other major carriers, during the past year completed fleet modernization programs with the purchase of high-speed, pressurized aircraft, including the 69-passenger DC-7—fastest commercial airliner flying in the world today. By spring we will have 10 of these 365-miles-per-hour luxury liners in service on major routes of our nearly 10,000-mile system serving 54 cities in the U. S. and six Caribbean countries.

Our $30,000,000 investment in 10 DC-7's and 20 Super-Convairs will enable us to provide more and faster services over our entire system. During the year ahead we expect to expand our low cost aircoach services, as well as our services to the Miami Beach and Caribbean vacation areas. In 1954 we sold package tours to nearly 13,000 vacationers, and we expect another 20% increase in vacation travel this year.

Travel credit plans, now offered by all major air lines, should prove an added stimulus to vacation air travel in 1955. The surface has hardly been scratched on this travel market. Delta-C&S on Dec. 1 introduced its own Fly Now-Pay Later plan, which permits a trip to any point in the world served by scheduled airlines to be purchased with no down payment and paid for in 12 or more monthly instalments. Local banks in our major route cities finance the plan at regular bank interest rates.

The airlines—like other businesses—will face keener competition during 1955. Our industry will benefit from increased travel as more salesmen take to the air in search of business.

Delta-C&S looks forward to a good year in 1955, and to continued economic growth of the area in which we were born and in which we have developed our route pattern—the booming South and Southwest.

One of the most pressing needs of this rapidly expanding region is for additional competitive air services to key government, financial and industrial centers of the Northeast. Delta-C&S seeks to meet that need, and thereby to fill a vital gap in the airline pattern of the nation.

In the Southwest-Northeast route case now before the Civil Aeronautics Board, Delta-C&S has applied for an extension of its routes from Atlanta, Charlotte, Washington, Baltimore, and Philadelphia, and New York. Hearings in the case were completed Dec. 15, and a board decision will be handed down during the next 12 to 18 months.

That decision will influence not only the future growth of Delta-C&S Air Lines, but also the pattern of air service which two vital areas of the nation will enjoy for the next generation.

Approval of our application will create for the first time a direct, one-carrier air link between Main Street America and many cities in the South and Southwest which now lack such service. More importantly, it will strengthen and expand commercial ties between the Northeast and the region which is growing more rapidly than any other section of the country. The South and Southwest today constitute this nation's greatest economic frontier.

The traveling public—and industry, looking South for new and expanding markets—has an important stake in the outcome.

BEN H. WOOTEN

President, First National Bank in Dallas, Texas

Like most other bankers, I anticipate that the current recovery of business will continue and that business in 1955 will be better than in 1954. This feeling is based upon current trends and expected developments in the level of spending by consumers, by government, and by business. In each of these sectors total spending should be greater in 1955 than in 1954. The bases of this expectation have been examined at length by a number of contributors to recent issues of the "Chronicle" and I shall not attempt to condense them in a brief statement.

Ben H. Wooten

In the Southwest, the trend of economic activity tends to follow the national pattern, but the trend is tempered by the much faster rate of growth in this area. Thus, the outlook for the coming year is even more optimistic here than in the nation as a whole. The influence of rapid growth is especially evident in our own city. During 1954 peak unemployment in Dallas was only 3.5% of the nonagricultural labor force, compared with a national peak of 6.4%.

One of the soft spots in the southwestern economy in 1954 was the petroleum industry. Large stocks of refined products at the beginning of the year, plus a high level of imports and a relatively stable level of production in other domestic areas, placed pressure on southwestern oil production. As a result, crude oil production in the 11th Federal Reserve District was 4% below 1953. The outlook for 1955 is about the same. Petroleum stocks have declined somewhat, and demand has increased, but these factors may be offset by a continued loss of foreign markets, increased imports, and/or increased production in states outside the Southwest.

The only other weak spot in our area is agriculture. Acreage restrictions for cotton, wheat, and peanuts have already been announced for 1955, and may be placed on rice. The current outlook is for a 2% or 3% drop in farmers' cash income in 1955. Continuing drought could reduce income still further.

As for banking, the outlook is very optimistic. Growth in the 11th District was reflected in a 9% increase in member bank deposits in 1954 and a 10% increase in loans. These are record levels, and we expect the trend to continue. There should be a heavy demand for real estate credit, a modest increase in consumer credit, and the end of inventory liquidation will result in increased business loans.

Interest rates should remain stable. However, they are tied strongly to Federal Reserve monetary policy, and there have been some signs that the Federal Reserve is shifting from its policy of "active ease." If so, rates may become somewhat firmer.

FREDERIC E. WORDEN

Chairman of the Board and President, The National Bank of Auburn, New York

It would seem that a great many, in fact most all of the forecasters this year, are agreed that the outlook for business in 1955 is excellent. We start the New Year with brighter anticipation than we did a year ago. I feel quite confident that we can look ahead to 1955 with optimism. Business and industry are going forward with expansion programs. The unemployment problem should show improvement. The fear of a major recession or depression has passed. 1954 turned out to be a good year. At the present it appears that 1955 should be better.

Frederic E. Worden

Farm prices should be stable and perhaps in some instances firm a little. The outlook for new housing is very healthy. The demand for new money will increase. New mortgage money, a substantial increase in municipal borrowings and a healthy increase in demand for business loans are indicated. In spite of this increase in demand, money rates should remain easy.

There is every reason to have confidence in our money managers. They will be alert to supplying new funds and reserves when needed and I believe a little reluctant to curtail credit.

The man in the street who hesitated in 1954 to spend his money freely but saved it instead, I believe will be more free with his spending in 1955. This means better business.

It looks as if there will be an increase of new automobiles and this will build up pressure for improvement of traffic conditions, parking facilities, repair of old roads and indicate the pressing need of building new super highways.

With so many looking ahead with optimism for 1955 it might be well to season the enthusiasm with a bit of caution. I believe 1955 will be a good year.

WILLIAM F. WYMAN

President, Central Maine Power Company

At the close of 1954, business generally had a somewhat firmer tone than it had a year ago. As a result, the appraisals of 1955 show this more optimistic note.

Wm. F. Wyman

An interesting measure of such business conditions is provided in sales of electricity which utilities make to their various classes of service, which include residential, commercial and industrial. In 1954, these sales by Central Maine Power Company have moved forward and for the year represent new high volume in all classes. Residential sales show a greater and more steady gain than do the others. This comes both from new houses being added and the greater use that existing customers are making of the service. Industrial sales show a higher gain for the latter periods of the year than for the earlier months, again pointing to a firmer trend than a year ago.

This is, of course, only the over-all picture and there are variations both ways as far as respective fields of industry are concerned, which can not be covered in detail in this summary. It is interesting to note that generally the recent upturn in business here in Maine has kept pace with that seen in other parts of the country. From what has already taken place there is good evidence that the earlier opinions showing extreme pessimism as to future business levels were in error and there is good reason to hope that the future may show them to have been in even greater error.

Vote Hunting!

"Many years have passed since the enactment of our original anti-trust laws. Many diverse opinions of the courts, the passage of time, and the changing economic scene, make it most important that the structure of our anti-trust laws be examined.

"The danger to the country from monopoly run wild is written in large letters across the recent economic and political history of this nation. The committee therefore feels that it cannot overstate the imperative necessity for the Congress to deal with this issue immediately." — Senators Langer, Kefauver and Kilgore for a subcommittee of the Committee on the Judiciary.

The Senators then listed the following areas as in need of study:

"Changing concepts of competition and monopoly experience in light of recent economic developments.

"The rise in new financial and industrial oligarchies, and highly concentrated forms of business and management.

"Business practices aimed at limiting or eliminating competition.

"Methods of government regulation to control all these in the public interest."

Obviously an attempt to attract votes by an all too familiar technique.

Robert Huff On Visit To East Coast

Robert H. Huff, Vice-President of Fewel & Co., Los Angeles, has been visiting in New York City for the past week, staying at the Waldorf, and will stop off at Chicago en route to the Coast calling on insurance executives, dealers and brokers. Mr. Huff is very bullish on insurance stocks.

R. C. Day Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard C. Day is engaging in a securities business from offices at 315 West 9th Street.

President Submits Economic Report to Congress

In letter of transmittal, he reports highlights of surveys of the Council of Economic Advisers and department heads, indicating progress in economic recovery. Sees nation headed toward sustained economic growth, but warns speculation and shut downs due to labor troubles may cause setbacks.

On Jan. 20, President Dwight D. Eisenhower submitted to Congress his annual Economic Report, prepared with the assistance of the Council of Economic Advisers and the heads of government departments and agencies. In the letter of transmittal, accompanying the Report, he stressed the progress already made in recovery from the business contraction of the last two years expressed the view that the nation was again headed toward a period of economic growth, which could, however be seriously hampered by excessive financial speculations and shut downs due to labor strikes. In his letter the President listed a number of proposals to remedy adverse situations and to promote continued economic progress.

Pres. Eisenhower

The text of the President's letter of transmittal accompanying the Economic Report follows:

The White House,
Jan. 20, 1955.

To the Congress of the United Statess:

I am herewith presenting my Economic Report, as required by Section 3 (a) of the Employment Act of 1946.

In preparing this report, I have had the assistance and advice of the Council of Economic Advisers. I have also had the advice of the heads of executive departments and independent agencies.

I present below, largely in the words of the report itself, what I regard as its highlights.

Sources of Economic Progress

With production and employment now increasing on a broad front, the events of the past year have borne out the major conclusions of the Economic Report of January, 1954, concerning the state of our economy and the policies needed to promote sound economic growth.

Economic well-being sustains our whole national life. A high and rising standard of living brings to more of our people the opportunity for continued intellectual and spiritual growth.

The main sources of our nation's economic strength are its free institutions and the qualities of its people—their ambition, skill, enterprise and willingness to make great efforts in their own behalf and in behalf of their families and communities.

The need of our times is for economic policies that, in the first place, recognize the proven sources of sustained economic growth and betterment and in the second place, respect to need of people for a sense of security as well as opportunity in our complex, industrialized society.

A free economy has great capacity to generate jobs and incomes if a feeling of confidence in the economic future is widely shared by investors, workers, businessmen, farmers, and consumers.

Many factors favor a continuation of our vigorous economic growth. The population is increasing rapidly, educational levels are rising, work skills are improving, incomes are widely distributed, consumers are eager to better their living standards, businessmen are starting new enterprises and expanding old ones, the tools of industry are multiplying and improving, research and technology are opening up new opportunities, and our public policies generally encourage enterprise and innovation.

With wise management of the national household, our country can within a decade increase its production from the current annual level of about $360 billion to $500 billion, or more, expressed in dollars of the same buying power.

In the future as in the past, increases in productivity and in useful employment opportunities will be the core of economic expansion.

The role of the Federal Government in the achievement of these goals is to create an atmosphere favorable to economic activity by encouraging private initiative, curbing monopolistic tendencies, avoiding encroachment on the private sector of the economy, and carrying out as much of its own work as is practicable through private enterprise. It should take its full part at the side of state and local governments in providing appropriate public facilities. It should restrain tendencies toward recession or inflation. It should widen opportunities for less fortunate citizens, and help individuals to cope with the hazards of unemployment, illness, old age, and blighted neighborhoods.

Last year the government took many steps, both legislative and administrative, to encourage economic expansion. Fiscal and monetary measures fostered an expectation of improving economic conditions and encouraged people to maintain a high rate of expenditure. The opportunities of competitive enterprise were enlarged; economic ties with other countries were improved; the floor of personal and family security was strengthened; and additions were made to our public assets.

The Economy Today

The year 1954 was one of transition from contraction to recovery. The contraction reflected the efforts of businessmen to reduce inventories, and was aggravated by a large reduction in military expenditures.

The contraction was relatively mild and brief, because of a variety of timely public and private actions.

The government cut taxes, the Federal Reserve System eased credit conditions, and the Treasury arranged its financing so as not to complete with mortgages and other long-term issues. A comprehensive program for encouraging private enterprise was submitted to the Congress. Apart from this, the decline in private incomes was automatically cushioned by increased payments of unemployment insurance and other benefits and by sharp cuts in taxes due the government on the reduced incomes.

Consumers maintained a high rate of spending, businessmen kept capital expenditures at a high rate, builders stepped up their activities, trade unions conducted their affairs with a sense of responsibility, farmers recognized the dangers of piling up ever larger surpluses, private lenders made ample supplies of credit available on liberal terms, states and localities carried out large construction programs and exports demand remained strong.

Although manufacturing production fluctuated, total output was fairly stable, and disposable personal income reached record levels. But some industries and localities suffered from serious unemployment. The fortunes of most of them turned for the better when recovery got under way in the early autumn, and they will benefit from further general economic expansion.

Instead of expanding Federal enterprises or initiating new spending programs, the basic policy of the government in dealing with the contraction was to take actions that created confidence in the future and stimulated business firms, consumers, and states and localities to increase their expenditures.

The vigor of the recent recovery, which has already made up half of the preceding decline in industrial production, suggests that economic expansion will probably continue during coming months. It holds out the promise that we shall achieve a high and satisfactory level of employment and production within the current year.

A further expansion of consumer spending may reasonably be expected; we are soon likely to experience some rebuilding of inventories; the decline of Federal spending next year will be less rapid than during the last two years; State and local expenditures will probably continue to expand; the outlook for housing and commercial construction continues to be good; there is a prospect that plant and equipment expenditures may turn upward, as the general economic advance proceeds; the outlook for export demand is brightened by the economic resurgence of an ever-widening area of the free world.

It is essential to keep a close watch on financial developments; continued economic recovery must not be jeopardized by over-emphasis of speculative activity.

Toward Sustained Economic Growth

The wise course for Government in 1955 is to direct its program principally toward fostering long-term economic growth rather than toward imparting an immediate upward thrust to economic activity.

Further efforts to reduce Federal expenditures, together with increasing revenues from a tax base growing as the economy expands, should make possible some additional general tax reductions next year. Progress could then also be made in further lowering tax barriers to the free flow of funds into risk-taking and job-creating investments.

Government should persist in its efforts to maintain easy entry into trade and industry, to check monopoly, and to preserve a competitive environment. Continued encouragement should be given to small and new businesses.

Scientific research and development activities in all their phases should continue to have the earnest support of the Federal Government.

Measures by ourselves and other nations to reduce existing barriers to international trade, payments, and investment will make the free world stronger and aid our own economic growth.

Measures should be considered to extend personal security against the hazard of unemployment, to strengthen minimum wage legislation, to protect savings in credit unions, and to increase the President's discretionary authority to vary the terms of insured mortgage loans in the interest of economic stability.

A great ten-year program to modernize the interstate highway system should be authorized.

Our partnership policies of water resource development should be further implemented by appropriate Congressional and local action.

Action should be taken this year to help meet our nationwide needs for school construction. I shall shortly send to the Congress a special message that will deal with methods by which the Federal Government can appropriately assist in this vital field.

Support should be provided for an Office of Coordinator of Public Works Planning in the Executive Office of the President, and for a revolving fund for advances to the states and municipalities for public works planning.

Conclusion

Our nation's recent history teaches that a foresighted Government can do much to help keep the economy stable, but experience affords no good basis for a belief that the Government can entirely prevent fluctuations.

We should harness the idealism as well as the intelligence of our generation to the practical end of facilitating the growth of private enterprise and of increasing the stability of our economy.

The Government will shoulder its full responsibility to help realize that goal.

DWIGHT D. EISENHOWER.

Continued from page 13

The Role of the Security Analyst In Stockholder Relations

products? Improvement of existing products? Is there a centralized research organization? How broad is its scope? What has the Research Department developed commercially?

Plant Expansion and Modernization—It is important to get an idea of the physical property expansion program. We are interested to know if a company is keeping up with its competitors from both an expansion and a modernization program. This is important from both a volume and a cost standpoint. How far ahead is the planning scheduled? And what are the proposed capital expenditures?

The amount of the proposed capital expenditures is one thing. Of equal importance is the method of financing such expenditures. Can it be handled through depreciation and retained earnings? Or will it be necessary to resort to outside financing—either through borrowing or through sale of stock?

Management—This subject is, of course, one of the most important—if not the cost important factor in a company analysis—and one of the most difficult ones for the company representative to put across.

In the first place the speaker before a group—or the contact in the case of an individual interview—is the physical representative of the management, and of course, definite personal impressions are made by him. This is important from the standpoint of the company.

Secondly, he has the job of attempting to portray the management to his listeners. This is difficult. As suggested earlier, it is well to give an analyst a chance to meet some of the other members of the management team. This is always helpful.

It is quite common for a corporation representative to give the average age of the top management—usually in an attempt to prove that it is a young, vigorous and aggressive team — full of steam and ideas. I think this idea has been somewhat over-played. It would be more interesting to hear how the so-called "management team" is set up—with an aim toward proving its "depth" and continuity—if that exists. A description of responsibilities—with particular reference to younger "second line" men could be given.

Something might well be said on the subject of management incentives — bonuses, special compensation, retirement provisions, and the like.

Visual Presentation — I have been asked for my reaction to visual presentation during a group meeting. This may surprise you; however I think visual aids should be held to a minimum. First of all we don't want to see a presentation of the simplified chart used primarily in a sales presentation. Secondly, as far as a series of charts portraying financial growth—let me repeat that such financial data are already available to the analyst.

As far as pictorial slides are concerned, limit them only to certain physical properties or products that are outstanding in one way or another.

Movies are interesting, but the time element preclude much of this type of presentation at a regularly scheduled analysts' meeting. It would be much more satisfactory — if movies are to be shown — for the company to set up a special meeting of its own when a longer period can be arranged.

Existing Problems—Admit that they exist, if they do. Don't gloss over problems. Every corporation has them. And the good financial analyst will learn about them eventually. Be frank — explain what is being done to solve the problems. In the end, it will be more beneficial.

Forecasts—It seems to me that a corporation management need not fear to make some types of forecast within reason — both of sales and earnings. Such forecasts need not be too specific and mention can be made of such uncertainties that do exist. The good analyst is not going to take you to task if there turns out to be some variation when the final figures are available, if the forecast was made honestly. But he will look askance at the declaration, say late in December, that the management cannot give an estimate of the year's sales "because the December figures are not yet in."

Arguments Against Expanding Information

I have already mentioned the argument that giving out this type of information gives aid and comfort to the competitor. I believe that is greatly exaggerated.

An other objection often heard is that "we cannot tell one or a few stockholders anything that we do not tell to all of them" usually by way of published reports. My answer to that is — barring such trade secrets and other types of information that is truly confidential—any stockholder either by himself or through a representative—who is willing to spend the time and money to become more familiar with the company which he owns is entitled to full-co-operation.

A third argument is that the management does not have the time to discuss the affairs of the company with stockholders. In my opinion the management must realize that doing this is one part of its job. In this connection, if one particular individual is designated for the job, he must be given sufficient authority to talk freely.

Remember that more information from the management is much better for all concerned than misinformation from other sources.

Modern Investors

TUCKAHOE, N. Y. — Robert Schwarzkopf and Robert Schwarzkopf, Jr. have formed Modern Investors Planning with offices at 111 Lake Avenue to engage in a securities business.

Major Budget Reforms Proposed by CED

Research body urges clarification of costs through classification of spending according to programs involved by use of the "program budget." Cites following weaknesses in present budget procedure: (1) too much detail irrelevant to major budget issues; (2) absence of systematic Congressional procedure for weighing expenditures versus revenues; (3) the "splintering" of the budget process in Congress, and (4) lack of systematic review of performance or evaluation of efficiency.

WASHINGTON — Measures to make the Federal Budget more informative and to help Congress in acting upon it were proposed Jan. 15 by the Research and Policy Committee of the Committee for Economic Development.

In a detailed analysis of the development and weaknesses of the procedures by which the government determines its expenditures, the Committee also made suggestions for improving efficiency of government operations and evaluating performance.

"Control of Federal Government Expenditures," one of the periodic reports on national problems issued by the non-profit and non-partisan economic research and education organization, is the result of an intensive study launched by CED more than two years ago. It was made public by Frazar B. Wilde, Chairman of CED's Research and Policy Committee and President of Connecticut General Life Insurance Co., Hartford, Conn.; J. Cameron Thomson, Chairman of the Subcommittee on Fiscal, Monetary and Debt Management Policy, and S. Bayard Colgate, Chairman of the subcommittee's section on expenditures. Mr. Thomson is President of Northwest Bancorporation, Minneapolis, and Mr. Colgate is Honorary Chairman of the Board, Colgate-Palmolive Co., New York.

The Recommendations

The Committee's recommendation's include:

(1) Changes in the preparation and form of the budget to give Congress and the public a clearer picture of the proposed activities, their relative necessity and their cost. The Committee urged greater use of the "program budget," which groups expenditure requests by functions and activities involving the same policy goal rather than by organization units.

(2) Creation of a Joint Budget Policy Conference as a step toward coordinating expenditure decisions and revenue decisions in Congress. The Joint Conference "would include several members of the Congressional leadership and majority and minority representatives from the appropriations and revenue committees and the Joint Committee on the Economic Report." It would meet after the President has submitted the budget and discuss the major expenditure-revenue problems involved.

(3) Improvements in Congressional procedures for considering expenditures, and authorization for the President to veto individual items in appropriations bills.

(4) Establishment of a system of annual performance reports and periodic management audits of executive departments and large agencies, and the strengthening of the management staffs of the department secretaries.

The Committee pointed out that in fiscal 1954 the government absorbed about 16% of all the goods and services produced in the U. S. as compared with about 5% in 1939 and only 1% in 1929.

"With the Federal Government absorbing about one-sixth of all the goods and services produced in the country, the control of government expenditures has become vitally important," the Committee said, and "the manner in which the budget is prepared in the Executive branch and the manner in which Congress considers the budget in making appropriations are at the heart of the problem."

Present Weaknesses

The Committee said its proposals are aimed at these principal weaknesses in the budget process:

"(1) The budget contains too much detail that is not relevant to major budget issues. The budget does not clearly describe the services provided by government programs or their costs. An unduly long period of preparation is required.

"(2) There is no systematic procedure in Congress to insure consideration of problems involving relations between expenditures and revenues.

"(3) The budget process in Congress is splintered. Expenditure decisions tend to be made one by one without weighing against one another the competing claims of the various government programs for funds and without considering the burden of the total.

"(4) There is no systematic review of performance or evaluation of efficiency."

In calling for more rapid development of the trend toward a "program budget," the Committee said: "Government activities should be described in such a way as to make it easier for a Congressman to judge the desirability of different government services. Activities should be described quantitatively and unit cost figures should be presented where feasible."

The Committee said that despite many improvements in the document: "Generally speaking the description of services is too vague and summary. Often the scale at which the activity is to be carried on is not indicated as clearly as it might be. Although meaningful unit cost figures are not calculable for all activities, such figures have not been developed in all cases where this could have been done. And in important cases the description of the activity fails to show how it is related to policy objectives in which the citizen is interested."

The Committee pointed out that in the President's Message which transmitted the fiscal 1955 budget to Congress last year, spending was discussed "under 13 major headings—National Security, Natural Resources, Labor and Manpower, etc. These headings are too broad to be used as a basis of decision, but they do indicate the kinds of categories which, if spelled out in more detail, would appear in a program budget."

Budget Information Deficient

Not only is the information in the budget document deficient in some respects; its great bulk is also a handicap, the Committee said. The 1288-page budget document for fiscal 1955 weighed five and a half pounds and contained a vast amount of detail on "objects" of expenditure: personal services, travel, transportation of things, supplies, materials and the like. "The major budget issues would be clearer," the Committee said, if this detail were deleted from the burget document "and presented to Congress as a part of a yearly report on performance."

In recommending institution of a Joint Budget Policy Conference, the Committee noted that now "the revenue committees and the appropriations committees act largely independently of each other; there is no formal procedure that insures the coordination of expenditure and revenue decisions" or adequate consideration of their long-run effects on the economy.

Under the CED plan, shortly after submission of the budget the Joint Conference would meet with the Budget Director and any other administration officials it wished to hear, and attempt to arrive at a concensus on the expenditure-revenue problems, "but it would make no formal report at this stage. Even if there is no consensus at this time, such deliberations would be of value to the Chairmen of the appropriations committees in giving guidance to their subcommittees" as well as to the Chairmen of the revenue committees.

Later in the session, but before major revenue and appropriations bills are reported, House and Senate members of the Conference would meet separately. "In each house these meetings would keep the expenditure and revenue committees aware of the other's intentions and should make the actions of the two pairs of committees more consistent."

Turning to its recommendations for alleviating the present "piecemeal" consideration of appropriations, the Committee said that following the Joint Budget Conference each appropriations committee Chairman, in consultation with subcommittee Chairmen, should set "guidelines in the form of tentative dollar ceilings for fairly sizable groups of activities."

Programs Not Unrelated

This procedure would reflect "a look at the whole budget and at least a preliminary examination of major budget issues," the Committee said, and "would serve as a reminder to the subcommittees that programs cannot be viewed as unrelated; programs do add up to a total and are usually competitive with each other for funds.

"The subcommittees would then hold their hearings, going more deeply into the problems of each of the programs as they now do."

Efforts should also be made to bring consideration of appropriations bills closer together in time. If this were done, through careful scheduling of other legislation, "it would be easier for each house to see what the recommendations of its appropriations committee look like as a whole before the bills are taken up on the floor."

In urging that the President be granted item veto power, the Committee noted that "at the present time the President can veto a single objectionable appropriation or legislative rider only by vetoing the whole bill, thus holding up funds for all the activities falling under the bill."

Congressional control of expenditures should begin early in the process, even before appropriations are made, the CED group emphasized. For example, committee reports on bills authorizing new activities should be required to include estimates and discussions of eventual costs, it said. The Committee noted that in fiscal 1955, according to a Bureau of the Budget estimate, "major programs amounting to $15 billion can be changed only by a change in the basic authorizing legislation. About nine-tenths of this is accounted for by veterans' programs, agricultural price support, grants to states for public assistance, and interest."

The Committee also proposed that the President submit to Congress a yearly report on the performance of the Executive departments and agencies, with evaluations based on measurement of unit costs and statistical information on performance where possible.

Such a report, it said, "would be of great use to the Executive branch where the main responsibility for promoting efficiency lies, and also to the appropriations subcommittees, the legislative committees and the Committees on Government Operations in Congress." It would also relieve the budget document of much of the confusing detail which presently distracts appropriations subcommittees from the "important problems of policy that ought to be more thoroughly discussed."

In addition, "within departments and large agencies, the Secretary or agency head should have a strong and competent management staff of his own to provide a continuous check on the management of operations at the bureau level. Such a staff can examine operating procedures more critically than can the bureau personnel who are directing operations. And a management staff is indispensable for following through on suggestions for improvement of efficiency."

These staffs, the Committee said, "will be more effective if a thorough management audit is conducted under the supervision of the Bureau of the Budget once every several years. In such an audit, experts from outside the agency would scrutinize every aspect of agency management—the allocation of authority and responsibility, the flow of work, the efficiency with which functions are performed, personnel policies, and so on."

"The President should submit to the Congress reports on the major findings of these audits and on the consequent action that has been or will be taken," the Committee said.

In addition to Messrs. Wilde, Thomson and Colgate, members of CED's Research and Policy Committee are:

Elliott V. Bell, Chairman of the Executive Committee, McGraw-Hill Publishing Company, Inc., New York; John D. Biggers, Chairman of the Board, Libbey-Owens-Ford Glass Company, Toledo; James F. Brownlee, Partner, J. H. Whitney & Co., New York.

S. Sloan Colt, President, Bankers Trust Company, New York; Gardner Cowles, President, Des Moines Register & Tribune and Cowles Magazines, Inc., New York; Jay E. Crane, Vice-President, Standard Oil Company (New Jersey), New York; William C. Foster, President, Manufacturing Chemists' Assn., Inc., Washington, D. C.

Clarence Francis, General Foods Corporation, New York; Philip L. Graham, President and Publisher, The Washington Post and Times Herald, Washington, D. C.; Robert Heller, Robert Heller & Associates, Inc., Cleveland; Amory Houghton, Chairman of the Board, Corning Glass Works, Corning, N. Y.

Ernest Kanzler, Vice Chairman of the Board, Universal C. I. T. Credit Corporation, Detroit; Meyer Kestnbaum, President, Hart Schaffner & Marx, Chicago; Sigurd S. Larmon, President, Young & Rubicam, Inc., New York; Fred Lazarus, Jr., President, Federated Department Stores, Inc., Cincinnati; Leroy A. Lincoln, Chairman of the Board, Metropolitan Life Insurance Co., New York.

Thomas B. McCabe, President, Scott Paper Company, Chester, Pa.; Fowler McCormick, Chicago; Don G. Mitchell, Chairman of the Board, Sylvania Electric Products, Inc., New York; George L. Morrison, Chairman of the Board and President, General Baking Company, New York.

Howard C. Petersen, President, Fidelity Philadelphia Trust Co., Philadelphia; Philip D. Reed, Chairman of the Board, General Electric Company, New York; Beardsley Ruml, New York; Harry Scherman, Chairman of the Board, Book-of-the-Month Club, Inc., New York; S. Abbott Smith, President, Thomas Strahan Company, Chelsea, Mass.; Wayne C. Taylor, Heathsville, Va.

Alan H. Temple, Executive Vice-President, The National City Bank of New York, New York; Theodore O. Yntema, Vice-President-Finance, Ford Motor Company, Dearborn, Mich.; J. D. Zellerbach, President, Crown Zellerbach Corp., San Francisco.

Members of the subcommittee unit which conducted the study are: Mr. Colgate, Chairman; Messrs. Bell, Heller, Mitchell, Temple, Thomson, Yntema, and Miss Anna Lord Strauss, New York.

FHA Ups Interest Rate on Debentures

FHA Commissioner Norman P. Mason announced on Jan. 19 an increase of 1/8 of 1% in the rate of interest payable on debentures issued by the agency.

Norman P. Mason

FHA debentures, guaranteed by the United States, are issued to lending institutions in payment of claims made by the institutions when mortgages insured by the FHA go into default and the properties are acquired by the Commissioner.

The new rate of 2 5/8% is effective with respect to all mortgages endorsed for insurance on and after Jan. 1, 1955.

Mr. Mason said that the increase, which has the approval of the Secretary of the Treasury, was made in accordance with the Housing Act of 1954, which stipulates that the Commissioner from time to time shall establish an interest rate not in excess of the current yield on comparable government securities.

United States Plywood Debentures Offered

Eastman, Dillon & Co. headed the underwriting group which offered yesterday (Jan. 26) $25,000,000 of United States Plywood Corp., 3.40% 25-year sinking fund debentures due Jan. 1, 1980 at 100% and accrued interest.

Of the proceeds, about $15,586,000 will be used to redeem four series of outstanding debentures and to pay $2,845,185 of other funded indebtedness. The balance will be added to the company's general funds and used for various corporate purposes including the expansion of its distribution system, both in the United States and Canada.

The debentures are redeemable in whole or in part at the option of the company at prices ranging from 103½ if redeemed prior to Jan. 1, 1956 to 100 if redeemed after Jan. 1, 1978. They are redeemable for the sinking fund at 100.

The company is engaged primarily in the manufacture, purchase and sale of Douglas fir (softwood) plywood, hardwood, plywood, pine plywood, lumber and doors. It also manufactures, processes and sells other laminated and related products. The company owns 33 manufacturing and processing plants in the United States and Canada and also has a majority interest in a veneer plant in the Belgian Congo.

For the six months ended Oct. 31, 1954, the company reported gross sales of $61,437,000 and net profit of $2,652,000. For the fiscal year ended April 30, 1954, gross sales were $124,067,000 and net profit $4,722,000.

Tyche Securities Opens

Tyche Securities, Inc. has been formed with offices at 950 East 163rd Street, Bronx, New York, to engage in a securities business. William E. Bromsen is a principal of the firm.

President's Message on Defense of Formosa

Chief Executive asks for emergency authorization by Congress to use armed forces not only to defend Formosa and islands adjacent thereto, but also to permit attacks upon threatening Chinest Communist concentrations nearby. Resolution approving request already introduced in Congress and overwhelmingly passed by the House.

On Jan. 24, President Dwight D. Eisenhower submitted to Congress a special message in which he requested specific authorization to use U. S. armed forces as he sees fit both to defend Formosa from attacks by the Chinese Communists and also to repel any Communist concentrations on nearby islands.

The text of the President's message, along with the text of the proposed resolution introduced in Congress, follows:

The most important objective of our nation's foreign policy is to safeguard the security of the United States by establishing and preserving a just and honorable peace. In the western Pacific a situation is developing in the Formosa Straits that seriously imperils the peace and our security.

Pres. Eisenhower

Since the end of Japanese hostilities in 1945, Formosa and the Pescadores have been in the friendly hands of our loyal ally, the Republic of China. We have recognized that it was important that these islands should remain in friendly hands. In unfriendly hands, Formosa and the Pescadores would seriously dislocate the existing, even if unstable, balance of moral, economic and military forces upon which the peace of the Pacific depends.

It would create a breach in the island chain of the western Pacific that constitutes, for the United States and other free nations, the geographical backbone of their security structure in that ocean. In addition, this breach would interrupt north-south communications between other important elements of that barrier, and damage the economic life of countries friendly to us.

The United States and the friendly Government of the Republic of China, and indeed all the free nations, have a common interest that Formosa and the Pescadores should not fall into the control of aggressive Communist forces.

Influenced by such considerations, our Government was prompt, when the Communists committed armed aggression in Korea in June, 1950, to direct our Seventh Fleet to defend Formosa from possible invasion from the Communist mainland.

These considerations are still valid. The Seventh Fleet continues under Presidential directive to carry out that defensive mission. We also provide military and economic support to the Chinese Nationalist Government and we cooperate in every proper and feasible way with that Government in order to promote its security and stability. All of these military and related activities will be continued.

In addition, there was signed last December a mutual defense treaty between this Government and the Republic of China covering Formosa and the neighboring Pescadores. It is a treaty of purely defensive character. That treaty is now before the Senate of the United States.

Communists Provocations

Meanwhile, Communist China has pursued a series of provocative political and military actions, establishing a pattern of aggressive purpose. That purpose, they proclaim, is the conquest of Formosa.

In September, 1954, the Chinese Communists opened up heavy artillery fire upon Quemoy Island, one of the natural approaches to Formosa, which had for several years been under the uncontested control of the Republic of China. Then came air attacks of mounting intensity against other free China islands, notably those in the vicinity of the Tachen group to the north of Formosa.

One small island, Ichiang generally spelled Yikiang, was seized last week by air and amphibious operations after a gallant few fought bravely for days against overwhelming odds. There have been recent heavy air attacks and artillery fire against the main Tachen islands themselves.

The Chinese Communists themselves assert that these attacks are a prelude to the conquest of Formosa. For example, after the fall of Ichiang, the Peiping radio said that it showed a "determined will to fight for the liberation of Taiwan (Formosa). Our people will use all their strength to fulfill that task."

Clearly, this existing and developing situation poses a serious danger to the security of our country and of the entire Pacific area and indeed to the peace of the world. We believe that the situation is one for appropriate action of the United Nations under its Charter, for the purpose of ending the present hostilities in that area. We would welcome assumption of such jurisdiction by that body.

Meanwhile, the situation has become sufficiently critical to impel me, without awaiting action by the United Nations, to ask the Congress to participate now, by specific resolution, in measures designed to improve the prospects for peace. These measures would contemplate the use of armed forces of the United States if necessary to assure the security of Formosa and the Pescadores.

Various Actions Proposed

The actions that the United States must be ready to undertake are of various kinds. For example, we must be ready to assist the Republic of China to redeploy and consolidate its forces if it should so desire. Some of these forces are scattered throughout the smaller offshore islands as a result of historical rather than military reasons directly related to defending Formosa. Because of the air situation in the area, withdrawals for the purpose of redeployment of Chinese Nationalist forces would be impractical without assistance of the armed forces of the United States.

Moreover, we must be alert to any concentration or employment of Chinese Communist forces obviously undertaken to facilitate attack upon Formosa, and be prepared to take appropriate military action.

I do not suggest that the United States enlarge its defensive obligations beyond Formosa and the Pescadores as provided by the treaty now awaiting ratification. But, unhappily, the danger of armed attack directed against that area compels us to take into account closely related localities and actions which, under current conditions, might determine the failure or the success of such an attack. The authority that may be accorded by the Congress would be used only in situations which are recognizable as parts of, or definite preliminaries to, an attack against the main positions of Formosa and the Pescadores.

Authority for some of the actions which might be required would be inherent in the authority of the Commander in Chief. Until Congress can act I would not hesitate, so far as my Constitutional powers extend, to take whatever emergency action might be forced upon us in order to protect the rights and security of the United States.

However, a suitable Congressional resolution would clearly and publicly establish the authority of the President as Commander in Chief to employ the armed forces of this nation promptly and effectively for the purpose indicated if in his judgment it became necessary. It would make clear the unified and serious intentions of our Government, our Congress and our people.

Thus it will reduce the possibility that the Chinese Communists, misjudging our firm purpose and national unity, might be disposed to challenge the position of the United States, and precipitate a major crisis which even they would neither anticipate nor desire.

In the interest of peace, therefore, the United States must remove any doubt regarding our readiness to fight, if necessary, to preserve the vital stake of the free world in a free Formosa, and to engage in whatever operations may be required to carry out that purpose.

To make this plain requires not only Presidential action but also Congressional action. In a situation such as now confronts us, and under modern conditions of warfare, it would not be prudent to await the emergency before coming to the Congress. Then it might be too late. Already the warning signals are flying.

Threatening Situation Likely to Be Temporary

I believe that the threatening aspects of the present situation, if resolutely faced, may be temporary in character. Consequently I recommend that the resolution expire as soon as the President is able to report to the Congress that the peace and security of the area are reasonably assured by international conditions, resulting from United Nations action or otherwise.

Again I say that we would welcome action by the United Nations which might, in fact, bring an end to the active hostilities in the area. This critical situation has been created by the choice of the Chinese Communists, not by us. Their offensive military intent has been flaunted to the whole world by words and by deeds. Just as they created the situation, so they can end it if they so choose.

What we are now seeking is primarily to clarify present policy and to unite in its application. We are not establishing a new policy. Consequently, my recommendations do not call for an increase in the armed forces of the United States or any acceleration in military procurement or levels of defense production. If any unforeseen emergency arises requiring any change, I will communicate with the Congress. I hope, however, that the effect of an appropriate Congressional resolution will be to calm the situation rather than to create further conflict.

Action Not a Substitute for Mutual Assistance Treaty with Nationalist China

One final point. The action I request is, of course, no substitute for the treaty with the Republic of China which we have signed and which I have transmitted to the Senate. Indeed, present circumstances make it more than ever important that this basic agreement should be promptly brought into force, as a solemn evidence of our determination to stand fast in the agreed treaty area and to thwart all attacks directed against it. If delay should make us appear indecisive in their basic respect, the pressures and dangers would surely mount.

Our purpose is peace. That cause will be served if, with your help, we demonstrate our unity and our determination. In all that we do we shall remain faithful to our obligations as a member of the United Nations to be ready to settle our international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered.

For the reasons outlined in this message, I respectfully request that the Congress take appropriate action to carry out the recommendations contained herein.

DWIGHT D. EISENHOWER.

The White House,
Jan. 24, 1955.

* * *

Text of Resolution

The following is the text of the resolution introduced in Congress soon after reception of the President's message and overwhelmingly adopted by the House the following day:

Whereas the primary purpose of the United States, in its relations with all other nations, is to develop and sustain a just and enduring peace for all; and

Whereas certain territories in the west Pacific under the jurisdiction of the Republic of China are now under armed attack, and threats and declarations have been made and are being made by the Chinese Communists that such armed attack is in aid of and in preparation for armed attack on Formosa and the Pescadores;

Whereas such armed attack if continued would gravely endanger the peace and security of the West Pacific area and particularly of Formosa and the Pescadores; and

Whereas the secure possession by a friendly government of the western Pacific island chain, of which Formosa is a part, is essential to the vital interests of the United States and all friendly nations in or bordering on the Pacific Ocean; and

Whereas the President of the United States on Jan. 6, 1955, submitted to the Senate for its advice and consent to ratification a mutual defense treaty between the United States of America and the Republic of China, which recognizes that an armed attack in the west Pacific area directed against territories, therein described, in the region of Formosa and the Pescadores, would be dangerous to the peace and safety of the parties to the treaty;

Therefore, be it resolved by the Senate and House of Representatives of the United States of America in Congress assembled.

That the President of the United States be and hereby is authorized to employ the armed forces of the United States as he deems necessary for the specific purpose of securing and protecting Formosa and the Pescadores against armed attack, this authority to include the securing and protection of such related positions and territories of that area now in friendly hands and the taking of such other measures as he judges to be required or appropriate in assuring the defense of Formosa and the Pescadores.

This resolution shall expire when the President shall determine that the peace and security of the area is reasonably assured by the international conditions, created by action of the United Nations or otherwise, and shall so report to the Congress.

John C. Clark V.-P. Of Wachovia Bk. & Tr.

WINSTON-SALEM, N. C. — John C. Clark, Manager of the Bond Department of Wachovia Bank and Trust Company, was elected Vice-President following the annual meeting of the bank's stockholders and directors held recently in Winston-Salem, N. C.

John C. Clark

Mr. Clark is a native of New York and has spent his entire business career in the field of investment banking, specializing in municipal bonds. From 1938 to 1940 he was associated with Shields and Company as municipal bond trader. In 1946, he was President of John C. Clark and Company, Inc., dealers in municipal bonds. In 1947, he joined the Bond Department staff of Chase National Bank and in 1949, was made Assistant Manager of the department.

Mr. Clark attended the Graduate School of Business Administration at New York University. He joined Wachovia at its Winston-Salem office in 1952 to become Manager of its expanded Bond Department.

Bache & Co. to Admit Wallace to Partnership

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 3 will admit Darnall Wallace to partnership in the firm. Mr. Wallace is manager of the firm's municipal bond department.

A. Glen Acheson retires from partnership on Jan. 31.

J. Barth & Co. Will Admit Melville Marx

SAN FRANCISCO, Calif. — J. Barth & Co., 404 Montgomery St., members of the New York and San Francisco Stock Exchanges, on Feb. 3 will admit Melville Marx to partnership.

Eastern Securities Opens Phila. Branch

PHILADELPHIA, Pa. — Eastern Securities, Inc. announces the opening of an office in the Fidelity-Philadelphia Trust Building, 123 South Broad Street, Philadelphia. The new office is under the management of Albert Yeatts, Jr. Mr. Yeatts was formerly with E. W. Smith Co.

Panke Sales Mgr. For Lehman Bros. Dept.

Lehman Brothers, 1 William St., New York City, members of the New York Stock Exchange, have announced that Karl J. Panke has been appointed Sales Manager of the firm's municipal bond department. Mr. Panke has been in the investment banking business for the past 26 years.

T. A. Lauer Pres. of Commodity Exchange

Theodore A. Lauer, E. F. Hutton & Co., has been elected President of the New York Commodity Exchange, succeeding William A. Reid of Bache & Co.

Continued from first page

As We See It

differ with the President in this feeling of relief. The habit generally is, of course, to say that sufficient unto the day is the evil thereof, and not to study the mouth of the gift horse too closely. In this uncertain state of world events, and in our still imperfect understanding of social and economic events about us, it is hardly surprising that this general attitude should prevail.

Yet it seems to us that it would be well if amid our rejoicing that times are still good and seem to promise to be better we did a little quiet and careful thinking about some of the fundamentals of the situation by which we are surrounded at this time. There, of course, can be no doubt that consumers continued to spend more liberally in 1954 than many of the more pessimistic among us expected. In the last analysis it could perhaps be claimed that this behavior on the part of the consumer saved the day, and is responsible for a continuation of the large volume of business being conducted today.

That Could Hardly Be

Yet to leave the matter there would seem to imply that all that is necessary to prevent a depression is to find some way to persuade the consumer to spend lavishly at all times. It might even bolster the claim of the labor leaders, or some of them, that the cure for, or the prevention of, depression lies in the simple procedure of raising wages continuously and substantially in order to give wage earners "purchasing power," and thus the means to bolster consumer spending. It would seem to imply that the consumer—that is the ordinary man and woman—could ensure perpetual prosperity by always buying with abandon.

It is clear enough to the careful observer that the consumer is not the automaton—always spending for consumption the same proportion of his income year after year more or less regardless of circumstances—that some of the modern economists have seemed to assert. In some circumstances, consumers spend what they have available to them much more readily than they do under other conditions. There is the further possibility that under some circumstances consumers may be so disinclined to buy what are regarded as consumer goods, or even for that matter to invest their funds, that definite hoarding emerges. Such an attitude on the part of the rank and file could not fail to have wide repercussions throughout the business world.

Yet is it not possible for adverse conditions to arise out of an opposite attitude on the part of consumers? Is there no such thing as reckless extravagance on the part of the man in the street, and are there not heavy penalties for such behavior? It seems to us that the answer must obviously be in the affirmative—else we at any time could spend ourselves immune to economic adversity. Is it not incumbent upon us, therefore, to inquire more closely into this phenomenon of consumer liberality during the past year and a half? And, while we are at it, is it not well to inquire into another area where the consumer is active, indeed is the dominant figure, even though outlays in this sector are ordinarily viewed as investments rather than "consumer expenditures"? We refer, of course, to the outlays of the great rank and file upon houses, particularly single family houses.

Mortgage Debt

The mortgage debt of these purchasers of individual homes has been rising, particularly during the past few months, at a rate not heretofore known in this country, and probably in no other part of the world. It is likewise true that there has been no significant decline from the all-time high in the matter of incurring what is called consumer debt. The total of this type of indebtedness outstanding has not been rising sharply during the past year or more for the simple reason that repayments fixed by the peak borrowing of 1952 and early 1953 have been so large that they have offset new borrowings. These commitments plus those incident to mortgage borrowings are now placing a fixed burden upon consumer income which is far from negligible. Whether it is more than can be conveniently borne, and hence whether it has reached a dangerous point we do not undertake to say at present. The answer must depend upon many circumstances difficult to foresee. We are quite certain in our own minds, however, that this aspect of the present situation should not escape attention or fail to get the most earnest attention of all serious students of the present state of things in this country.

Analogous scrutiny of some of the other developments which seem to give the President a good deal of satisfaction is in our judgment definitely indicated. The ample credit and the active ease of the Federal Reserve authorities are certainly to be studied with care. Such factors as these can have a marked effect throughout the entire economic system. When they are artificially created, and when they coincide with a generally optimistic mood on the part of the general public, they can lead to a great variety of conditions fraught with hazard. Obviously, they are closely related to the housing situation to which reference has already been made, and to the huge and continuing volume of consumer borrowing. Construction programs of state and local governments are naturally influenced by them. And the abundance of funds plus the generally cheerful atmosphere plus ever rising demands of labor can, of course, give rise to uneconomic expenditures for capital goods.

Let us be thankful for what we have, but let us also be certain that we know what it is that we have.

Continued from page 3

What About Investment Markets in 1955?

of stocks; in other words, supported the bull market.

Construction Likely to Decline

One of the ideas I would like to emphasize is that construction, despite current strength, seems likely to decline some time in the fairly near future. Not necessarily at any particular date in 1955. Compared with any time in the past, plant and equipment seems to be in much less urgent demand. These are negative considerations . . . but there are others. On the positive side, possibility of continuing strong consumer demand seem to me . . . and undoubtedly to you as purchasing agents . . . to be the most important factor. Consumer demand reflects disposable income and liquid assets . . . both of which are in favorable position. No one can be absolutely sure of human behavior, not even . . . I guess . . . a purchasing agent.

Management techniques in business have improved greatly. Knowledge of the trade cycle within each industry is much advanced. One important factor to remember well . . . in considering the securities market . . . is the vastly greater amount of statistical fact available to today's security analyst . . . dealer . . . investor.

One surely cannot be so stubbornly conservative as to be genuinely bearish about current economy trends. This economy has just won a notable victory over deflationary forces. It was so tremendously strong in its essentials that actually it managed to grow a little even under the heavy wraps that fiscal and military readjustment threw around it for half of 1953 and 1954.

Business Improvement Better Than the Stock Market

In recent years business has been better than the stock market. For the past decade, at least until recently, good stocks have sold for less than their worth in relation to bonds, earnings and dividends. These lower-than-justified stock prices have been due in the main to world turmoil . . . to instability abroad . . . and to threat of war. During the past 21 months there has been a marked improvement in world conditions. People everywhere have become less worried about the immediate future. This is being reflected in higher price earnings ratios for stocks and more confidence in the continuity of peaceful conditions. Peacetime earnings are always worth more than wartime earnings or war-threat earnings.

Principle Threat Is in Field of Industrial Relations

Previously, we discussed the "pros and cons" of various economic factors which can affect the immediate future. The principal threat, though, to the 1955 optimistic forecasts comes from the field of industrial relations. It seems indicated that the unions will press hard for a larger share in earnings, and it is apparent that in so competitive an economy, cost increases will be much more difficult to pass on to the consumer. I suspect this will be a year of labor disturbances and that strikes and wage increases will be more numerous than in 1954. Especially in the auto industry.

Quoting Lucien Hooper, leading New York security analyst:

"Any stock market which advances for 18 months without so much as a 4½% correction until recently, naturally, is testing fate, and accidents have a way of happening when least expected."

It is my considered opinion, however, that any correction that we may have in the immediate future is likely to be short in duration and not too extensive. Investment banking, like any other business, usually increases its production to supply the demand for its products. I visualize, therefore, a considerable increase in new stock issues in 1955 . . . both nationally and locally. And I believe that when the correction comes, "undigested" securities will be an important contributing factor. At present, we have almost no undigested securities . . . that is, inventories . . . so far as common stocks are concerned, and that is an exceedingly strong point in the market's technical position.

Let me call to your attention a headline of an article in the financial section of the New York "Times," under date of Jan. 10, 1955, by Edward H. Collins:

"Wanted: A Broad But Sober Market"

We need this kind of security market for proper development of industry and financing of growth companies nationally, and especially in the Kentuckiana area. We also need this kind of market to prove to the enemies of our regulated American capitalistic system . . . both at home and abroad . . . that we have acquired the ability to control "booms and busts."

No Mayor Market Decline Expected

I would expect no real beginning, presently, of a major market decline. Rather, we should see a selective market with an investor swing from the stocks that already have discounted their 1955 prospects to secondary, unlisted, and local groups of good quality which have not had any substantial market rise. In our office, we have thought for some time that the "light blue" listed and local securities would take over the leadership.

Quoting Dr. C. R. Whittlesey of the Wharton School of Finance:

"The man who believes that he is able, at times, to analyze economic conditions more accurately than others must also, by inference, believe in his ability to capitalize on the basis of his superior judgment. It is not possible for anyone to be all-wise, but it is clearly possible for half of the people to be wiser than the other half. What is being said is that the mistaken judgments of the one group generate opportunities for the other group."

There are in this country approximately 75,000 listed and unlisted stocks traded with various degrees of activity. The active stocks are as follows:

Listed: all exchanges	3,057
Unlisted: national market	3,500
Unlisted: Kentuckiana mkt.	250
Total	6,807

Thus, any investor has a wide latitude for exercising investment judgment.

What I have said is of no practical value unless I put my judgment on the line. In doing so, the very scope of the common stock market makes many other lists and combinations of stocks equally attractive. I suggest three groups:

First: New York and local banks stocks.

Second: Ten "Light Blue" Chips.

Third: Ten speculative—Growth or capital gains (remember, timing is most important in this group).

10 "Light Blue Chips"

Louisville Title Mortgage Co.
American Air Filter Co.
Cochran Foil Company
National Cylinder Gas Co.
Reynolds Metals Co.
Kentucky Stone Company
American Barge Line Co.
Dobbs Houses
Federal Chemical Co.
Kentucky Water Service Co.

There are many others; see your Investment Dealer.

Next 10—Speculative—Growth or Capital Gains

Louisville Railway Co.
Morton Packing Co.
Kentucky Rock Asphalt Co.
Merchants Ice & Cold Storage Co.
Churchill Downs
Ohio River Sand Co.
Consider H. Willett, Inc.
Reliance Varnish Co.
Gamble Brothers
West Kentucky Gas Co.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Lewis I. Brunswick has become associated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard. Mr. Brunswick has been active as an individual broker.

Joins Taylor & Company

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Harlan K. Deckert has become associated with Taylor and Company, 364 North Camden Drive. He was formerly with A. S. Van Denburgh & Co., Inc.

Hall & Hall Adds

(Special to THE FINANCIAL CHRONICLE)

LINDSAY, Calif. — E. Trudeau Gable has become associated with Hall & Hall of Fresno. Mr. Gable was formerly local representative for Paul C. Rudolph & Company.

Philip Van Deventer

Philip Van Deventer, officer of Van Deventer Brothers, Inc., passed away at the age of 61 following a long illness.

Continued from page 4

The Outlook for Department Store Profits in 1955

security purposes has been an increase in state and local spending amounting to roughly $2½ billion.[7]

(4) To be mentioned also on the plus side is the factor of some increase in the balance of exports over imports in 1954 as compared with 1953.

It should also be observed that the remarkable stability of prices during 1954 has been another important influence contributing to the very moderate character of the business readjustment. For more than a year the general wholesale price level has remained close to the index numbers 110 and 111 (on the basis of 1947-1949 as 100).[8] Similar stability has characterized retail prices, which for more than a year have almost stood still at an index number of 115, on the same 1947-1949 base.[9]

Finally, we cannot leave this quick review of the 1954 business results without emphasizing again the fact that in a year of business readjustment, when the Federal Reserve Index of Industrial Production registered a decline of roughly 7%, consumer expenditures for personal consumption actually were running more than $5 billion higher at the end of the year than at the beginning of the year,[10] and this without benefit of any increase in the total amount of consumer credit outstanding. This is the kind of performance which we hope will continue to be characteristic of the new American postwar economy.

A Look Into the Future

Now turning our attention away from the past and toward the future, how shall we assess the general business outlook for 1955? Once more there seems to be considerable unanimity among the economic forecasters. They practically all expect better business in 1955 than in 1954, but they are chary of predicting that the peak figures of 1953 will be attained or passed.

Again let me remind you that most business forecasters nowadays proceed to base their estimates on an appraisal of the outlook for the important flows of spending, including principally (1) government spending, embracing defense, other Federal outlays, and state and local spending, (2) business spending for plant and equipment, (3) business spending for inventory, (4) spending for construction, both private and public, and (5) consumer spending, which is of course by all odds the most important stream of spending. In the opinion of this reviewer the present outlook for each of these several areas of spending may be assessed as follows:

(1) **Government Spending**—It has already been remarked that in a period of a little more than a year defense expenditures of the Federal Government have fallen by about $12 billion, from an annual rate of $52 billion to an annual rate of $40 billion. Barring serious international complications, some further small decline in defense spending perhaps is indicated, but certainly nothing like the drop which occurred during the past year. To all intents and purposes, defense spending has leveled off. Other Federal expenditures likewise have fallen off somewhat, and this trend may continue. On the other hand, as already indicated, state and local expenditures are rising substantially. Altogether, then, it appears that the area of government spending in 1955 will be more or less neutral in its effects on the general volume of business activity. At any time, of course, foreign complications might result in a step-up of defense spending, and it is also to be borne in mind that any adverse developments in the business situation might well call for a speedup in the Administration's large program of highway construction and rehabilitation. (All these appraisals, of course, are being made prior to the President's budget message.)

(2) **Business Spending for Plant and Equipment**—Business capital goods spending, that is, spending for plant and equipment, which will aggregate nearly $27 billion in 1954, has been showing a gradual decline, amounting at the annual rate to approximately $2½ billion. Government as well as private surveys of intentions in this area of business expenditures for plant and equipment indicate a further drop in 1955 of perhaps 3% to 5%. This gradual decline in capital expenditures, unless reversed sometime in 1955, can have an unfavorable effect on the total business situation. Capital goods expenditures have been running at a high rate ever since the end of the war, but the catching-up period clearly is past, and the shot in the arm given by accelerated depreciation during the Korean war period is no longer a factor. Plant and equipment spending now depends on forecasts of the consumer market plus the new requirements necessitated by technological change. The rate of business profits and the availability of capital funds also are important considerations. With the current rate of population growth, with continued high expenditures for research and development, with the current interest in automation, and with the growing tendency of businesses to undertake long-range planning of their capital requirements without trying to guess the business cycle, there is an excellent basis for substantial capital goods spending in the years ahead. In the absence, however, of some dynamic stimulus to this kind of spending in 1955, the prospect is for a somewhat lower rate than in 1954 and consequently for some adverse effects on business generally. (Purely by way of obiter dicta, I am moved to remark at this point that the whole internal economic program of the present Administration in Washington has been predicated on a vigorous policy of capital investment by American business; if during the next two years business does not show a strong urge to build its own future by resuming an increased rate of capital investment in plant and equipment, we are certain to witness a return to the philosophy that government must intervene in the economic situation for the purpose of sustaining and boosting consumer purchasing power.)

(3) **Inventories**—It now appears likely that changes in inventory policy will be the principal source of changes in business activity in 1955, at least in the first half. The decline in inventories seemingly has come to a halt. In other words, businesses are no longer seeking to live in part out of their existing inventories. This fact alone is probably worth an increase of approximately $4 billion a year in production. If on top of this halt in inventory depletion there is a resumption of the policy of building up inventories, a development which now seems to be appearing in some lines of business, this tendency could easily add another $3 or $4 billion to total production in 1955. Obviously the price outlook has an important bearing on inventory policies; and if, as suggested later, the prospect is not present for any substantial price advance, there is little likelihood of any high rate of inventory building such, for example, as characterized the latter half of 1950. Nevertheless, even without any marked increase, the mere cessation of inventory depletion is clearly one of the principal plus factors in the 1955 total business activity equation.

(4) **Construction**—Even the experts got fooled about construction in 1954. Building activity was stronger than they thought it would be, particularly in the private housing sector. And now the tendency is to predict another strong year in the building industry, with the number of new housing starts running around 1,250,-COC.[11] Substantially the same list of pros and cons can be enumerated for 1955 as for 1954. The tangible statistics on formation of families, number of marriages, population increase, number of families doubled up, and so on, argue that the housing boom is in danger of running too far. On the other hand, the continued strong trend to the suburbs, t e development of new fashions in housing, the improvement of household equipment, the trend to larger families, and the stimulus provided by current housing legislation all argue that the housing boom has not yet run its course. With such a standoff of opposing considerations, Federal Reserve policy with respect to interest rates may eventually be the decisive influence. (Mortgage debt in 1954 moved up to $12 billion, to a total of more than $100 billion).[12] For the time being, however, private construction must remain one of the plus factors in the 1955 outlook. Certainly the high rate of contract awards during the latter months of 1954 betokens high construction activity at least in the first half of 1955.

(5) **Consumer Spending**—Consumer spending is of course by all odds the major factor. In 1954 with a gross national product of $356 billion, consumer spending for goods and services amounted probably to something over $233 billion, a figure higher than 1953's $230 billion. For 1955 it seems reasonable to forecast a further advance.

Total personal income has now climbed back to a point close to the $287 billion peak reached in the latter part of 1953. With continued improvement in factory employment and with some wage advances during the year,[13] there is every prospect that total personal income will be higher in 1955 than in 1954, even after making allowance for the fact that farm income will perhaps range 3% to 5% lower in 1955.[14] This prediction of increased personal income in 1955 could, of course, be upset by any prolonged labor stoppages.

Any increase in total personal income clearly would be carried through to disposable income, inasmuch as any personal tax increases (barring extremely serious foreign complication) are definitely not in prospect. Next, then, comes the perennial question of the savings rate. As already noted, there was a decline in savings during 1954 of something more. If goods and prices are sufficiently attractive, some further decreases in the savings rate appears probable in 1955, especially since consumer balances of cash and other liquid assets now stand at an all-time high.

Expansion of consumer credit is another possible source of increased consumer spending in 1955. As previously noted, the total amount of consumer credit outstanding showed virtually no change in 1954.[15] With the increased interest now being shown in the new 1955 automobile models, it is plausible that the expansion of consumer instalment credit will be resumed in 1955. Also, particularly in the department store field, the growth of revolving credit plans appears to be another possible source of consumer cerdit expansion.

There is still, of course, the important unaerlying question of consumers' attitudes toward spending. Studies of consumers' intentions by the University of Michigan Survey Research Center continue to indicate a more favorable attitude toward future purchases of consumer durable goods than was evident at the peak of activity in 1953. Also, it may well be argued that, if consumer attitudes toward spending remained favorable in 1954 while business readjustment was obviously occasioning increased unemployment, there is no visivle reason why such attitudes should not be even more favorable in 1955. Conceivably, however, this argument overlooks the fact that, as noted later, the unemployment statistics in 1955 may quite probably look worse than in 1954.

All in all, there are ample grounds for being moderately optimistic on the outlook for consumer spending in 1955 and for predicting an increase over 1954, but the continued strong efforts of both manufacturers and retailers will be essential to draw out the consumer dollars.

Fiscal, Monetary and Credit Questions

Before seeking to pull this entire picture together, it is important to glance briefly at both fiscal questions and monetary and credit questions.

With respect to fiscal matters it is clear that the present spending and taxation policies of the Administration will result in an increase in the cash budget deficit for the present government fiscal year, to the extent of perhaps $1½ billion. This increased deficit, whatever its utlimate consequences, will in the short run be favorable to increased business activity. It is not to be inferred, however, that any inflationary effect on prices will necessarily ensue. Government budget deficits do not of themselves cause price inflation; they simply supply combustible materials which will flare up in price inflation under certain conditions of demand and supply.

With respect to monetary and credit matters the outlook for continued price stability is perhaps not quite so clear as it was at the beginning of 1954. With ample supplies of goods and ample productive capacity available it does not seem likely that the demand for inventory rebuilding will occasion any particular upward movement of prices, although there will almost certainly be some pickup in business loans this spring, partly, at least, in connection with rising inventories. If the demand for inventory replacement should be sufficiently vigorous to push prices up appreciably, there is reason for thinking that such a price movement might soon be reversed. Already the Federal Reserve Board apparently is eyeing the home mortgage situation as well as the stock market boom with some uneasiness, and there are indications that some tightening of money rates might quickly develop if any of these upward movements seemed to be gaining strength too rapidly. In the background, of course, there is always the desire of the U. S. Treasury to market some longer-term government securities. On the other hand, the obvious desire of the Administration to have good business over the next two years puts the monetary authorities in something of a dilemma.

Prices Are Likely to Remain Stable

On the whole, we are probably headed for another year of fairly stable prices. Wholesale prices in recent weeks, however, have been slightly on the low side of the plateau which has existed for many months, and retail prices likewise have drifted down a little since the middle of the year. Wage advances will be a stabilizing factor so far as prices are concerned, and any serious labor stoppage of course might push prices up. Growing demand for American exports may also be a strengthening influence on prices, in European prosperity continues and particularly if German rearmament goes forward. To repeat, prospects for price stability in this coming year, while good, are not quite so good as was the case a year ago.

What it all adds up to is that we seem to have ample justification for predicting good general business conditions in the first half of 1955. About the second half we are somewhat less sure. There is probably at least an even chance of continued good business during that period; nevertheless it must be admitted that we do not have assurance of business expansion in 1955 on a sufficiently vigorous scale to carry the gross national product beyond the high point of $370 billion at the annual rate which was achieved briefly in the second quarter of 1953. Also there seems to be virtual certainty that unemployment figures will run higher during the first half of 1955 than was the case in 1954. This may sound paradoxical, but you have to remember that with our growing population the labor force is augmented each year by 600,000 or 700,000 new workers. So what we are saying is that, given the annual increase in the labor force and given the annual advance of at least 2% in the productivity rate, we are on an economic treadmill where we have to distribute (and therefore produce) at least $10 to $12 billion more a year just to keep even. In 1954 we went behind, and now the best guesses seem to be that in 1955 we shall not go ahead quite enough to catch up with where we ought to be if full employment is to be sustained.

It is not that there is any lack of potential. As pointed out by Arno Johnson of the J. Walter Thompson Company: "Purchasing power is created by production. Our increased productivity already has made possible an advance of 62% since 1940 in our total real standard of living. . . . If we utilize our productive ability only up to the point proved possible in 1944 we can have the purchasing power to give our people a standard of living one-third higher than at present by 1960, and still maintain a strong defense. . . . The 17,050,000 spending units . . . who have moved up above $5,000—almost a third of all U. S. 'families'—could represent huge new markets for many products. But they don't become **new customers automatically.** How people buy—and their standard of living — are largely matters of **habit.** And habits are not easy to change)."[16] There is nothing wrong with this logic; but unfortunately people, particularly as consumers, do not behave strictly according to logic, and it will take a big emotional push of some kind to

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7"Survey of Current Business," November, 1954, p. 3.

8Council of Economic Advisers, op. cit., p. 4.

9Ibid, p. 3.

10Ibid, p. 2.

11Thomas Holden, in "The Business Outlook," 1955, Conference Board Economic Forum, Nov. 9, 1954 (Studies in Business Economics No. 46), p. 11.

12"Business Week," Dec. 25, 1954, p. 66.

13Professor John Dunlop of Harvard University predicts wage hikes of five cents to eight cents an hour, including fringe benefits, in 1955, "Business Week," Dec. 25, 1954, p. 24.

14Nathan N. Koffsky, ~~as reported in~~ "Business Week," Dec. 25, 1954, p. 24.

15Council of Economic Advisers, op. cit., p. 28.

16Arno H. Johnson, "Huge New Markets," pp. 4 and 25. Published in pamphlet form, 1954.

get the economy rolling toward the goals that Arno Johnson has so logically indicated. Frankly I cannot see that big a push in sight anywhere in 1955.

"Look Out for Monkey Wrenches"

It is my belief that every economic forecast should have written across each page in big red letters the warning **"Look Out for Monkey Wrenches."** So before concluding this part of my remarks I should like to remind you that there are several potential monkey wrenches which might get tossed into the more or less logical picture of 1955 as I have tried to draw it, and here I am following in part some recent comments by B. Earl Puckett, Chairman of the Board of Allied Stores Corporation.

(1) It goes without saying that our enemies abroad may at any time throw a monkey wrench that will change the entire complexion of the 1955 outlook.

(2) The possibility must not be forgotten that any simultaneous letdown, particularly in the second half year, in any two or all three important sectors of demand, the demand for automobiles, the demand for new houses, and the demand for business capital goods, could trigger off a real depression.

(3) As already hinted, the operation of the credit and monetary controls might produce some surprises; a sharp tightening of credit could reverse the business trend.

(4) Just possibly labor's demand for the annual wage will prove impossible of settlement without serious work stoppages. I should now like to turn more concretely to the department store situation and specifically to the question whether department stores can make more profits in 1955.

Recently there have been some rather gloomy views expressed about the future of the department store business. Understandably the disappearance in recent years of several well-known department stores, particularly in the Greater New York area, has served to highlight questions about the future of this type of distributive enterprise. Only a couple of weeks ago an article in the Merchants' Forecast issue of "Women's Wear" Daily pointed to the decline in the department store share of total retail business, alleging that department store sales of \$9.8 billion in 1954 would have been \$4.3 billion higher if department stores had maintained the ratio to total retail sales which they had in 1945. These gloomy views fail to take an adequate perspective. This is particularly true of any comparison based on 1945, which was a highly distorted year in retail consumption, with high expenditures for soft goods because hard goods were not available, particularly automobiles and consumer durables; furthermore, automotive expenditures in 1945 were low because of gasoline rationing, and obviously the great housing boom had not yet started.

A somewhat clearer picture is that afforded by a recent study of the Federal Reserve Bank of New York.[17] After pointing out that total sales of retail stores throughout the country gained 120% between August, 1945, and September, 1954, whereas department store sales during the same period increased only 60%, this study calls attention to the fact that the real comparison is with other retail outlets which handle department store type merchandise, that is, apparel stores, furniture and appliance stores, variety stores, general merchandise stores, drug and liquor stores, and so on. Sales in these stores over the same period gained only 73%. In other words, the real picture is that since the end of the war there has been an enormous growth in retail sales of certain goods and services and that a very large part of that growth has bypassed the entire group of general merchandise outlets. The big increases since the war period have manifested themselves in consumer spending for automobiles and auto accessories, gasoline, and other automotive supplies, for the components of more and better houses, such as lumber, building materials, and hardware, and for the housing "services" represented by the outlay for rent or its equivalent. Practically none of these goods and services pass through the hands of either department stores or other general merchandise outlets. (Maybe some of them should.) As remarked of both department stores and departmentized specialty apparel stores in the 1953 Harvard Report, "And so for both these kinds of stores the years 1951, 1952, and 1953 simply were not their day in the sun. That such a day will come again, and plausibly soon, is not to be doubted, for the qualitative mix of consumer expenditure clearly exhibits some cyclical movement, and the kinds of spending that are in vogue today may be succeeded by a different grouping of desires and gratifications tomorrow."[18]

Watch Changes in the Consumption Pattern

Thus changes in the consumption pattern constitute the major factor which seemingly has put the department store business temporarily in a poor light. Some of these changes undoubtedly are of a short-run character. For instance, an abnormally low proportion of consumer expenditures at the end of the war was directed to the housing area and the high percentage now directed to that area is merely a partial return to the 1929 ratio. Similarly it is to be surmised that the depressed ratio of consumer expenditures for clothing and shoes, outlays for which increased only 10% from 1946 to 1953 as compared with a rise in consumer spending for all types of goods and services of 76%,[19] represents a temporary rather than a permanent shift. On the other hand, the tendency for consumers to make proportionately high expenditures for transportation, including private automobile transportation, is seemingly a change of long-run character.

The Changing Position of the Department Store

Although department stores in total apparently have lost some sales in the period since 1939 to other types of retail outlets handling general merchandise, no sweeping generalization can be drawn. Don't forget that in these 15 years department stores tripled their sales. In this period, for instance, department stores have enjoyed a better sales increase than variety chains, and although they have not done so well as Sears and Penney, they have done better than Ward and at least as well as Grant. These facts should give pause to any critics who are tempted to indict the department store industry as a whole.

The truth is that there are all kinds of department stores, and there is a vast difference between the good department stores and the just so-so department stores. Undoubtedly there are many in the latter category of stores that have been too slow in keeping up with the times, too slow in adapting themselves to all the changes represented by the suburban movement, too slow in meeting the desires of consumers to shop by automobile and to shop quickly, too slow in developing modernized functional types of store buildings, too slow in moving toward simplified selling, too slow in developing improved personnel training and modernizing their organizations, too slow in adopting improved methods of merchandising and expense control.

There are too many department stores in this just so-so category that are no longer innovators. One of my former students, Dr. Edward M. Barnet, now of Northwestern University, has recently written a book about retail mass merchandising under the intriguing title "Innovate or Perish." What Dr. Barnet means is that there is almost never any gain to be had from standing pat. You are always in the position of potential loss of business and the choice is whether you will lose it to others by standing pat or whether you will lose it to yourself by making the innovations that will keep you up in front. Some department stores need to take this moral to heart.

As a generic type of retail distribution the department store still has great assets. Don't write it off. Let me remind you of what I said from this platform two years ago: "Department stores have great prestige and institutional standing. One of the most significant factors of our present economy is the rapidly enlarging middle class, with its growing demand for quality merchandise, for services, for the luxuries and niceties of life; and in the eyes of this class it is those things which department stores still predominantly stand for."

The job is not to supersede the department store or to convert it into something else. The job is to make it a better department store. What will this better department store look like a few years hence, say, by 1970, if we are all granted that long a time of peace? My crystal ball is no better than yours, but here are some of the things I would visualize.

(1) It will be typically a multiple store operation, local, regional, or national.

(2) In metropolitan areas, more of its volume will be in suburban stores than in downtown stores.

(3) The tendency will be for individual stores to be functional buildings of not more than three or four stories, running from 200,000 to 400,000 equare feet rather than mammoth downtown multistory structures of a million quare feet or more.

(4) Whether suburban or downtown, the store will provide parking facilities for customers.

(5) Increasingly the individual stores will be located in planned regional shopping centers. In some respects the shopping center itself will replace the old mammoth department store. Able department store organizations will themselves increasingly sponsor complete shopping centers.

(6) The good department store of the future will differentiate its services and its markon according to types of merchandise and customer buying habits to a greater extent than is the case today, with a range from simplified or checkout selling to full service. It will offer a low-margin "discount house" type of operation on goods where manufacturer promotion and consumer buying habits have taken over a substantial part of distribution costs, and at the same time it will offer complete service, in some instances including house-to-house selling, at higher margins on those goods where the retailer has a very substantial marketing function to perform.

(7) It will place more emphasis on selling and promotion, including better personnel training, better types of fixtures, more showmanship, and greater separation of buying and selling responsibilities.

(8) At the same time it will devote more effort to creative merchandising work with manufacturers in the development and improvement of products and values.

(9) It will employ increased mechanization of merchandise handling and movement.

(10) It will increasingly use electronics and mechanized methods of record-keeping.

(11) It will use the new philosophy of expense budgeting and control that is embodied in the revised Expense Manual of the Controllers' Congress.

(12) It will devote much time and effort to executive development.

But to return from this excursion into the future, what is the outlook for 1955? Can department stores make more profits than they did in 1954? In particular, what is the outlook for the spring season?

(1) With respect to sales there is no reason why department stores should not share proportionately in the increased consumer expenditures that are indicated for the first part of 1955. But whether department store sales will make any better showing than retail sales generally is problematical. No nearby change in the general consumption pattern seems likely, though it is a reasonable expectation that sometime soon there should be an increase in the share which apparel takes out of the consumer's retail dollar. Personally I don't think that point has quite been reached. It will come when, on the one hand, apparel designers have done a better job of creating fashions that are attuned to modern living,[20] and, on the other hand, when consumer interest in new housing and durable goods has slackened somewhat. For the spring season of 1955, then, consumer interest in durable goods will probably continue high, and therefore the physical volume of department store sales will perhaps increase not quite so much as the total volume of retail business generally. Inasmuch as no important price changes are in sight, it then seems reasonable to set the estimated increase in department store sales for the spring season at about 3%. In other words, this is a prediction that in the spring of 1955 department stores will recover approximately the ground they lost in 1954 and will make sales very close to the figures for the 1953 spring season.

(2) Because competition will be strong, the gross margin percentage rate is not likely to improve very much. Here and there will be opportunities for increased initial markon, but because of the strong pressure of discount house competition on certain items there will either be reductions of markon or increases in markdowns. On the other hand, since there will not be so great an urge to liquidate inventories as was present last spring, the stock-sales ratio now being at a relatively low point, markdowns on slow-moving merchandise should be appreciably less. The composite result of these several factors, in this reviewer's opinion, will be a gross margin percentage possibly just a shade better than that of the 1954 spring season.

(3) With some increase in sales volume it should prove possible to hold the expense percentage approximately even with last year. Although rising wage rates will still be a factor and the battle on retailing's wage-hour exemption still remains to be fought, it is probable that expense control programs which were introduced or stiffened up under the impetus of unfavorable business during much of 1954 will show appreciable results in 1955.

(4) With an increase in sales, a slight betterment of gross margin, and the expense percentage held approximately constant, some increase in profits in the spring of 1955 is clearly indicated. Since spring season profits in the department store business constitute a very narrow base, it is to be recognized that even a small improvement in net profit as a percentage of sales can mean a fairly considerable improvement in the ratio of dollar earnings this spring against last spring. An improvement of 20% to 25% is not unreasonable to look for.

Therefore the answer to the question "Can department stores make more profits in 1955?" is "yes" so far as the spring season is concerned. If business in the fall season shows the same advance as the forecast for the spring season, the answer for the year as a whole is also "yes." For the still longer run, if there is any validity in what we were trying to see in that crystal ball a few minutes ago, the answer to this profit question for the good stores is even more decidedly "yes."

17"Monthly Review," December, 1954, p. 166.

18Harvard Business School, Division of Research, Bulletin No. 141, "Operating Results of Department and Specialty Stores in 1953," by Malcolm P. McNair, p. 15.

19Merchants' Forecast, "Women's Wear Daily," Dec. 27, 1954.

20See Tob's talk at the Boston Distribution Conference, October, 1953, entitled "Living Down to the Joneses."

With Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Bruce Crane is now affiliated with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Two With Coombs & Co.

LOS ANGELES, Calif.—Albert P. Fagerberg and John M. Flynn have become connected with Coombs & Co. of Los Angeles, Inc., 602 West Sixth Street.

J. J. Riordan Opens

J. J. Riordan & Co., Inc. is engaging in a securities business from offices at 42 Broadway, New York City.

Leo Weiner Opens

Leo Weiner is engaging in a securities business from offices at 136 Liberty Street, New York City, under the firm name of United Equities Company.

Havenor-Cayias Branch

Havenor-Cayias, Inc. of Salt Lake City have opened a branch office at 82 Beaver Street, New York City.

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Who Will Help the Railroads?

uct much more freely than it does now. This would mean, as far as the railroads are concerned, that they would be permitted to set rates, with less regulatory interference. This might go a long way toward enabling individual roads to meet competitive situations; and certainly there is no longer any reason to prevent the railroads from having this freedom because the transportation of goods is a highly competitive operation in every section of the country. There is virtually no such thing as a railroad monopoly anymore; and competitive transportation facilities certainly don't need the protection of the government. If there is no monopoly, and competition can take care of itself, it is hard to see why the government should control rates as it has.

Another recommendation we would hope for would be a formula by means of which the railroads can secure enough funds to rehabilitate their lines, and to add equipment in sufficient quantity and quality. It is unlikely that the President would recommend a subsidy, but there might be developed a formula by means of which private capital would become available, under conditions thought to be practical for both the railroads and financial sources.

Another recommendation might be some kind of stockpiling to insure the nation of sufficient railroad facilities in the event of war.

If the railroads were developing their own recommendations, they would undoubtedly be different than these. But certainly any constructive action is better than no action; so it is hoped that the entire transportation industry will develop unified support for the President's recommendations—and the move in the East to set up a combination trucking and railroad advisory group is an important step in that direction. It is probable that the industry should take the position that while the recommendations are not complete or perfect, progress must be made a step at a time—and may not be made at all if the first step is not taken.

Before the advent of the Cabinet Committee, some of us had given thought to the possibility of organizing a group of leading industrialists and financial people, and assigning them the responsibility of developing and sponsoring a formula, which, with proper government implementation, would lead the railroad industry back into the free enterprise system. This could still be done, at a later date, if necessary, to augment the Cabinet Committee's proposals.

It may seem strange that we would contemplate going outside the industry for an answer; but this could have two obvious advantages:

First, it would dramatize to Washington the fact that the welfare of the railroad industry is an essential concomitant of our entire economy—so much so, that other elements of the economy are moving in to see that proper steps are taken in the public interest.

Second, it might expedite matters, since there is such a wide difference of opinion within the railroad industry itself — largely due to the fact that competitive and geographic conditions are not uniform throughout the nation, and all railroads do not, by any stretch of the imagination, face precisely the same problems. This wide diversity of opinion in the industry would be most difficult to resolve from within the industry itself.

Take the matter of subsidy, as one example: the heads of some railroads state flatly that they believe a subsidy is essential, that the railroads cannot recover without a subsidy, since there are no other sources of funds available to rescue failing systems. Other leaders in the industry—probably a minority—hold opinions, which in some cases they have publicly expounded, that some sort of subsidy is essential, but that, of course, it must have no strings.

Still other roads are already making money, and are violently and probably irreconcilably opposed to anything approaching a subsidy. It is highly unlikely, therefore, that any meeting of the AAR Board could ever come up with a clear-cut, straightforward program, either including or avoiding subsidies. They could agree only that competition should not be subsidized — but getting anything purposeful done about this is like pushing water uphill, and many believe the industry might more profitably move in other directions.

There have been some discussions with business leaders, exploring what sort of formula might be devised by them to be submitted to the government, with the objective of placing the railroad industry in a stronger position. You would be interested to know what the ingredients of such a program might be—and I hasten to point out that this is based upon unorganized and unsystematic research. It is the distillate of conversations.

Such a program might easily have five elements, three of which would run somewhat parallel to what we have guessed may be the recommendations of the Cabinet Committee. Here are the five points:

(1) **Freedom to set rates:** The ICC should no longer have jurisdiction over rates. The railroads should set their own rates, subject only to the same type of regulation which now governs prices; that is to say, one railroad could not have a variety of prices for rendering the same service to different customers. A special industry Committee, operating out of the AAR, would set interstate rates so that cross-continental shipping would not become a bookkeeper's nightmare. Rates would eventually be set, in actual practice, to reflect the service provided and the pressure of competition — which is exactly how prices are set in other industries.

(2) **Financing modernization:** Many businessmen believe an attempt should be made to devise some formula for financing which would enable insurance companies, and eventually underwriters, to provide funds to the railroads in larger measure than the actual condition of the railroads might merit. It has been suggested that one way of arranging this might be to set up some sort of government guarantee — although this could have long-range liabilities as well as assets.

(3) **The question of government funds:** After the railroads have been operated with fewer restrictions for a reasonable period of time, it is generally felt that they may find themselves with re-established credit. At that time, there will be less difficulty in finding capital. But it is generally felt that there may be an awkward interim period in which the railroads have freedom to operate, but do not have sufficient assets to capitalize on that freedom.

In this event, some feel it would be in the public interest to provide funds without depending wholly upon the willingness of private capital to make such funds available. This means that such funds would have to come directly or indirectly from the government. Most would prefer to see those funds come from tax adjustments and public payment for desirable but unnecessary community services, rather than direct subsidy. Certain railroad properties might justifiably be exempted from taxation; some extension of the principle of accelerated amortization might be devised to supply funds for investment in the public interest, and communities might be prevailed upon to finance certain services or facilities which cannot be profitably supplied in the way the communities want them, in the course of normal railroad operation.

A Strong Case

Actually, a strong case can be made for the indirect allocation of funds by the government for the rehabilitation of the railroads. In the first place, the present economic plight of the railroads dates back to the first World War, at which time the government ran the railroads for approximately two years—ran them at a greatly stepped up pace, and had no time, manpower, nor inclination to provide proper maintenance. When the government gave up the railroads at the end of that war, they were wrecked.

All industries, other than the railroad industry, came into remarkably good times after the war; and the profits of war production, added to the profits of subsequent prosperity, made it possible for most industries to modernize to new planes of efficiency. But periods of prosperity hold no promise generally for railroads; even in good times, they make comparatively little money; and if they seem to be making too much money, steps are generally taken to remedy the situation. Therefore, even though the railroads spent many billions of dollars after the first World War, they could not get anything like the amount of money required—and through all the decades between then and now, they have never been able to get far enough ahead to do the job that they know needs to be done. *Let us say, then, that the government is, in a sense, in debt to the railroads for not having provided the necessary maintenance, nor for making it possible for the roads to accumulate funds enough to repair the damage done by the government, during the first World War.*

Or, we could look at it still another way. We can point out that the chief difference in the relationships between the railroads and other means of transportation with the government is the fact that the government creates and maintains all or part of the rights of way and the safety devices used by other transportation facilities and does not assist the railroads in any comparable way. How much does it cost the government to maintain these rights of way and these safety devices in the case of trucking, air transportation, and waterways? In the case of airways and waterways, the computation of this cost would be relatively simple; in the case of trucking, an equitable formula would have to be devised so that only a reasonable share of the total cost of highway maintenance, policing, etc., would be allocated to the trucking industry. But even if the most reasonable estimate were made, it would amount to many billions of dollars—billions of dollars which have been and are contributed to three of the major transportation facilities — and denied the fourth.

If it becomes necessary to develop a source of additional funds to tide the railroad industry over its period of adjustment, and if such a source were intelligently conceived and properly promoted, it is entirely possible that Congress would act favorably upon it.

(4) **Assessing labor problems:** While the industry itself would be reluctant to take part in altering its basic labor situation, it seems virtually certain that any formula devised by industry would not overlook the fact that the railroad industry is virtually the only industry in the United States in which the government has written itself irretrievably into the labor-management partnership. As you know, it is certainly not fair to say that labor and government jointly make demands on the industry; yet the very existence of the Railway Labor Act, most non-railroad businessmen feel, makes it extremely difficult for labor and management, in the railway industry, to find themselves in a completely free area of collective bargaining. In the event that there is a difference of opinion between labor and management in the railway industry, the government almost invariably makes recommendations. The power of such recommendations is considerable. Any formula devised by independent businessmen regarding the railway industry would probably suggest a re-examination of the wisdom of having a specific Railway Labor Act, which automatically makes the government a vital participant in railway bargaining.

(5) **Stockpiling equipment:** Any business group looking at the railroad picture would probably suggest that the government stockpile, in one way or another, enough equipment to provide ample transportation in a crisis. This equipment might either be used solely for government shipping, or it might be assigned to a specific railroad under a contract which would call for regular inspection and conscientious maintenance during the life of the contract. There is general agreement, however, that equipment should not be built and stored, since unused equipment contributes nothing to the economy and degenerates even more rapidly in storage than in use.

Tangible Interest in the Railroads' Plight

Now it may seem to many of you that indicating these five factors in a recommendation that might be made under certain circumstances by an unnamed group of individuals if asked to do so, is a far-fetched academic exercise.

I think that is not the case. For the first time in many years there is tangible evidence of interest in the plight of the railroad industry at high government levels, and we have ample assurance that there are many business and financial people, and shippers, who would like to help the railroads.

Moreover, we are continuously faced with the possibilities of a critical situation developing, in which the railroads would be essential to the defense of the nation.

Finally, we must face the fact that some of our major railroads are having a desperate time—and nothing less than desperate describes the kind of time they are having — so something **must** be done.

With these facts in mind, I think it is high time that all of us give serious thought to exactly what ought to be done, that the railroad industry itself get ready for the last-ditch drive which many of us believe is at hand, and that we take full advantage of the fact that powerful people are ready to plead the case for the railroad industry if a clear-cut case were there to plead.

In your everyday business, you advertising men ought to keep that in mind. What you say and do in the name of your railroad can go a long way in building additional confidence in the right places—or can contribute to the feeling — lurking in too many places—that the railroads are not ready, not well enough managed, to take their places in the free enterprise system.

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nations last year. This means that shipments abroad will come close to the 1952 mark of $13.2 billion. Perhaps we should be more optimistic than this. From the latest poll taken by the McGraw-Hill "American Letter," it has been determined that four out of five businessmen, or 80%, expect their overseas sales to improve. But the increased purchases from the U. S. resulting from fewer restrictions may begin to slacken in the second quarter of 1955.

Increased Sales of Autos Abroad Expected

As you probably are aware from past experience, when total U. S. exports climb, there generally is a corresponding rise in automotive sales abroad. Last year for instance, the automotive industry enjoyed a 7½% jump in exports while total overseas shipments expanded 4%. Based on this year's forecast, it is safe to predict that automotive exports will increase about 5%, which indicates roughly 410,000 vehicles will be sold abroad in 1955.

It is, of course, superfluous to remind you who belong to the Overseas Automotive Club of the importance of continued expansion of imports to your exports. Last year foreign nations added another $2 billion to their gold and dollar reserves, chiefly as a result of sustained heavy purchases by the U. S. In 1955, imports will climb 5% to almost $11 billion, equaling the 1951 and 1953 all-time records. Americans will buy more raw materials and other items from abroad to keep in step with the expanding U. S. economy this year. Industrial output here is expected to rise 5%. Increased steel production, highway construction, stockpiling and defense spending will all help to bolster the Gross National Product. The American consumer, therefore, will have more money to spend on imported merchandise in 1955 than he had last year.

Before taking you on a tour of the 24 countries where U. S. automotive exports will be increased this year, and later pointing out how each one of you can participate in this expansion, permit me to present a few more key factors affecting overall trade prospects. This background should help you share in this new business.

Easing of Foreign Controls on U. S. Exports

Thirty-four nations or territories eased controls on U. S. exports since the beginning of 1954. They represent nearly every continent in the world and account for roughly 60% of all international trade. The list includes: Argentina, Bolivia, Chile, Costa Rica, Dominican Republic, Ecuador, Netherlands Antilles, Peru, Trinidad and Uruguay in Latin America; Bermuda; Belgium, Denmark, England, Germany, Greece, Holland, Italy, Luxembourg, Spain and Sweden in Europe; Cyprus, Iran and Lebanon in the Middle East; Belgian Congo, Egypt, Northern Rhodesia, Southern Rhodesia and Union of South Africa in Africa; Australia, Ceylon, India, New Zealand and the Philippines in the Far East. In addition, Brazil, Colombia and Turkey liberalized controls on American goods in the first part of the year but were forced to renew barriers later when each was faced with exchange difficulties.

Most of these countries are now closing the gap in the backlog of essential goods accumulated during the 1952-1953 decline in their purchases of U. S. exports. Although it is unlikely that a saturation point will be reached, it is quite possible that their present requirements will taper off. Nevertheless, with gold and dollar holdings of foreign countries (excluding Russia) now standing at a record $25 billion, there is little need to worry about any tightening of import restrictions on U.S. products. In fact, a few countries that procrastinated last year may relax controls because of the rapidly approaching date for currency convertibility. Moreover, there is an excellent chance that a more liberal trade policy will be adopted by the U. S. Congress. This too will inspire some nations to loosen curbs on American goods.

If overseas sales by American enterprise continue to hover around $13 billion this year, they will represent a healthy export business. These shipments will amount to nearly 4% of our total output and services, which is above the historical average and in line with postwar levels. It is interesting to note that, based on President Eisenhower's prediction of a $500 billion Gross National Product by 1960, exports should eventually run between $18 billion and $20 billion annually.

The principal market areas benefiting most from expanding U.S. exports will be Latin America and Africa. Purchases by Europe will hold steady at the unprecedented pace set in the second half of last year. American business already has felt the favorable results of Western Europe's liberalized trading policy on dollar area goods. Therefore, further gains are unlikely unless sterling becomes fully convertible in 1955.

Declining commercial sales to the Far East will be a direct offshoot of Japanese austerity forced by the nation's economic crisis. Less military spending in Japan and Korea will be counterbalanced in part by increased financial assistance to Indo-China and other explosive Asian areas where the West will make huge outlays. Although foreign aid will not be affected by the shift in the new Congress, there is no doubt that overall military spending for overseas shipments will be substantially less in 1955. Expenditures for defense exports will drop to roughly $2 billion—the lowest point in many years.

There are several forces that are bound to stimulate American sales abroad in 1955. One of these is the establishment of the $100 million International Finance Corporation, which will expedite development of Latin America in particular. Another is the Federal Reserve Board's action modifying the Edge Act. This will enable the Chase National Bank and other private banking groups to finance a larger portion of U. S. commercial exports. Last but not least, the expanded credit insurance guarantee policy of the Export-Import Bank, although limited in scope so that it will not help automotive exports directly, will assist some capital goods firms in matching Government-backed long-term loans of France, Germany, Sweden, United Kingdom and other nations.

President's Foreign Trade Program Will Boost U. S. Imports

The anticipated climb in U. S. imports will receive a decided boost from the President's foreign trade program, most of which is likely to be passed. One of the most significant results of the 1954 elections is that the high-tariff advocates in Congress who headed the key committees have been replaced by low-tariff leaders. Both the powerful House Ways and Means Committee and Senate Foreign Relations Committee are now led by men who supported nearly every Randall Commission proposal.

A three-year extension of the Reciprocal Trade Agreements Act is a sure prospect. Chances are that the General Agreement on Tariffs and Trade finally will be ratified, while there is only a 50-50 possibility that Eisenhower will be given authority to reduce tariffs 5% annually for three years as recommended by the Randall Commission. Further customs simplification is a certainty and the much-debated 14% tax reduction on income earned from abroad will be incorporated into the U. S. tax structure.

Government stockpiling will also be a stimulus to expanding U. S. imports in 1955. The increasing influence of American purchases of strategic materials from abroad is becoming a vital factor in the stabilization of world trade. New orders for metals and minerals over the next few years will exceed $3 billion, with the probability that close to $1 billion will be spent in 1955. Belgium, Belgian Congo, Brazil, Canada, Cuba, Mexico and the sterling area will be principal beneficiaries from sales to U. S. of aluminum, beryl, chrome, cobalt, diamonds, lead, mercury, nickel, tungsten, uranium, zinc and other ores.

A Tour for Better Markets for U. S. Exports

The first stop today on our tour to uncover better markets for you next year is Mexico. Here is an economy which is now rapidly regaining its strength after having been severely shaken by the 45% peso devaluation of last year. Improvement will proceed steadily, sparked by a noticeable increase in U. S. foreign investment. A vast internal development program will be pushed by the Government to stimulate business.

Although import controls will continue in Mexico, your automotive sales will rise this year with the exception of lubricants. A recent decree is designed to protect domestic producers. As you know, Mexicans have a strong preference for American autos, particularly two-tone cars, and the inroads made in 1954 by European automobile producers following the peso devaluation convinced many more Mexicans that U. S. vehicles were their best buy.

Traveling southward for a short visit to Guatemala, we cannot overlook the long and impressive highway system being built along Guatemala's Pacific slope. The U. S. is determined to keep this Central American Republic on the side of Democracy and therefore has mapped a substantial assistance program. The Foreign Operations Administration has just allocated $3 million for road construction materials. More funds will be channeled there shortly. Planned for completion by July 1, this highway, which will play a significant part in U. S.-Guatemalan relations, will open up a heretofore untapped market for vehicles. Guatemala has ample gold and dollar reserves to purchase them in addition to the total absence of exchange restrictions.

Cuba's economic well-being depends on Washington. A recent decision by the Eisenhower Admintstration to raise sugar quota imports by 250,000 tons in 1955 means greater opportunities ahead for U. S. exporters. Cuban auto and truck imports—down 10% in 1954—will expand. Another bright note to suddenly appear in the somewhat weakened economy is a dip in the European beet sugar crop. Although Government income has dropped 35% in the past two years, there is a determination to overcome the deficiencies with drastic readjustments. Consumer goods purchases will be stimulated by building projects.

With an abundance of dollars earned from oil, the Venezuelan automotive market will remain one of the most avidly contested in the world. American exporters will intensify advertising and extend longer terms to preserve their business from European competition. Unfortunately, payments on purchases from the U.S. will continue to be slow because of the shortage of bolivars and Government "red-tape." However, if you can afford to be more lenient with your terms to Venezuela, you will receive large dividends in the end. No letup is forecast for the mammoth construction industry and many more highways will be started in 1955. Administration experts anticipate a 5% gain in passenger car and truck consumption in each of the next three years.

The new Colombian import regulations on automobiles will benefit American exporters tremendously. Until three weeks ago, U. S. cars weighing more than 2,740 pounds were discriminated against with an 80% stamp tax in addition to the 40% *ad valorem* levy and 3% license tax. Now all auto imports are subject to the huge tax payments. This, of course, means the end of preference for Western European lightweight cars.

To clear the way for larger auto purchases in 1955, Colombia also will have use of $25 million from the International Monetary Fund for liquidating outstanding arrears. It is reliably reported that the Government will open credits amounting to $75 million for road construction in 1955. Paving of five major highways is scheduled. The U. S. businessman still regards Colombia as one of our best markets. Although income from coffee will fall, vast hydroelectric projects will boost spending. Remittances to overseas suppliers will be accelerated while the peso should strengthen this year.

Ecuador — one of the most neglected of all Latin American markets—will continue to enjoy the sharp upward trend of exports begun in 1954. Gold and exchange reserves are up mainly because of heavy cocoa sales early last year. Talk of protective duties and import restrictions should be discounted. American exporters in general are optimistic over future sales to Ecuador. Imports of capital equipment, trucks and autos will regain some of their lost momentum as new farm and road construction projects near completion.

Peru's outlook is much more favorable than a year ago. Cotton and sugar production in 1954 exceeded 1953 levels and rice exports will continue to show a comeback. The Export-Import Bank will lend Peru up to $100 million to finance copper projects. Purchases of heavy machinery and durable items will climb, with a hefty jump in dollar exchange certificates scheduled for automotive imports. The sol will strengthen further since the only apparent obstacle to progress in 1955 would be U. S. tariffs or quotas on minerals and petroleum—neither of which are now anticipated.

America's automotive businessmen should experience improved sales in Uruguay next year because you can count on a more stable economy there than in 1954. Crop and cattle-raising conditions are good so exports again will be able to offset imports. A pickup in the tempo of collection payments is in sight, while greater availability of capital is bound to spur industry. Exporters willing to deal in triangular transactions will find a readily expanding market for auto parts and vehicles in Uruguay.

Argentina, our last stop in South America today, cannot be considered a choice market. But real salesmanship here on your part could increase your business considerably. Out of the 5,760 cars and trucks imported by the Argentines in the first ten months of last year, less than 17% were from the U. S. Main supplier was the German Mercedes Benz, with nearly 4,000. Although tight controls will still guard Peron's foreign exchange, the continued business upturn in Argentina is expected to prompt further dollar allocation by the Government for vehicles.

Hopping over to the Far East we find only two countries where the economic background is receptive for greater automotive sales. The first, the Philippines, should offer revived enthusiasm to you as a result of the new trade act with the U. S. There is no doubt that Manila's position has been considerably bettered because of the important tariff concessions gained. End of the perilous 17% remittance tax will prove most helpful to you. The government can now proceed with its plans for much-needed industrial and agricultural projects. These will provide an early incentive to the spare parts industry especially. One member of the Philippine trade delegation to Washington said he thought the demand for these imports would rise by 25%.

The second hopeful area for you in the Far East is Thailand, which in the past six months has been allocated $36.7 million of U. S. aid for such defense support as road networks and telecommunications. A total of $60 million is expected to be granted to Thailand, a good part of which will go for the "all-weather" road to link Bangkok with the undeveloped Northeast provinces.

In Africa there are at least five nations which can be developed into first-class markets in 1955. South Africa—already one of your good customers—will increase her dollar automotive purchases substantially. Import controls will be steadily lifted and exchange allotments are sure to be more generous. Continuing demand for gold and uranium will support her climbing foreign exchange reserves and a stronger currency. Moreover, the need for skilled labor in mines will modify the political tensions.

Crossing over the border into the Rhodesias, we find two markets here that have been completely slighted in the past by American exporters. In both Northern and Southern Rhodesia, world demand for such key metals as gold, asbestos and copper, as well as U. S. stockpiling of strategic materials, have brought a new prosperity. In 1953 an astute government administration curtailed development projects when a balance of payments deficiency occurred. But last year import controls were relaxed on a large assortment of nonsterling goods, including vehicle spare parts. The postwar expansion will be renewed with vigor, assisted by World Bank loans, British guidance, and a favorable trade surplus for the Federation of Rhodesia.

An even more fabulous storehouse of strategic materials lies in the Belgian Congo, the most promising market in the world for the salesman of tomorrow. For here in the heart of Africa, in addition to the endless streams of uranium, cobalt, copper, manganese, tin and industrial diamonds, is nearly $750 million of refugee gold and foreign exchange belonging to the Western world. This money chiefly represents capital that sought a safe haven after the outbreak of war in Korea, but never returned to the original source. At the same time, cotton, rubber, cocoa, timber and coffee for export are plentiful.

Realizing the vast potential of the Congo, one leading American firm already has considered construction of an automobile assembly plant there. It is only a matter of time before other companies will investigate the area. Roads to reach key mines and centers are being completed daily, thus assuring a sizable jump in demand for vehicles in 1955.

Egypt's budget for development projects is 30 million Egyptian pounds ($86 million) higher than last year. Appropriations have been increased for communications, public works and commerce and industry. The long-stifled trade between Egypt and Britain will return to normal in 1955 now that the two countries have settled the Suez Canal dispute. Local capital is moving into industry and substantial foreign investments are planned because of more hospitable laws. Import restrictions will be eased due to an improved exchange position so that it is reasonable to anticipate higher automotive sales to Egypt this year.

The Middle East

On our itinerary today we have scheduled only one brief stopover in the Middle East. This is because it will be too early in 1955 for Iran to actually reap any fruits from last year's settlement of the Anglo-Iranian Oil crisis. Perhaps by 1956 the economy will have progressed sufficiently to warrant a more optimistic approach for the automotive exporter. Already taxis are meeting planes at airports, a sign of the better times to come in Iran. But a $6 million U. S. aid allotment for public road development, plus budget approval of funds for construction of the long-sought Mediterranean Sea to Persian Gulf truck expressway, makes Lebanon a market you too should explore without delay. Swiss and German interests have lost no time in establishing a firm foothold in Lebanon.

Arriving in Europe from the Middle East, we quickly spot a market that revived itself last year after a prolonged period in the doldrums. Despite the U. S. Treasury's anti-dumping ruling against Swedish hardboard, Stockholm enjoyed one of its best foreign trade years in history. The 10% jump in exports, in addition to extensive earnings from shipping, enable the country to almost close the dollar gap. Although the Swedes are bitter over the U. S. tariff action, further liberalization on dollar imports is certain. Swedish-Russian trade will probably shrink in 1955, while iron and steel firms will find new customers in the Middle East and Asia.

Norway is another nation where American discrimination will play a large part in determining your export business. Right now, Oslo is complaining about U. S. immigration laws, which work a hardship on Norwegian shipping lines and seamen. Chances are that Norway's Government will increase the number of automobiles to be imported in 1955. At least four large auto associations there are backing the move. Because of present import restrictions, there is a waiting list of some 20,000 persons to buy cars. Under the current set-up, only East European autos can be brought into Norway without a license. As a result, the average car there is 13 years old. Despite the continuing import surplus, the outlook for the Norwegian economy points toward general improvement. Industrial output and exports will gain, while the krone is sure to strengthen. The country intends to float a substantial dollar loan in the New York market. These steps all indicate that relaxation

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on dollar curbs is in the offing.

Denmark too has been worried about U. S. import policy and will map her buying strategy according to Washington's trade program. Last year's tariff action by America against Danish blue cheese prevented Copenhagen from going all the way in the December liberalization of curbs on dollar imports. At that time, they were eased to the extent of 38% of dollar goods. Further relaxation on U. S. items, including vehicles and parts, can be counted upon if the White House holds to its present tariff intentions. On this basis, you can expect at least a 20% rise in your export business with Denmark.

Prospects for both increased domestic business and foreign trade are excellent in Denmark. Industrial production is on the upswing and income from exports and shipping has improved. The tight exchange situation experienced earlier last year has eased. A disappointing crop harvest will be offset by Danish purchases of commodities with local currency under the U. S. farm surplus program.

The Netherlands will remain one of the strongest economies in the world during 1955. There is no end in sight for the steady and miraculous climb in gold and dollar holdings—now close to $1.3 billion. Production will continue to rise while agriculture will hold at the present high level. The Dutch guilder probably will become convertible in 1955. With import controls sure to be relaxed for a fifth time since early 1954, this small nation never before has offered so promising a market for the wide-awake automotive exporter.

Britain Lifting Restrictions

England has just lifted restrictions on the import of U. S. cars and will permit 640 autos worth $1.4 million to enter during 1955. This is well over four times the number allowed in last year and reflects a brand new and significant attitude of the Government. It marks another British step in the elimination of exchange controls and is a definite tip-off that before long quotas on American cars will be almost completely abolished. You would be wise to start cultivating this market now, not only for current business, but for the long-term, since there are a great number of people in the United Kingdom who like power and comfort and can afford the higher operating costs of American autos. British industrial production will rise further in 1955, with steel, metalworking and vehicle output showing the greatest vitality. Gold and dollar reserves should approach the $3.5 billion mark this year, making non-resident convertibility of sterling a reality by 1956.

Our last European stop is Spain, where heavy U. S. military aid amounting to $256 million in the past fiscal year has been surprisingly slow in boosting the economy. Franco will seek another $300 million, but large American grants will be more difficult to get. Inflationary pressures resulting from assistance have been moderate thus far. Production will become more diversified. A growing external debt, particularly to Germany, puts Spanish credit facilities near the danger point. But there is considerable opportunity for expansion of your sales to Spain. The accumulated demand for auto parts is tremendous and reliable reports indicate that agents of American producers are eager to build inventories. Moreover, right now, bids for four automobile cranes for harbor services are being accepted. The deadline is Jan. 26.

Today's tour ends in Canada, where exports appear to be on the rebound once again and gold and dollars of the Government are at an all-time peak of over $1.9 billion. It is well known that the Canadians encountered a serious trade deficit in 1954 and the economy generally has been set back. But if the present downward trend follows past experience of reacting like the U. S. economic pattern six to nine months later, the Canadian upturn should be noticeable around midyear. This will bring with it stepped-up purchases of American cars so you may look forward to better sales in the second half of the year.

In order to share in the broader buying potential of these 24 countries, the American automotive exporter will have to adopt a new approach in selling abroad in 1955. First, to face the aggressive competition from Western Europe in previously untapped areas, the U. S. salesman must be totally familiar with the merits and deficiencies of the products sold by his competitors, both at home and overseas. Today, more than ever, he should know the language of the nations with which he transacts business. A thorough understanding of the economic and political background of each country also will be a tremendous asset.

Moreover, the 1955 exporter will have to budget more funds for sales promotion and merchandising of his product. He must recognize the fact before it is too late that he must double his advertising in overseas markets, just as domestic business already has done with highly favorable results. Additional services, better credit terms and far more careful investigation of each market will be required of him. For instance, either he or his representatives should travel abroad more frequently to investigate and analyze foreign consumer buying tastes.

To cement new relationships or strengthen old ones, the modern automotive exporter will have to devote more attention to complaints received from his importers abroad. Furthermore, he should aim at preventing errors by offering merchandise of improved quality, as well as establishing more consistent production and shipping schedules. His 1955 code of selling also will necessitate continual testing of sample areas so as to develop new markets before his European competitor gets there. If these few key steps are followed, there is no reason why all of you cannot benefit from America's improved foreign trade outlook in 1955.

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Section 7 of Federal Reserve Act Still Violated!

should this violation of law be continued year after year.

A sad commentary on the state of affairs revealed in this persistent violation of law is that, in so far as this author knows, no member of the Board of Governors and no president of a Federal Reserve bank has opposed and fought this violation of Section 7 and distortion of the meaning of Section 16 (4) of the Federal Reserve Act.

Perhaps it would be helpful to the reader if it were pointed out that the provision of Section 16 (4) of the Act, under which the Board pretends that it has authority to dissipate approximately 90% of the net earnings of the Reserve banks, was designed as an instrument of credit control to supplement the power of the Board in its use of the rediscount rate. The principle and intent involved were that if the Reserve authorities wished to restrain credit expansion by raising the rediscount rate, they could also restrict the expansion of Federal Reserve notes by placing an interest charge (really a tax) on their use.

Were this provision of law to be employed, as intended—and it never was so used—, the Reserve banks would have an opportunity to avoid much or all such "interest" charge or tax by not expanding their volume of Federal Reserve notes.

This, obviously, is a very different purpose and procedure from those being employed by the Board today. Now, at the end of the year, net earnings of the Reserve banks are computed, the 6% dividend is paid to member banks, approximately 90% of the remaining earnings is given to the Treasury as "interest" on Federal Reserve notes, and what is left is carried to Surplus (Sec. 7). It should be thoroughly clear that this procedure has nothing whatever to do with regulating the volume of Federal Reserve notes entering circulation as was intended by Congress in the specifications of Section 16 (4) of the Act.

That part of Section 16 (4) [U.S. Code, title 12, sec. 414] which is involved reads: "The Board shall have the right, acting through the Federal Reserve agent, to grant in whole or in part, or to reject entirely the application of any Federal Reserve bank for Federal Reserve notes; but to the extent that such application may be granted the Board of Governors of the Federal Reserve System shall, through its local Federal Reserve agent, supply Federal Reserve notes to the banks so applying, and such banks shall be charged with the amount of the notes issued to it and shall pay such rate of interest as may be established by the Board of Governors of the Federal Reserve System on only that amount of such notes which equals the total amount of its outstanding Federal Reserve notes less the amount of gold certificates held by the Federal Reserve agent as collateral security."

On Oct. 15, 1915, Counsel of the Federal Reserve Board submitted a *Memorandum* to Paul M. Warburg of the Board on the subject of how interest charges might be levied under this provision of law on the Federal Reserve notes issued by each Reserve bank; and that Counsel stated, among other things, that "each separate issue of notes, whether to the same or a different Federal Reserve bank, may be subject to a different rate of interest.

"A contrary result would defeat the obvious intent of Congress to enable the Federal Reserve Board to control, as far as possible, the conditions governing the demand for credit and to enable the Board to adapt not only rediscount rates but also the volume of Federal reserve notes to the varying needs of different sections of the country.

". . . The paragraph quoted above [the pertinent part of Section 16 (4), quoted above] clearly authorizes the Board to control not only the issue of notes to a particular bank but also to fix or determine the pressure to be put upon any particular bank to retire such notes when issued.

"The fact that the authority to fix such rate of interest is in precisely the same sentence as that empowering the Board to regulate the amount of notes issued to any individual bank, indicates that Congress had in view a method of controlling the circulation of Federal reserve notes in each individual district.

". . . The Act says that the Board may grant the application of any Federal reserve bank for Federal reserve notes, either in whole or in part, but to the extent that such application is granted, 'such bank shall be charged with the amount of *such* notes and shall pay such rate of interest on *said* amount as may be established by the Reserve Board.'. . . [Italic in *Memorandum*.]

"It seems clear, therefore, that the Board may, at the time of granting any application for Federal reserve notes, fix such rate of interest as it sees fit to be paid on the notes issued in compliance with that particular application, and this rate is in no way dependent upon any previous rate charged to that Federal reserve bank or to any other Federal reserve bank."

This *Memorandum* is published in full in Henry Parker Willis', *The Federal Reserve System* (The Ronald Press Co., New York, 1923), pp. 883-885.

It should be obvious that the dissipation by the Reserve authorities of approximately 90% of the net earnings of the Federal Reserve banks, 1947 to date, does not rest upon any authority granted in Section 16 (4) which was designed to provide the Board with an instrument of control over the volume of Federal Reserve notes issued in each Federal Reserve District.

The Reserve Board has been violating the law since 1946 and is still doing so: the presidents of all Federal Reserve banks are participating in that violation; and Congress is failing to see to it that its own law is administered legally as intended.

The earnings of the Federal Reserve banks illegally turned over to the United States Treasury are as follows:

1947	$75,223,818
1948	166,690,356
1949	193,145,837
1950	196,628,858
1951	254,873,583
1952	291,934,634
1953	342,567,984
1954	276,000,000[1]
Total	$1,797,065,076

As of Dec. 29, 1954, the Capital and Surplus of the 12 Federal Reserve banks stood as follows:

Capital paid in [by member banks]	$287,558,000
Surplus (Section 7)	625,013,000
Surplus (Sec. 13 b)	27,543,000
	$940,114,000

The nature and history of the Surplus related to Section 13(b) of the Federal Reserve Act are such that we need not involve ourselves in an explanation of them here, particularly since it is the provisions of Sections 7 and 16 (4) that are being violated. The item "Other capital accounts," $201,660,000, is omitted above because it has little relationship to the issues involved.

The data reveal that Federal Reserve officials have given away out of the earnings of the Federal Reserve banks, without authority, a sum amounting to almost twice (191%) the capital and surplus accounts of those banks on Dec. 29, 1954.

The ratio of their capital and surplus, plus "other capital accounts" (total, $1,141,774,000), to all other liabilities ($50,716,248,675) on that date was approximately 2.25%. Had the dissipated earnings of $1,797,065,076 been added to Surplus (Section 7), as required by law, the total of capital accounts would have been $2,938,839,076, instead of $1,141,774,000, and the ratio to other liabilities would have been 5.8% instead of 2.25%.

It is the obligation of a central bank or central banking system to be strong. And any weakening of such bank or system as compared with what might have been the case calls for scrutiny. This is particularly true when the weakening process arises from violation of law.

The ratio of the capital accounts in national banks ($7,912,331,000) to other liabilities ($103,847,479,000) amounted to approximately 7.6% as of Oct. 7, 1954.[2] These banks can turn to the Reserve banks when in need; but the Reserve banks, which can be subjected to all the pressures that member banks, foreign banks, and the Treasury can exercise, have a ratio of capital accounts to other liabilities of only 2.25%!

Since 1946, the Reserve authorities, in violation of a law of Congress, have been weakening the capital structure of the Federal Reserve banks as compared with what would have been the case had those authorities administered the System in accordance with the requirements of the Federal Reserve Act. Should those authorities be able to demonstrate that capital accounts of 2.25% of other liabilities is adequate, the fact still remains that it should not have been reduced from 5.8% to the present level by violating a law of Congress.

1 *Fortieth Annual Report of the Board of Governors of the Federal Reserve System* (1953), pp. 68-69, for the years 1947-1953; the quoted press release for the data on 1954.—W. E. S.

2 *Press release* of the Comptroller of the Currency, December 9, 1954.—W. E. S.

Consumers Power Co. 3¼% Bonds Offered

An investment banking group headed jointly by Harriman Ripley & Co., Inc. and The First Boston Corp. yesterday (Jan. 26) offered $30,000,000 of Consumers Power Co. first mortgage bonds 3¼% series, due Feb. 1, 1990, at 102.325% to yield 3.14% to maturity. The group won the issue at competitive bidding on Jan. 25 with a bid of 101.769 for the indicated coupon.

Proceeds from the sale of the bonds will be used by the company to pay for part of its construction program which cost about $69,070,000 in 1954 and which is expected to cost over $70,000,000 this year. From Jan. 1, 1949 to Oct. 31, 1954, the company made gross property additions of approximately $304,500,000, of which $237,300,000 was for electric plant, $60,500,000 for gas plant and $6,600,000 for other plant.

The new bonds will be redeemable for the sinking fund at special redemption prices scaling down from 102.325% to par and at regular redemption prices scaling down from 105.33%.

The company buys and sells, generates and distributes electricity in 1,479 communities and townships, including rural areas in Michigan; buys, distributes and sells natural gas in 278 communities and townships; and sells and distributes propane-air gas. The population of the territory served exceeds 3,250,000.

For the 12 months ended Oct. 31, 1954, total operating revenue amounted to $166,994,000 and net income $26,427,000, which compares with operating revenue of $157,599,000 and net income of $24,836,000 for the year 1953 and $137,405,000 total revenues and $19,750,000 net income for 1952.

Mutual Funds

By ROBERT R. RICH

MASSACHUSETTS Investors Trust reports year-end net assets were $791,073,860 with 28,267,407 shares outstanding and 122,555 sharesholders. Comparable figures for 1953 were $522,368,398 in assets, 26,752,930 shares outstanding and 113,678 shareholders.

The asset value per share of $27.99 at Dec. 31, 1954 was the highest for any year-end on the basis of adjustment for stock dividends and stock splits over the years. On the same basis, the total of $1.02 in quarterly dividends paid was the highest in the trust's history.

The year-end asset value per share in 1953 was $19.53 and the total of dividends for 1953 was 93 cents.

In addition, a capital gain distribution of 24 cents per share was made in February 1954.

Average ownership has increased substantially over the years, the report notes, and was 231 shares per shareholder at year-end.

At the end of 1954, the trust had investments in the common stocks of 134 different companies in more than 21 different industries. Of these stocks, 91% have paid dividends continuously for 10 years or more and the remainder have paid dividends from one to nine years. The five largest investments by industries were: petroleum $165,842,435 (21%); utilities $91,869,412 (11.6%); railroads $60,199,375 (7.6%); chemicals $54,650,100 (6.9%); and metals and mining $48,780,375 (6.2%).

Major changes in the trust's portfolio for the fourth quarter of 1954 included:

PURCHASES

Company—	Bought
Aluminum Co. of America	20,200
Bethlehem Steel Corp.	10,000
C. I. T. Financial Corporation	28,000
General Motors	20,000
Kimberly-Clark Corp.	10,000
Mission Corporation	45,000
United Aircraft Corp.	20,000
West Va. Pulp and Paper Co.	15,000

SALES

Company—	Sold
American Viscose Corp.	15,000
Chance Vought Aircraft	11,800
International Harvester Co.	78,000
Mission Development Co.	107,066
Montgomery Ward & Co.	20,000
Standard Oil Co. (Ohio)	11,900
Texas Pacific Land Trust	20,000

CENTURY SHARES TRUST reports total net assets of $51,384,473 on Dec. 31, 1954, a new record high which compares with $36,018,564 a year earlier. Net asset value per share at the close of 1954 was $24.94 against $16.96 at the end of 1953, an increase of 48.5% including the capital gains distribution of 25 cents a share paid in January of last year. There were 2,060,592 shares outstanding last Dec. 31 and 2,124,031 shares 12 months before.

In their annual report to shareholders, the trustees observe that operating expenses in 1954 amounted to 0.39 of 1% of average net assets, a reduction from the figure of 0.41 of 1% for 1953.

The trustees point out that the trust's holdings of life insurance stocks at the end of 1954 comprised more than 30% of net assets compared with 10% five years ago, and comment that both in this field and in that of straight casualty companies, results for the year were excellent, as was also the case with banks.

Regarding the current outlook, the trustees stated,

"The continuous increase in population, the accumulation of savings for investment and the cooperation of the government with business enterprise are contributing to the growth and development of the American economy and are beneficial to the two growing and essential industries, insurance and banking, which are the Trust's fields of investment."

TWO MEN eminent in atomic energy have been elected to the board of directors of Atomic Development Mutual Fund, Inc., it was announced today by Newton I. Steers, Jr., President, and Merle Thorpe, Chairman of the Board.

John R. Menke, President of Nuclear Development Associates, Inc., White Plains, N. Y., a firm of consultants in nuclear engineering, is one of the new directors. Mr. Menke's organization has served as technical advisor to the Fund since its inception. He is also a director of the Atomic Industrial Forum, Inc.

Dr. Phillip L. Merritt of the E. J. Longyear Company, Minneapolis, Minn., consulting mining engineers and geologists, was also elected director. From 1947 to 1954, Dr. Merritt was Assistant Director of the U. S. Atomic Energy Commission's Division of Raw Materials, where he was in charge of uranium exploration throughout the world. From 1942 to 1946 Dr. Merritt was Chief of Raw Materials for the Manhattan Project, U .S. Army.

THE APPOINTMENT of William Wilson Hewitt as wholesale manager in western Pennsylvania, Ohio and West Virginia for the $25 million Delaware Fund was announced Tuesday.

SETH M. GLICKENHAUS, senior partner of Glickenhaus & Lembo, has been elected a director of Guardian Mutual Fund. The fund was organized by Neuberger & Berman, New York Stock Exchange firm, in 1950.

Bullock Sees No New Boom in '56

Sentiment regarding the business outlook in 1955 is uniformly optimistic, although the general tenor of the various forecasts points to a moderately higher level of general business activity rather than a boom, states Calvin Bullock's investment management department.

"A convincing case can be made to support such a forecast," the department comments.

"The economy has been liquidating Korea since the third quarter of 1953. This deflationary pressure on the economy, which has been manifested by a decline in armament orders and in inventories, appears to have been lifted in the fourth quarter of 1954. Added factors of strength are the high level of construction activity and the continued uptrend in economic activity abroad which may lead to convertibility of important currencies."

The firm's analysis lists a number of disturbing possibilities, including labor trouble. "In view of the favorable economic environment, the unions may be expected to push hard to attain their goals," it states. "If this should lead to what management considers unreasonable demands, it could engender more labor trouble than has been witnessed for some time.

"The indirect effects on the economy could be quite important. For example, the high level of automobile production may reflect a desire to build up inventories in anticipation of a strike. If a fear of shortages should spread, it could cause a substantial buying wave which would have a profound effect upon the economy because of the low condition of inventories, and create artificial scarcities. Present sober business sentiment might well catch the optimistic fever of the stock market and result in speculative inventory buying and price rises.

"The liberalization of credit terms in 1954 gave the construction industry a tremendous impetus, which one senses has taken on a slightly speculative tinge in recent months. Unless rampant speculation develops, the effect of this impetus would begin to wear off and housing starts would be correspondingly affected.

"Firmer money rates seem indicated during 1955. Demand for money should be high not only in the construction industry, but probably for increased business inventories.

"Although stocks are not excessively priced in relation to book values, earnings, and yields, as they were at the crest of previous booms, stock prices are high in relation to experience of recent years. Estimated earnings of the Dow-Jones Industrial averages for 1954 are about $27.35, or virtually the same as for the last five years. At the 400 level the Dow-Jones Industrials are selling at 14.6 times earnings and yielding 4¼%. This compares with a price-earnings ratio of 10.2 and a yield of 6% for the average of the last five years.

"The action of the Federal Reserve in increasing margin requirements slightly may probably be interpreted as a finger raised in warning against allowing the current trend to get out of hand and degenerate into a speculative frenzy. The advance over the last year has been rapid, and, over the last few months, the rise has accelerated at a dizzy pace. Probably the most constructive development that could occur in the marked would be a period of digestion."

Life Fund Shares Offered Today

White, Weld & Co. and J. C. Bradford & Co. jointly head an investment group offering for public sale today 1,400,000 common shares, $1 par value, of Life Insurance Investors, Inc. The stock is priced at $16.25 per share in blocks of less than 3,000 shares, and at slightly lower prices for larger blocks.

The company was incorporated on Dec. 3, 1954 as a diversified management investment company of the "closed-end" type, but within 30 days will become an "open-end" company within the meaning of the Investment Company Act of 1940, and thereupon shares will be redeemable at the holder's option at net asset value. There will be no continuous offering of shares.

The new investment company expects to concentrate investments in stocks of companies writing life insurance, either exclusively or in combination with other forms of insurance, and in stocks of companies which have a substantial interest in the life insurance business through security ownership.

Templeton, Dobbrow & Vance, Inc., investment counsellors, have been retained as investment advisers, and the company expects to utilize the services of Alfred M. Best, insurance counsellor, and Wolfe, Corcoran & Linder, consulting actuaries for specific evaluation studies, from time to time.

Raymond T. Smith will serve as president of Life Insurance Investors, Inc., and will also continue as a vice-president of Alfred M. Best Company, Inc., publishers of insurance reports. J. C. Bradford, partner of J. C. Bradford & Co., investment bankers, and formerly board chairman of Life & Casualty Insurance Company is secretary and treasurer.

Directors of the new company are: Messrs. Smith and Bradford; Eldon Stevenson, Jr., President and a director of National Life & Accident Insurance Company; George W. Wells, President and a director of Northwestern National Life Insurance Company; and Charles E. Becker, President and a director of Franklin Life Insurance Company.

Capitalization of the company consists solely of the 1,400,000 common shares of the current issue.

Among those associated in the offering are:

R. S. Dickson & Company, Incorporated
Equitable Securities Corporation
Walston & Co.
Johnston, Lemon & Co.
John C. Legg & Company
Alex. Brown & Sons
Reynolds & Co.
Central Republic Co. (Incorporated)
Courts & Co.
Cruttenden & Co.
McDaniel Lewis & Co.
Sutro & Co.
J. Barth & Co.
Boettcher and Company
Bosworth, Sullivan & Company, Inc.
Dempsey-Tegeler & Co.
First Securities Corporation
William R. Staats & Co.

ADAMS EXPRESS

Net assets of The Adams Express Company at Dec. 31 amounted to $68,133,974, equal to $51.53 per share of common stock outstanding. Both figures are the highest in the company's history as a closed-end investment company and compare with $49,019,966, equal to $37.08 per share at the end of 1953.

Net income amounted to $1.56 per share, all of which was paid out as dividends during the year. Net long-term capital gains realized amounted to $1,929,823, or $1.46 per share, which was also distributed in full to shareholders as a dividend in December, 1954.

Continued from first page

Our National Economy During the Next Decade

ed expectations lies precisely in this characteristic persistence of Americans to look farther ahead. But looking ahead is not a complete explanation of our phenomenal progress. More important is the inherent eagerness of Americans to adjust plans and programs, to change traditional ways of doing things, to work hard, and even to pick up stakes and move in an attempt to be more productive, to raise living standards, and to secure greater freedom.

I have been asked to discuss the long-term outlook. This, of course, is a subject uppermost in the mind of every person connected with the machinery of the Employment Act of 1946. The Joint Economic Committee Staff constantly projects trends of population, labor force, hours of work, productivity, and the plans and expectations of Government, business and consumers to see if they throw light on where our economy "may" be heading.

The Staff has recently assembled, and the Joint Committee has published, what we hope is a reasonable and consistent set of economic projections of these factors for the next decade. I will be glad to provide a copy of this report to any one interested. Today I will try to summarize our major findings.

I wish I could set forth these projections into the future with the assurance and conviction of little Johnny. It seems that one day Johnny's mother came into the room, and seeing Johnny busy with crayons and sheets of paper, asked what he was doing. He replied, "I am drawing a picture of God." "But Johnny," the fond mother explained, "no one knows what God looks like." Johnny answered with assurance: "They will when I get through."

The Limits of the Projections

Obviously, these materials are not presented today as a forecast or prediction of what will actually happen in 1965. Rather, they are projections of what could happen on the basis of what we hope are reasonable assumptions.

In these projections we have assumed the Employment Act's "maximum" economic growth as the goal, but do not try to justify any given level of unemployment as being consistent with that goal. I hasten to add, however, that we have not assumed an overtime economy such as would be expected in an emergency.

It would be unrealistic to assume a constant, or steady, rate of economic growth every year. For example, 1954 was slightly below —just as the early months of 1953 were probably above—the long-term trend line. Also, no allowance is made for major depression or war.

The calculations for the year 1965, which I want to talk about, are on the basis of approximately present prices. Reasonable stability of the general price level should be the goal. Under this assumption, income from the expected significant increase in productivity would largely go to the factors of production—wages, salaries and profits. Such assumption would not, of course, rule out changes in individual prices and the dynamic role of such price changes in our competitive system.

Population Trends

A look at population trends is the first important step in trying to analyze where our national economy is heading. The size and composition of the population affect both potential national production and potential demand for that output.

On the basis of present fertility rates, our population can be expected to increase to about 190 million people by 1965, compared with just under 160 million in 1953. This increase of approximately 30 million in 12 years is equal to twice the population of Canada. It represents an annual increase of about 2½ million each year, or the equivalent of the population of Louisiana or Maryland.

From an economic standpoint, the changing composition of the population between 1953 and 1965 is perhaps more significant than the expected 19% growth in the total. For example, the labor force will probably increase only about 18%. On the other hand, the number of children between the ages of 10 and 18 will likely increase over 50%. I find as a father these youngsters are heavy consumers but are not very productive. Also the number of persons over 65 will increase by 30%, or significantly faster than the total population. The effect of these population changes during the next decade will be to increase the demand for food, clothing, shelter and other consumer goods and services, on the one hand, and to decrease the capacity of the family breadwinner to save, on the other.

Economic Growth of Production

Let us now analyze more specifically the factors making for economic growth on the supply, or production side during the next few years. These are the size of the labor force, hours of work, and productivity.

All persons who will be available for work in 1965 are already born so we can make a reasonably good estimate of the size of the labor force at that time. Possible changes in the desires of the young, the aged, and women to enter or leave the labor force, or migration into or out of the country, of course, could increase or decrease this estimate somewhat. It is arbitrarily assumed that approximately 4% of the civilian labor force will be temporarily unemployed as a result of technological changes and normal turnover in a dynamic and expanding economy.

Accounting for present cold-war requirements, perhaps 3 million persons will be in the armed services. Another 7½ million persons seem likely to be employed in civilian government—federal, state and local—compared with just under 6 million in 1953. Among those who study the problem intensively, the consensus is that 5½ million persons will be primarily engaged in agricultural work compared with over 6½ million in 1953. This represents a continuation of the long-term declining trend of agricultural employment but at a rate of decline slower than has prevailed in recent years. These calculations thus leave 60 million persons in private nonagricultural employment in 1965—an increase of just over 10 million from 1953.

A second factor influencing the amount of national output is hours of work. Average hours of work are expected to continue to decline. This might take the form of a reduction in the work-week by 1965 of as much as four hours, or an increase in vacation or holidays of 20-25 days per year, or some combination of these alternatives, adding up to a reduction of about 200 hours per year per man by 1965. A three-day weekend is something to look forward to in the years ahead. The economic and social implications of this trend cannot be minimized. While significant in calculations of potential output, its effect on consumption and investment is also significant. Additional expenditures to satisfy the leisure-time hobbies, educational and cultural pursuits of the population should be a substantial expansionary force.

The third factor affecting potential production in 1965, of course, is productivity, as measured in terms of output per man-hour. Here lies the real secret of American economic strength. Intensive research and development, competitive pressures, plus a high level of investment by industry and agriculture are expected to make possible continued spectacular advances in output per man-hour worked.

Agricultural Output

It is assumed that agricultural output per man-hour will increase 3% per year, somewhat less than in recent years, but higher than the 1910-1953 average of about 2%. In nonagricultural industries the rise is assumed to be about 2.5% per year on the average, with some sectors more and some less. This is somewhat above the 1910-1953 average.

$535 Billion Output in 1965

These figures on labor force, hours of work and productivity suggest that total national production potential for 1965 could be about $535 billion in approximately present prices, an increase of 50% from present rates.

Efforts to estimate or arrive at acceptable assumptions respecting factors making for economic growth on the demand side during the next decade present a much more difficult and hazardous task.

Total Government expenditures for goods and services—Federal, State and local—could exceed $95 billion in 1965, compared with $85 billion in 1953.

As a first approximation, the Federal budget is assumed to be balanced in 1965 at levels permitting tax reductions of perhaps 15 to 20% below the hypothetical yields at present rates. We would expect a State and local government deficit of some $2 billion—reflecting the financing of schools, highways, hospitals, and other public investment expenditures necessary on a vast scale to keep up with a rapidly growing population. I would like to emphasize the problem of State and local finance. Innovations will be required if these governments are going to meet the demand for traditional services.

Estimates of the rate of private investment during the next decade have been made on the assumption that population growth, research and development, and intense competitive pressure will vastly expand business investment opportunities.

We have estimated that residential nonfarm construction will increase from $12 billion in 1953 to $16 billion in 1965 to achieve and maintain the stock of housing demanded by the anticipated 56 million households. This is equivalent to adding about 1½ million new housing units per year as compared with just over one million in 1953.

Business expenditures on plant and equipment are assumed to amount to $60 billion per year—approximately 60% over 1953. This figure is made up of about $25 billion to replace fixed assets actually retired, and about $35 billion for accelerated replacement of obsolete but not worn-out assets and for the expansion of capacity.

Some increase in private net foreign investment has been assumed, but if satisfactory international arrangements and incentives to private efforts could be worked out, the United States could duplicate in the second half of the 20th century what Great Britain did in the 18th and 19th centuries in the way of exporting capital — particularly to underdeveloped areas.

The Projected Pattern of Consumer Budgeting

The most significant area that could either contribute to or disturb balanced economic growth over the next decade will be the pattern of consumer budgeting of income between savings and spending. The problem of maintaining maximum employment and balanced economic growth would be complicated, for example, if the savings rate should rise over the next decade towards an upper limit of perhaps 9-10%, a possibility which is indicated by some studies of present trends. However, introduction of new products, changes in social aspirations and tastes, growth in the number of households headed by retired workers, more leisure time, and an increase in the proportion of population under 18 years of age should contribute to lowering the savings rate toward levels of the 1920's.

These tremendous technological developments in the consumer area, I might say parenthetically, have made some of our common household expressions obsolete. For example, according to Charles Mortimer, President of General Foods, in coming home from the office after a weary day one shouldn't ask the Mrs.: "What's cookin'?" Rather, one should inquire, "What's thawin'?"

If personal savings, for example, amount to about 6% of personal disposable income, as compared with the rate of 8½% for the first quarter of 1954, and 5% in the 1920's, consumer demand would approximate $360 billion in 1965 and the aggregate demand of Government, business and consumers will clear the market of the $535 billion potential production.

Obviously the balanced growth model presented in this study is only one of a number which could be constructed, and actual developments may differ in important respects. Some would assume, for example, an even shorter work-week with greater emphasis on increased leisure, or a different rate of productivity, or a greater role for Government expenditures. We have placed major reliance on private economic expansion.

If events are to approximate this model, however, personal expenditures for consumption, by one means or another, must increase significantly. It is believed that this adjustment, as well as most of the others that may be needed, can come about as usual through the spontaneous adaptation of the free private competitive system. But I would emphasize the important role of Government monetary and fiscal policies in facilitating this private expansion.

Reasons for Optimism

In spite of the obvious difficulty involved in making some of these adjustments, there are reasons for being optimistic about the outlook for long-run stability and growth in this country.

First of all, the American spirit of enterprise gives industry, agriculture, and labor a competitive drive to surpass always the achievements of the past. Not until one experiences first-hand the restrictive practices and restraints on production and distribution in other countries does one fully appreciate the dynamic force of our American competitive system. It is probably the most important single factor explaining the productivity advances, and the ever-increasing volume and variety of goods and services available to consumers at prices they are able to pay. We must pursue programs which will facilitate and strengthen this competition and provide maximum rewards for initiative and enterprise.

A second force for economic expansion which I want to emphasize is the demand on the part of the average American constantly to raise his level of living. This objective, however, is matched by a willingness to work hard to accomplish it. In recent years housewives, youth and the aged have been taking jobs whenever they were given an opportunity, in order to supplement the family income and buy that television set, refrigerator, or what-not. The implications of this characteristic are fairly clear. It means a restlessness on the part of most people and pressures to make modifications in public and private programs in ways calculated to improve living conditions and individual freedom.

A third factor important at present, and particularly promising for the future, is the new machinery and the development of skill—both public and private—for making economic adjustments. I point to the Employment Act of 1946 as an illustration of the recent recognition of the cooperative responsibility of the Federal Government for dealing with the problems of economic fluctuation and economic growth. One does not have to argue that the national economy has conquered the business cycle to recognize that the capacity for economic statesmanship on the part of agriculture, labor, management and Government is greater today than ever before. I am confident, too, that the bankers and financial institutions to today and tomorrow will provide the money and credit needed by an expanding economy.

Strides Area of Economic Statistics

I want to say a word about the significant strides made in recent years in the area of economic statistics, giving management information helpful in making prompt adjustments in economic programs, in the interests of stability and growth. The Joint Economic Committee publishes a booklet each month entitled: "Economic Indicators."

It is interesting to note that out of all of the statistical series in this publication which we now take for granted as available within a matter of days, very few were in any similar sense available two decades ago. A year ago, for example, we were discussing, on the basis of economic facts, what ought to be done about a moderate business recession which had been in progress only a few weeks. Important corrective policy steps — both private and public—were made possible as a result of these economic data. We have not had to sit innocently by, eventually to be overwhelmed with unemployment and with cumulative liquidation of inventories and credit.

While there are still significant gaps in our statistical knowledge, I think all will agree that today we have better clinical tests —temperature readings, cardiograms, and the like—for the economy than at any time before. I won't go so far as to say that we have anything comparable to the "rabbit test," enabling economists to predict accurately economic turning-points, but our ability to time remedial actions—both private and public—for minimizing economic contraction is far better than it was when we were dependent exclusively on the "crystal ball," or looking at the patient's tongue.

The Employment Act calls for maximum economic growth. The moderate projections which I have presented for 1965 suggest the probability during the 12 years between 1953 and 1965 of:

An increase in population of one-fifth;

A reduction of the average annual hours of work of nearly 10%;

An increase in output per man-hour of 40% in agriculture and 35% in private industry;

An increase in total national output of nearly 50% in constant prices; and

A rise in real disposable income per capita of nearly 30%.

These estimates are surely not out of line with the actual rate achieved during the last quarter century. To say they are too high would be the same thing as saying that America now has reached an uninspiring maturity and that it cannot achieve a rate of growth which was realized during 25 years of depression, war, and world reconstruction.

No Relaxation of Day-to-Day Economic Problems

My remarks have been confined to an exploration of long-run potential growth. Optimism, I believe, is justified. This does not warrant relaxation on day-to-day economic problems. For example, I would like to emphasize the importance of increasing total demand for national production in the coming months. Only if business, consumers and governments increase their demand, and hence production, can we have expanding employment opportunities. There is no solution in redistributing the same size pie. That pie must be made bigger. If we stand still Gross-National-Product-wise, we actually slip—when measured in terms of unemployment—because of our growing labor force and our increasing productivity.

I will close with an observation that outside factors, specifically wars, preparations for wars, and postwar settlements have been by far the most unstabilizing factors in the last half century. They have, of course, also been forces for economic expansion. It is entirely possible that autonomous factors will continue to dominate developments in the next decade. But we must look ahead on the basis of what we know and on the basis of what we believe is reasonable to hope. Turning back then to the balanced growth model presented, there is some possibility that we have set our sights too high, but history indicates an even greater likelihood that we may have set them too low.

Let me put my views in the words of a Washington cab driver who, in explaining the inscription on the National Archives Building on Constitution Avenue which says: "What is past is prologue," tells his passengers "You ain't seen nothin' yet."

With A. G. Edwards Sons

(Special to The Financial Chronicle)

QUINCY, Ill.—Donald D. Brohan is with A. G. Edwards & Sons, St. Louis.

With King Merritt Co.

(Special to The Financial Chronicle)

OPELOUSAS, La.—William C. Lawless is now connected with King Merritt & Co., Inc.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass.—Evelyn Phillips has been added to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass.—Webster Wilde has joined the staff of Palmer Pollacchi & Co., 84 State Street.

Continued from page 5

The State of Trade and Industry

all shooting for new weekly records, with the latter three divisions almost sure to erase all-time peaks set two weeks ago.

The strong level of car assembly was not matched by equally impressive truck construction. Nevertheless, truck manufacture did edge upward slightly, enabling the past week's car and truck production (185,991 units) to reach the best level since 188,845 jobs were built in the week ending Feb. 24, 1951.

Last week's near four-year high in United States car and truck output found the 500,000th vehicle of the year produced at some industry plant on Friday past.

Canadian production also showed a slight gain during Jan. 17-22, some 6,288 cars and 1,003 trucks were programmed, compared to 6,056 and 977 two weeks ago. This represented a 3.7% gain, compared to a 4.9% increase in output at United States plants.

Steel Output Scheduled to Rise to 84.0% of Capacity This Week

Don't despair over supply tightness in some forms of steel, the current squeeze is not likely to get tighter, says "Steel," the weekly magazine of metalworking, the current week.

Much of the strength in demand, it states, stems from the automobile industry, and most everyone expects auto requirements to ease about midyear. However, some of the pressure will be softened before that time by the steel industry's efforts to relieve hardship cases and an increase in shipments of finished steel.

Relief in hardship cases, it continues, is being achieved by care in booking orders. Steel producers are trying to leave spots open to accommodate orders from customers who need immediate delivery.

The increase in shipments of finished steel should be noticeable from here on. Ingot production has been up for several months, but shipments of finished steel have not kept pace. Before they could boost shipments of finished steel, mills had to build up stocks of the semi-finished product. Ordinarily, mill shipments of finished steel are 72 to 75% of ingot output. The remaining 25 to 28% is lost as scrap. But in October and November, latest months for which shipments figures are available, only 65% of ingot output was shipped as finished steel. This means mills were putting a good many ingots into a build-up of semi-finished steel, particularly slabs for the light, flat-rolled products, declares this trade paper.

Part of the increased demand for steel comes from a move to restore inventories. Bay E. Estes, director of commercial research for U. S. Steel Corp., thinks rebuilding of stocks by consumers will push steel shipments 2 to 3% above usage this year, the trade magazine reports.

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 84.0% of capacity for the week beginning Jan. 24, 1955, equivalent to 2,027,000 tons of ingots and steel for castings as compared with 83.2% (revised) and 2,008,000 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 77.8% and production 1,850,000 tons. A year ago the actual weekly production was placed at 1,802,000 tons or 75.6%. 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 Registers A New All-Time High Record In Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 22, 1955, was estimated at 9,981,000,000 kwh., a new all-time high record, according to the Edison Electric Institute. The previous all-time high record at 9,928,000,000 kwh. was established in the previous week.

This week's output constituted a gain of 53,000,000 kwh. above that of the previous week, when the actual output stood at 9,928,000,000 kwh., and an increase of 1,005,000,000 kwh., or 11.2% over the comparable 1954 week and 1,837,000,000 kwh. over the like week in 1953.

Car Loadings Rise 7.1% In Latest Week

Loadings of revenue freight for the week ended Jan. 15, 1955, increased 42,737 cars or 7.1% above the preceding week, according to the Association of American Railroads.

Loadings totaled 644,940 cars, an increase of 25,069 cars or 4% above the corresponding 1954 week, but a decrease of 60,077 cars or 8.5% below the correspondent week in 1953.

U. S. Car Output Last Week Registered Second Highest Level In Country's History

The automotive industry for the latest week, ended Jan. 21, 1955, according to "Ward's Automotive Reports," assembled an estimated 163,266 cars, compared with 155,109 (revised) in the previous week. The past week's production total of cars and trucks amounted to 185,991 units, an increase above the preceding week's output of 8,662 units, states "Ward's." In the like week of 1954 137,681 units were turned out. It is worthy to note that in the past week output of cars attained the second highest level in the history of the United States.

Last week, the agency reported there were 22,725 trucks made in the United States. This compared with 22,720 in the previous week and 24,149 trucks a year ago.

"Ward's" estimated Canadian plants turned out 6,288 cars and 1,003 trucks last week, against 6,056 cars and 977 trucks in the preceding week and 7,625 cars and 1,435 trucks in the comparable 1953 week.

Business Failures Rise to Highest Level Since April of 1954

Commercial and industrial failures climbed to 265 in the week ended Jan. 20 from 200 in the preceding week, according to "Dun & Bradstreet, Inc." At the highest level since last April, casualties exceeded considerably the 208 and 173 which occurred in the comparable weeks of 1954 and 1953. Despite this upturn, mortality remained 28% below the prewar level of 367 in the similar week of 1939.

Failures involving liabilities of $5,000 or more rose to 229 from 171 in both the previous week and a year ago. An increase also appeared among small casualties, those with liabilities under $5,000, which were up to 36 from 29, but did not equal the 37 of last year. Twenty-six of the failing concerns had liabilities in excess of $100,000, twice as many as a week ago.

Wholesale Food Price Index Rose Moderately In Latest Week

A further moderate rise in the "Dun & Bradstreet" wholesale food price index last week lifted the Jan. 18 number to $6.84, from $6.81 a week earlier. While this was the highest level in seven weeks, it marked a drop of 1.7% from the comparable 1954 figure of $6.96.

Commodities advancing in wholesale cost the past week were flour, rye, barley, butter, tea, eggs, potatoes, steers and hogs. Lower were wheat, corn, oats, hams, bellies and coffee.

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 Index Reflected An Irregular Trend the Past Week

Irregular movements characterized the "Dun & Bradstreet" daily wholesale commodity price index the past week. The index closed at 278.16 on Jan. 18, comparing with 278.70 a week earlier, and 275.11 on the same date last year.

Price movements in leading grain markets were mixed with all grains except rye showing losses for the week.

Rye displayed independent firmness on the possibility of export trade developing and fears of an increasing scarcity of free rye because so much has been put under Government loan. The easier trend in wheat reflected limited mill buying and the receipt of additional moisture in the southwestern drought areas, which improved small grain prospects. Corn and oats were under considerable selling pressure and prices declined largely due to an expansion in cash grain receipts. Some export sales of corn to England and the Continent were noted but volume was not heavy. Volume of trading in grain and soybean futures on the Chicago Board of Trade showed little change for the week. Daily average sales totaled 46,000,000 bushels, against 46,200,000 the previous week, and 48,800,000 in the same week last year.

Following substantial bookings a week ago and lacking any new price inducement, trading in hard wheat bakery flours came to a near standstill last week.

Trading in coffee was only moderate with prices a shade lower for the week. Roasters were said to be showing considerable interest in cheaper-priced coffees following the reductions last week in their blend prices. The domestic raw sugar market was dull reflecting continued slow demand for the refined product. Lard trended lower influenced by lagging demand for loose lard and limited export buying. Following a sharp break at mid-week, hog prices recovered to show a slight rise for the week.

Trading in cattle at Chicago was featured by the sale of high prime steers at $36.25, the highest price in two years.

The mild downward trend in spot cotton prices continued the past week. Trading in most markets was fairly active with sales in the 14 markets reported at 367,600 bales, against 317,800 in the preceding week. Persistent hedging, the absence of any aggressive mill demand and uncertainties over farm legislation contributed to the easiness of the market. Inquiries from foreign sources were fairly numerous but actual sales for export were limited in volume. Net CCC entries of 1954-crop cotton during the week ended Jan. 7 were up slightly to 71,200 bales, bringing total entries for the season through that date to 1,867,100 bales.

Trade Volume Spurred By Clearance Sales Higher For Week and Substantially Above 1954

Consumers' response to clearance events in the period ended on Wednesday of last week lifted retail sales slightly above the level of the preceding week. Home goods, apparel, and automobiles registered the greatest increases.

The volume of trade in January has been considerably higher than in 1954, and comparative figures this week were particularly large as a result of last year's widespread snow storms and accompanying poor trade. Suburban stores reported larger weekly and yearly gains than did downtown outlets.

The total dollar volume of retail trade in the week was estimated by "Dun & Bradstreet, Inc.," to be from 4 to 8% larger than a year ago. Regional estimates varied from the comparable year-ago levels by the following percentages: South and Southwest +2 to +6; New England, Northwest, and Pacific Coast +4 to +8; East +5 to +9; Midwest +6 to +10.

Reduced-price promotions boosted purchases of household goods the past week, with furniture, bedding, kitchenware, lamps and floor coverings selling in greater volume.

Wholesale buying in the week was unchanged from the preceding week but considerably above the corresponding week in 1954. While retailers' stocks of apparel and household goods were low and substantial orders were placed in these lines, trade in cotton textiles and food declined.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 15, 1955 advanced 16% from the like period last year. In the preceding week, Jan. 8, 1955, an increase of 13% was registered from that of the similar period in 1954, and for the four weeks ended Jan. 15, 1955, an increase of 12% was recorded. For the year 1954 a loss of 1% was registered below that of 1953.

Retail trade in New York City the past week was slightly ahead of the volume of the like period a year ago. On a store-for-store basis the increase was about 4%.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 15, 1955, registered an increase of 14% above the like period of last year. In the preceding week, Jan. 8, 1955, an increase of 5% was reported from that of the similar week in 1953; while for the four weeks ended Jan. 15, 1955, an increase of 10% was reported. For the year 1954 the index advanced 1% from that of 1953.

Continued from page 16

News About Banks and Bankers

Stockholders of **Clinton Trust Company of New York,** at their annual meeting on Jan. 19 approved increase in the bank's authorized capital from 110,000 sales to 120,000 shares of $10 par stock. Stockholders also approved the distribution of the additional 10,000 shares as a stock dividend, previously voted by directors, at the rate of one new share for each 11 shares held on Jan. 7, 1955. The stock dividend is payable Feb. 10, 1955. An item bearing on the proposed capital increase, appeared in our Jan. 6 issue, page 77.

* * *

At the annual meeting of stockholders of **Savings Banks Trust Company of 14 Wall Street, New York City,** held Jan. 19, John Adikes, President of the **Jamaica Savings Bank** and James R. Hughes, Jr. First Vice-President of the **Savings Bank of Utica,** were elected Directors.

At the annual meeting of the shareholders of the **Franklin National Bank in Franklin Square, L. I., N. Y.,** on Jan. 11, Arthur T. Roth, President of the bank, forecasted that the earnings of the bank would total approximately $3,748,000 after taxes compared with 3,103,266 for 1954. He also announced that the total deposits increased $100 million over Dec. 31, 1953 of which 46% was due to the normal growth of the bank and 54% was due to deposits of the consolidated banks. The shareholders approved:

(a) a change in the par value per share and number of shares of the bank's outstanding common stock from $10 and 666,500 respectively to $5 and 1,333,000 respectively, effective Jan. 11, 1955.

(b) an increase of the common stock of the bank by the issuance of a 12,300 share stock dividend to shareholders of record on Jan. 11, 1955.

(c) a further increase of the common stock of the bank to $7,393,000 by the sale of 133,300 additional shares, of the par value of $5 each, at a sale price of $32 each. The shareholders of record on Jan. 11, 1955 are accorded rights to purchase those additional shares, at this price, in the ratio of one share of new stock for each 10 shares of $5 par value.

* * *

The board of directors of the **First Suffolk National Bank of Huntington, Long Island, N. Y.,** and the **Babylon National Bank & Trust Company, Babylon, L. I., N. Y.,** have unanimously approved an agreement to consolidate the two banks under the charter of the Huntington bank. The merger has received the preliminary approval of the Comptroller of the Currency, Washington, D. C., and will be referred to the stockholders of each bank for their approval at special meetings to be held Feb. 25. All of the officers and employees of both banks have been invited to become officers and employees of the consolidated bank which will continue to operate the present premises in Babylon and Huntington as well as the offices of The First Suffolk National Bank in Amityville, Northport and East Northport. The consolidated bank will have total resources in excess of $56 million and total capital funds and reserves of over $4.3 million.

* * *

Stockholders of **The County Trust Company of White Plains, N .Y.,** at their annual meeting on Jan. 19 approved the proposed mergers with the **Northern Westchester Bank of Katonah and Yorktown Heights** and **The First National Bank of Ardsley,** according to a statement released Jan. 20 by Andrew Wilson, Chairman. Similar action had been taken by stockholders of the other two banks the previous week. Mr. Wilson said that the consolidation will occur later this month upon receipt of formal approval of the Superintendent of Banks. The combined assets of The Northern Westchester Bank founded in 1918, and The First National Bank of Ardsley, founded n 1928, will increase County Trust's assets to approximately $295 million. Ferd T. Hopkins, President and director of the Northern Westchester Bank, and Thomas H. Quinn, Chairman of The First National Bank of Ardsley, were elected to The County Trust Company Board of Directors by the stockholders who also re-elected seven of the bank's present directors whose terms had expired.

In addition, stockholders voted in favor of a third annual 5% stock dividend to be paid on the basis of one new share for each 20 held. Stockholders entitled to fractional shares will receive scrip certificates under the distribution which will take place after the completion of the mergers with the Northern Westchester and Ardsley banks. Arrangements will be announced shortly whereby the scrip may be sold for cash or used to acquire additional County Trust stock. As a result of the action taken at the Jan. 19 meeting, the number of outstanding shares of County Trust stock will be increased from 841,000 to 922,950. The shares have a par value of $5. At the directors meeting which followed, all of the officers of the bank were re-elected. In addition, it was voted to make Charles E. Stahl, Jr., now President of **The First National Bank of Ardsley** and F. Stanley Schaefer, now Vice-President and Cashier of the Northern Westchester Bank, Vice-Presidents of The County Trust Company, upon consummation of the merger. James W. Murray of the General Precision Laboratories, Inc., in Pleasantville, N. Y., was made an associate director.

* * *

Stockholders of the **National Bank of Westchester, White Plains, N. Y.,** approved at their annual meeting on Jan. 19 a change in the par value per share and in the number of shares of the bank's common stock from $10.00 and 238,500 shares respectively to $5.00 and 477,000 shares respectively. Ralph T. Tyner, Jr., President of the National Bank of Westchester, stated that this action, previously endorsed by the directors, may result in a broadening of the market for the bank's shares and perhaps a stabilizing of the price. In his report presented at the annual meeting, Mr. Tyner declared, "The year of 1954 was one of great progress. The Westchester Bank & Trust Company and The First National Bank & Trust Company of Tuckahoe consolidated under the name National Bank of Westchester in October which in December was joined by The Tarrytown National Bank & Trust Company. Through these steps, we gained . . . assets in excess of $108 million and additional banking facilities. We now have a total of 10 offices at strategic locations in an area from Long Island Sound on the south to Valhalla on the north and to the Hudson River at Tarrytown on the west, including the key cities of New Rochelle and White Plains." The consolidation was referred to in our issue of Dec. 23, page 2672.

* * *

F. Raymond Peterson, Chairman of the **First National Bank and Trust Company of Paterson, N. J.,** has announced that the Board of Directors has promoted Robert W. Siebert from Assistant Vice-President to Vice-President and has appointed Martin Newstreet Assistant Cashier. Mr. Siebert entered the employ of First National Bank in July 1933. After serving in various operating departments of the bank he served for some time as manager of the bank's Credit Department. In December 1950 he was promoted to Assistant Cashier, and in March 1953 was made an Assistant Vice-President. Mr. Newstreet originally went with the bank in June 1939 after two year's banking experience in New York. From 1942 to 1945 he was in the Air Force. He has worked in various departments of the bank, and since February 1950 has been attached to the Business Development and Public Relations Department.

* * *

COUNTY BANK AND TRUST COMPANY, PATERSON, N. J.

	Dec. 31,'54	June 30,'54
Total resources	$95,270,109	$91,135,970
Deposits	86,644,366	82,890,212
Cash and due from banks	11,893,447	10,836,399
U.S. Govt. security holdings	23,254,597	19,567,380
Loans & Discounts	14,988,147	15,101,186
Undivided profits	2,336,082	2,205,371

* * *

The First Mechanics National Bank of Trenton, N. J., has enlarged its capital from $2,000,000 to $2,500,000, as of Dec. 14, the $500,000 additional having been brought about by a stock dividend of that amount.

* * *

TRENTON TRUST COMPANY, TRENTON, N. J.

	Dec. 31,'54	June 30,'54
Total resources	$71,974,280	$72,966,135
Deposits	66,190,179	67,376,495
Cash and due from banks	10,154,818	9,236,554
U.S. Govt. security holdings	20,178,155	18,451,914
Loans & discounts	22,516,663	23,771,823
Undivided profits	996,741	972,860

* * *

F. J. Andre, and S. Harrison Rollinson, Jr., have been elected to the Board of Directors of **Fidelity Union Trust Company of Newark, N. J.** the bank announced Jan. 26.

Mr. Andre is a trustee of the **Excelsior Savings Bank of New York City.**

* * *

The Board of Directors of **Tradesmen's Land Title Bank and Trust Company of Philadelphia** has voted to recommend to the stockholders that the bank's name be shortened to **Tradesmen's Bank and Trust Company.** James M. Large, President, stated that the decision of the board was based on the fact that the present title is long and unwieldly. In addition, the inclusion of "Land Title" in the name led many to believe that the principal interest of the bank was in real estate title insurance. "Our interest in title insurance continues to be active," Mr. Large said, "but since the merger in June 1953 this portion of our business has been conducted by our wholly owned subsidiary, Land Title Insurance Company."

He added that "the shortening of the title will remove the confusion that presently exists in the public mind between the business of the bank and that of the title company." The recommendation of the board of directors will be submitted to the stockholders at the annual meeting Feb. 14.

* * *

An increase in the capital of the **Central National Bank at Cambridge, Ohio,** is announced by the Comptroller of the Currency. Previously $200,000, the capital as of Dec. 29, was enlarged to $250,000, this resulting from a stock dividend of $25,000, and by the sale of $25,000 of new stock.

* * *

NATIONAL BANK OF DETROIT, DETROIT, MICH.

	Dec. 31,'54 $	June 30,'54 $
Total resources	1,819,462,027	1,770,282,038
Deposits	1,692,153,216	1,657,103,713
Cash and due from banks	407,485,851	385,090,959
U. S. Govt. security holdgs.	807,068,296	819,002,499
Loans & discts.	475,156,085	430,427,059
Undiv. profits	14,131,219	13,974,048

* * *

Stockholders of **City National Bank & Trust Company of Kansas City, Mo.,** at their annual meeting on Jan. 11 approved a 25% stock dividend, calling for a million-dollar increase in capital. Through the transfer of $1,000,000 from undivided profits to capital, City National will have capital of $5,000,000 and a loan limit of $1,100,000 for any one credit line. The stock dividend will increase the number of $25 par value shares from 160,000 to 200,000, according to R. Crosby Kemper, President of City National. The stockholders' action is subject to approval by the Comptroller of the Currency. The bank's board of directors also announced six staff promotions: Edward V. Geary, estate planning officer in the Trust Department, advanced to Trust Officer, and James R. Bocell, Assistant Trust Officer, named Trust Operations Officer. In the bank's bond department, A. F. Stepp has been promoted to Assistant Vice-President, and W. E. Ryan to Assistant Cashier. Also named Assistant Cashier were Bruce, Noel, head of collections for the installment loan department, and Melvin D. Ellis, a special representative in the correspondent banks department. Mr. Geary joined City National's Trust Department in 1952. His previous experience includes two years as Assistant Bank and Trust Examiner with the Federal Reserve Bank in Kansas City, and five years with the Percy Kent Bag Co.

* * *

Wallace M. Davis was re-elected President of **The Hibernia National Bank of New Orleans, La.,** at the Board of Directors meeting which took placed after the Annual Meeting of shareholders, on Jan. 11. There were no changes in the directorate. At the meeting of the bank's Directors George W. Owen, Jr., formerly Vice-President and Cashier, and W. W. Pope, Vice-President, were appointed Senior Vice-Presidents; T. J. Wallbillich, Manager of the Foreign Trade Department, and A. E. Alexander, Manager of the Oil and Gas Department, were appointed Vice-Presidents; Oswald J. Howat, formerly Assistant Vice-President in the Operations Department, was named Cashier, William H. Solis, Assistant Cashier, was appointed Assistant Trust Officer; and William J. Treuting and Robert R. Bond, of the Business Development Department, were appointed Assistant Cashiers. George W. Owen, Jr., has been associated with The Hibernia National Bank as Cashier since its opening in May 1933; in 1939, he was elected Vice-President. Mr. Owen left the Reconstruction Finance Corporation in 1933 to become Cashier of The Hibernia National. Immediately following World War I, in which he served as a commissioned officer in the Navy, Mr. Pope began his banking career with the Federal Reserve Bank in New Orleans. Later he joined the State Bank Examination Service, and then entered the employ of The Hibernia Bank & Trust Company in 1919 as an Assistant Auditor. He was elected Assistant Cashier in 1925. When The Hibernia National Bank in New Orleans was organized in 1933, Mr. Pope was elected Assistant Vice-President and headed the Credit Department. In 1939, he was made Vice-President, in which capacity he served until his election to Senior Vice-President.

George W. Owen, Jr.

W. W. Pope

Thos. J. Wallbillich

A. Elroy Alexander

Mr. Wallbillich began his banking career in 1918, when he was employed by The Hibernia Bank & Trust Company as a messenger. He worked in various departments, as well as at the Jefferson Branch. In 1923, he was transferred to the Foreign Trade Department, and in 1933, at the organization of The Hibernia Nation Bank, Mr. Wallbillich became a member of the Staff of the Foreign Trade Department, and was appointed Assistant Manager in 1941. He became Manager of the Foreign Department in 1947 and will continue in this capacity.

On leaving school, Mr. Alexander joined the Standard Oil Company of Texas, to work in the Title Section of the Land & Lease Department. During the latter part of 1937, he transferred to the California Company, and came to Louisiana to engage in field title work. Mr. Alexander worked in the New Orleans Office of The California Company for several years and early in 1947, was made Unitization Supervisor. In May 1950, Mr. Alexander came to The Hibernia National Bank as Manager of the Oil & Gas Department. Mr. Alexander is a member of the Petroleum Club of New Orleans, The New Orleans Country Club, The Independent Petroluem Association of America, etc.

Mr. Howat began his banking career on Oct. 10, 1925, with the Hibernia Bank & Trust Company where he was assigned to the general staff and later placed in charge of the proof section. Mr. Howat was then transferred to Auditing work, and in that department served in various capacities until he assumed the duties of Auditor on March 1, 1946. On March 22, 1949, he was given the title of Assistant Vice-President and Auditor, and in the early part of 1951 was relieved of duties of Auditor and placed in the Operations department as Assistant Vice-President, which assignment he has held to the present time. He will now become Cashier.

Mr. Solis has been connected with the bank since 1933, serving in various departments before his appointment to the Trust Department. He is a graduate of the American Institute of Banking and has held various executive offices in the local Chapter, including the Presidency. Mr. Solis served in the armed forces.

Mr. Treuting served in the United Stats Marine Corps for three years from 1943 to 1946. Before entering the employ of The Hibernia National Bank in 1952 he was employed by the Texas Transport & Terminal, Inc., and Strachan Shipping Company. Mr. Treuting served in the Mid-City and Gentilly Branches of The Hibernia National, and was appointed to the Business Development Department in October, 1953. Mr. Treuting will assume his duties as Assistant Cashier in this same department.

Mr. Bond saw active duty in the U. S. Navy from 1944 to 1946 when he was released as a Lieutenant, j.g. He was employed by A. S. Aloe Company after his release from the Navy until 1952 when he entered the employ of The Hibernia National Bank. Mr. Bond has been active in the Business Development Department where he will continue his duties as Assistant Cashier.

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:

	Date	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 30	§84.0	*83.2	77.6	75.6
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 30	§2,027,000	*2,008,000	1,850,000	1,802,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 14	6,689,200	6,574,400	6,375,300	6,332,550
Crude runs to stills—daily average (bbls.)	Jan. 14	¶7,370,000	7,389,000	7,226,000	6,968,000
Gasoline output (bbls.)	Jan. 14	24,784,000	25,392,000	24,478,000	23,677,000
Kerosene output (bbls.)	Jan. 14	2,822,000	2,844,000	2,500,000	2,693,000
Distillate fuel oil output (bbls.)	Jan. 14	12,029,000	12,444,000	11,587,000	10,286,000
Residual fuel oil output (bbls.)	Jan. 14	8,737,000	8,876,000	7,818,000	8,923,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 14	162,198,000	160,956,000	151,778,000	163,560,000
Kerosene (bbls.) at	Jan. 14	27,677,000	28,465,000	31,936,000	25,490,000
Distillate fuel oil (bbls.) at	Jan. 14	100,111,000	105,132,000	118,082,000	99,346,000
Residual fuel oil (bbls.) at	Jan. 14	50,566,000	52,065,000	52,265,000	49,066,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 15	644,940	602,203	641,871	619,871
Revenue freight received from connections (no. of cars)	Jan. 15	597,676	565,545	612,748	582,053
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 20	$257,151,000	$364,734,000	$324,479,000	$173,545,000
Private construction	Jan. 20	163,839,000	249,096,000	194,561,000	103,189,000
Public construction	Jan. 20	93,312,000	115,638,000	129,918,000	70,356,000
State and municipal	Jan. 20	83,175,000	87,817,000	98,596,000	51,844,000
Federal	Jan. 20	10,137,000	27,821,000	31,322,000	18,512,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 15	8,680,000	8,510,000	8,820,000	8,180,000
Pennsylvania anthracite (tons)	Jan. 15	553,000	489,000	688,000	698,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 15	99	106	240	85
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 22	‡9,981,000	9,928,000	9,431,000	8,976,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 20	265	200	213	208
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 18	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Jan. 18	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Jan. 18	$34.50	$34.33	$32.83	$28.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 19	29.700c	29.700c	29.700c	29.650c
Export refinery at	Jan. 19	31.775c	30.975c	31.875c	28.475c
Straits tin (New York) at	Jan. 19	86.250c	87.125c	88.000c	84.500c
Lead (New York) at	Jan. 19	15.000c	15.000c	15.000c	13.000c
Lead (St. Louis) at	Jan. 19	14.800c	14.800c	14.800c	12.800c
Zinc (East St. Louis) at	Jan. 19	11.500c	11.500c	11.500c	9.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 25	97.68	97.88	99.09	98.02
Average corporate	Jan. 25	110.34	110.34	110.52	107.44
Aaa	Jan. 25	114.46	114.46	114.66	112.37
Aa	Jan. 25	112.00	112.00	112.19	109.60
A	Jan. 25	110.34	110.15	110.52	107.27
Baa	Jan. 25	104.83	104.83	105.00	100.98
Railroad Group	Jan. 25	108.52	108.52	108.70	105.17
Public Utilities Group	Jan. 25	110.88	110.88	111.07	107.80
Industrials Group	Jan. 25	111.44	111.62	111.81	109.42
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 25	2.66	2.65	2.58	2.64
Average corporate	Jan. 25	3.15	3.15	3.14	3.31
Aaa	Jan. 25	2.93	2.93	2.92	3.04
Aa	Jan. 25	3.06	3.06	3.04	3.19
A	Jan. 25	3.15	3.16	3.15	3.32
Baa	Jan. 25	3.46	3.46	3.45	3.69
Railroad Group	Jan. 25	3.25	3.25	3.24	3.44
Public Utilities Group	Jan. 25	3.12	3.12	3.11	3.29
Industrials Group	Jan. 25	3.09	3.08	3.07	3.20
MOODY'S COMMODITY INDEX	Jan. 25	417.2	413.4	409.8	419.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 15	241,055	249,382	208,891	223,396
Production (tons)	Jan. 15	255,794	204,172	252,701	243,316
Percentage of activity	Jan. 15	93	86	92	91
Unfilled orders (tons) at end of period	Jan. 15	388,392	406,002	349,727	390,294
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 21	106.47	106.61	106.78	107.44
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. 8	1,946,677	1,444,572	1,412,931	863,821
Dollar value	Jan. 8	$99,201,069	$68,068,161	$67,572,730	$38,131,438
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Jan. 8	2,163,641	1,529,630	1,492,485	668,498
Customers' short sales	Jan. 8	9,421	8,665	10,131	8,092
Customers' other sales	Jan. 8	2,154,220	1,520,965	1,482,354	660,406
Dollar value	Jan. 8	$106,547,091	$65,728,335	$65,742,603	$27,318,721
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 8	700,450	535,360	468,123	208,270
Short sales	Jan. 8	------	------	------	------
Other sales	Jan. 8	700,450	535,360	468,123	208,270
Round-lot purchases by dealers—					
Number of shares	Jan. 8	487,680	394,450	387,730	344,460
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	Jan. 1	658,620	550,440	666,980	183,790
Other sales	Jan. 1	18,647,260	14,514,540	16,828,770	8,397,870
Total sales	Jan. 1	19,305,880	15,064,980	17,495,750	8,581,660
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 1	2,319,510	1,612,870	2,076,330	742,990
Short sales	Jan. 1	348,440	250,440	376,020	95,580
Other sales	Jan. 1	2,049,730	1,285,780	1,708,920	583,430
Total sales	Jan. 1	2,398,170	1,536,220	2,084,940	679,010
Other transactions initiated on the floor—					
Total purchases	Jan. 1	543,970	505,160	611,650	187,410
Short sales	Jan. 1	32,300	23,500	26,100	5,500
Other sales	Jan. 1	562,320	429,010	593,950	143,610
Total sales	Jan. 1	594,620	452,510	620,050	149,110
Other transactions initiated off the floor—					
Total purchases	Jan. 1	729,603	622,661	656,625	341,700
Short sales	Jan. 1	100,200	99,200	80,910	23,300
Other sales	Jan. 1	862,413	630,982	725,762	223,297
Total sales	Jan. 1	962,613	730,182	806,672	246,597
Total round-lot transactions for account of members—					
Total purchases	Jan. 1	3,593,083	2,740,691	3,344,605	1,272,100
Short sales	Jan. 1	480,940	373,140	483,030	124,380
Other sales	Jan. 1	3,474,463	2,345,772	3,028,632	950,337
Total sales	Jan. 1	3,755,403	2,718,912	3,511,662	1,074,717
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 18	110.1	110.1	109.4	110.9
Farm products	Jan. 18	92.6	92.7	90.7	98.4
Processed foods	Jan. 18	104.0	103.7	103.0	105.9
Meats	Jan. 18	87.7	86.5	83.8	95.8
All commodities other than farm and foods	Jan. 18	115.1	115.1	114.7	114.5

*Revised figure. ¶Includes 654,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against 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
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of December	8,281,000	*8,089,427	7,946,328
Shipments of steel products (net tons)—Month of November	5,240,209	5,035,364	5,903,980
AMERICAN PETROLEUM INSTITUTE — Month of October:			
Total domestic production (barrels of 42 gallons each)	211,687,000	204,855,000	214,978,000
Domestic crude oil output (barrels)	190,198,000	184,527,000	194,108,000
Natural gasoline output (barrels)	21,446,000	20,276,000	20,837,000
Benzol output (barrels)	43,000	52,000	33,000
Crude oil imports (barrels)	19,893,000	20,168,000	19,806,000
Refined products imports (barrels)	13,112,000	9,791,000	10,883,000
Indicated consumption domestic and export (barrels)	241,337,000	*232,810,000	238,122,000
Increase all stock (barrels)	3,355,000	*2,004,000	7,545,000
AMERICAN RAILWAY CAR INSTITUTE—Month of December:			
New domestic freight cars delivered	2,173	1,302	4,456
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of December:			
New England	$21,503,579	$21,641,289	$14,836,020
Middle Atlantic	68,040,491	74,879,340	105,141,783
South Atlantic	41,272,680	33,925,015	29,452,475
East Central	73,566,605	76,954,373	67,301,733
South Central	76,826,091	76,674,220	60,940,461
West Central	27,806,248	46,230,111	21,306,200
Mountain	17,840,717	20,187,682	16,896,261
Pacific	82,283,322	77,387,157	61,202,714
Total United States	$409,139,733	$427,879,197	$377,077,647
New York City	40,309,360	45,195,814	55,856,712
Outside New York City	368,830,373	382,683,383	321,220,935
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	204	179	193
Wholesale number	98	86	85
Retail number	413	490	382
Construction number	130	110	89
Commercial service number	72	68	64
Total number	917	933	813
Manufacturing liabilities	$17,526,000	$8,099,000	$23,731,000
Wholesale liabilities	6,285,000	5,578,000	4,241,000
Retail liabilities	8,509,000	10,466,000	9,757,000
Construction liabilities	5,926,000	6,859,000	4,154,000
Commercial service liabilities	1,857,000	4,065,000	1,871,000
Total liabilities	$40,103,000	$35,067,000	$43,754,000
COAL OUTPUT (BUREAU OF MINES)—Month of December:			
Bituminous coal and lignite (net tons)	37,825,000	36,750,000	37,082,000
Pennsylvania anthracite (net tons)	2,816,000	*2,500,000	2,443,000
COKE (BUREAU OF MINES)—Month of Nov.:			
Production (net tons)	5,230,836	*5,082,374	6,222,600
Oven coke (net tons)	5,198,109	*5,053,429	5,915,300
Beehive coke (net tons)	32,727	*28,945	307,300
Oven coke stock at end of month (net tons)	2,806,768	*2,850,695	2,657,729
COPPER INSTITUTE—For month of December:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	97,806	*97,837	88,732
Refined (tons of 2,000 pounds)	133,523	*116,135	123,296
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	119,626	*118,925	112,244
Refined copper stocks at end of period (tons of 2,000 pounds)	47,108	*37,094	89,193
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Weekly Earnings—			
All manufacturing	$74.12	*$73.57	$72.36
Durable goods	80.15	*79.15	77.52
Nondurable goods	66.47	*65.97	64.45
Hours—			
All manufacturing	40.5	*40.2	40.2
Durable goods	41.1	*40.8	40.8
Nondurable goods	39.8	*39.5	39.3
Hourly Earnings—			
All manufacturing	$1.83	*$1.83	$1.80
Durable goods	1.95	*1.94	1.90
Nondurable goods	1.67	1.67	1.64
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of November:			
Gas-fired furnace shipments (units)	71,700	77,300	43,100
Gas conversion burner shipments (units)	14,200	30,100	15,600
Gas operated boiler shipments (units)	6,800	10,300	5,700
Domestic gas range shipments (units)	170,500	217,100	158,500
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Dec.:			
Seasonally adjusted	130	129	126
Unadjusted	128	130	124
INTERSTATE COMMERCE COMMISSION—Index of Railway Employment at middle of December 1935-39 Average=100)	100.7	100.6	115.0
LIFE INSURANCE — BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$169,921,000	$151,957,000	$152,387,000
Matured endowments	49,254,000	44,863,000	39,862,000
Disability payments	8,947,000	8,809,000	8,717,000
Annuity payments	38,626,000	35,818,000	35,971,000
Surrender values	72,863,000	66,690,000	58,376,000
Policy dividends	60,354,000	63,778,000	54,493,000
Total	$399,965,000	$371,915,000	$349,806,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Dec.	£16,529,000	£52,656,000	£22,555,000
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of Sept.	2,304	2,049	1,820
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	------	------
Net purchases	$40,965,100	$14,238,500	$615,500
ZINC OXIDE (BUREAU OF MINES)—Month of November:			
Producttion (short tons)	11,819	*12,113	14,100
Shipments (short tons)	11,953	*11,658	12,465
Stocks at end of month (short tons)	14,775	*14,909	28,369

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 Beauty Homes, Inc., Houston, Tex.
Jan. 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For prefabrication and assembly of homes. **Office**—10509 South Main St., Houston, Tex. **Underwriters** — Hunter Securities Corp., New York, and Continental Securities Corp., Houston, Tex.

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 Hospital Supply Corp., Evanston, Ill.
Jan. 19 (letter of notification) 5,000 shares of common stock (par $4) to be issued at the market, or lower, estimated at $25.25 per share. These shares are subject to option to the Harry M. Berner Estate, of which Leo E. Stevens, 2020 Ridge Ave., Evanston, Ill., and Charles F. Hough, 231 So. La Salle St., Chicago, Ill., are trustees.

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. 8; 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.

★ Audio & Video Products Corp.
Jan. 17 (letter of notification) 450,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—To reduce accounts payable, to maufacture new tape recording machine, and for working capital. **Office**—730 Fifth Ave., New York, N. Y. **Underwriter** — Townsend Graff & Co., same city.

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 Science & Electronics Corp.
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. **Offering**—Expected today (Jan. 27).

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.

★ Bangtail Preferred, Inc. (N. Y.)
Jan. 13 (letter of notification) 200 shares of capital stock (no par). **Price**—$50 per share. **Proceeds**—To purchase and run race horses on New York tracks. **Office**—161-10 Jamaica Ave., Jamaica, N. Y. **Underwriter**—None.

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.

★ Black & Decker Mfg. Co., Towson, Md.
Jan. 18 (letter of notification) an undetermined number of shares of common stock (par $1), to be offered to employees pursuant to an employees' stock purchase plan adopted in 1954. **Price**—Not to exceed an aggregate of $300,000. **Proceeds**—For working capital. **Underwriter**—None.

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. (1/31)
Nov. 26 filed 200,000 shares of preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) to be 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. (2/7-8)
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.

★ Calaveras Mineral Products, Inc.
Jan. 17 (letter of notification) 125,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining operations. **Office** — 1110 Center St., Santa Cruz, Calif. **Underwriter**—Jonas L. Roe, same address.

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.

★ Capitol Reef Uranium Corp., Reno, Nev.
Jan. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—First National Bank Bldg., Reno, Nev. **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.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **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.

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 & Potomac Telephone Co. of Baltimore City (2/1)
Jan. 11 filed $25,000,000 40-year debentures due 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**—To be received up to 11 a.m. (EST) on Feb. 1 at Room 2315 — 195 Broadway, New York, N. Y.

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.

★ Clarington Sand & Gravel Co.
Jan. 18 (letter of notification) 12,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For purchase of mining and washing equipment to equip plant now under construction. **Office** — Clarington, Pa. **Underwriter**—William T. Bowler & Co., Bradford, 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 are 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. Offer expires Feb. 21. **Price**—At par and accrued in-

terest. **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.

Colorvision, Inc., Los Angeles, Calif.
Nov. 1 (letter of notification) 300,000 shares of common stock to be offered for subscription to present stockholders. **Price**—At par ($1 per share). **Proceeds**—For working capital, inventories, machinery and equipment, etc. **Office**—109 N. Larchmont Blvd., Los Angeles 4, Calif. **Underwriter**—None.

★ Composite Fund, Inc., Spokane, Wash.
Jan. 21 filed 150,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ Consolidated Cement Corp., Chicago, Ill. (2/9)
Jan. 20 filed 60,080 shares of common stock (no par), of which 20,000 shares are to be sold for account of certain selling stockholders and 40,080 shares for account of company. **Price**—To be supplied by amendment. **Proceeds** — To be used principally in connection with construction program, already commenced, at Kansas plant. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

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.

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.

★ Cooperative Trading, Inc., Waukegan, Ill.
Jan. 14 (letter of notification) 7,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay debt and for working capital. **Office** — 711 McAlister Ave., Waukegan, Ill. **Underwriter**—None.

★ Crosse & Blackwell Co., Baltimore, Md.
Jan. 21 (letter of notification) $250,000 of 10-year subordinated convertible debentures due Feb. 15, 1965 (convertible into common B stock on the basis of one share of stock for each $2 of debentures). **Price**—At par. **Proceeds**—For working capital. **Office**—6801 Eastern Ave., Baltimore 24, Md. **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 noon (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.

NEW ISSUE CALENDAR

January 28 (Friday)
Automatic Canteen Co. of America .... **Common**
(Offering to stockholders—underwritten by Glore Forgan & Co.) 97,481 shares
Montreal (City of) .... **Debentures**
(Shields & Co.; Halsey, Stuart & Co. Inc.; and Savard & Hart) $35,000,000

January 31 (Monday)
Bowl-Mor Co., Inc. .... **Preferred & Common**
(Aetna Securities Corp.) $1,100,000

February 1 (Tuesday)
Chesapeake & Potomac Telephone Co. of Baltimore City .... **Debentures**
(Bids 11 a.m. EST) $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 Homes, Inc. .... **Common**
(S. D. Fuller & Co.) $1,500,000

February 3 (Thursday)
Allied Stores Corp. .... **Common**
(Lehman Brothers) 300,000 shares
General Telephone Co. of the Northwest .... **Preferred**
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Pacific Northwest Co.) $3,600,000
Minerals & Chemicals Corp. of America .... **Common**
(Lehman Brothers) 435,934 shares
Pittston Co. .... **Common**
(Allen & Co. and Reynolds & Co.) 285,000 shares

February 7 (Monday)
British Western America Uranium Corp. .... **Common**
(S. D. Fuller & Co. and Vermilyea Brothers) $298,400

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 8 a.m. PST) $12,000,000
Southeastern Public Service Co. .... **Common**
(Exchange offer—not underwritten) 28,000 shares

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
Consolidated Cement Corp. .... **Common**
(Merrill Lynch, Pierce, Fenner & Beane) 60,080 shares
Lehman Corp. .... **Common**
(Offering to stockholders—no underwriting) 420,623 shares.

February 14 (Monday)
Dallas Power & Light Co. .... **Debentures**
(Bids noon EST) $7,000,000

February 15 (Tuesday)
Chesapeake & Colorado Uranium Corp. .... **Common**
(Peter Morgan & Co.) $750,000
Kansas City Power & Light Co. .... **Bonds**
(Bids 11 a.m. EST) $16,000,000

February 16 (Wednesday)
South Georgia Natural Gas Co. .... **Common**
(Shields & Co.) about $900,000

February 23 (Wednesday)
Texas Electric Service Co. .... **Bonds**
(Bids 11:30 a.m. EST) $17,000,000

February 28 (Monday)
Sheraton Corp. of America .... **Debentures**
(Paine, Webber, Jackson & Curtis) $5,000,000

March 1 (Tuesday)
Central & South West Corp. .... **Common**
(Bids to be invited) 600,000 shares

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

★ Devale Dairies, Inc., Baltimore, Md.
Jan. 21 (letter of notification) 10,000 shares of common stock (par $10); and 1,000 shares of 6% cumulative series C preferred stock (par $100) or an equal amount of 5% debentures due Feb. 15, 1965 (aggregate of the preferred and/or the debentures will not exceed $100,000). **Price**—At par. **Proceeds**—For expansion. **Office**—2030 Harford Road, Baltimore, Md. **Underwriter**—None.

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.

★ Diamond Uranium Corp., Moab, Utah
Jan. 20 (letter of notification) 3,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—M. I. C. Bldg., Moab, Utah. **Underwriter**—Security Uranium Service, Inc., K. O. V. O. Bldg., P. O. Box 77, Provo, Utah.

★ Dodge Uranium Corp., Grand Junction, Colo.
Jan. 20 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—212 Uranium Center Bldg., Grand Junction, Colo. **Underwriter**—None.

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.

★ East N'West Finance Co., Phoenix, Ariz.
Jan. 4 (letter of notification) 120,000 shares of class AA common voting stock at par (25 cents per share); 280,000 shares of class A common non-voting stock at par (25 cents); 30,000 shares of class B common non-voting stock at par (50 cents); 15,000 shares of class C common non-voting stock at par ($1 per share); 7,500 shares of class D common non-voting stock at par ($2 per share); and 94,722 shares of class E common non-voting stock (par $1), of which 34,444 shares will be offered to officers and directors at par, and 60,278 shares will be offered to public at $2 per share. **Underwriter** — None. Stock will be offered through W. Delbert Tenney, Tempe, Ariz.; John Brannan, Phoenix, Ariz.; and J. Lee Thompson, Tempe, Ariz.

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.

★ East Texas Loan & Investment Co.
Jan. 20 (letter of notification) 25,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds**—For working capital. **Office**—203 East Cotton St., Longview, Tex. **Underwriter**—D. G. Carter Investment Co., same address.

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.

★ Epsolon Uranium Corp., St. George, Utah
Jan. 19 (letter of notification) 4,277,394 shares of common stock (par one cent). **Price**—To incorporators only, 2½ cents per share. **Proceeds** — For mining expenses. **Underwriter**—None.

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.

Fallon Gas Corp., Denver, Colo.
Oct. 20 (letter of notification) 5,400,000 shares of common stock (par five cents) to be offered for subscription by stockholders of Colo-Kan Fuel Corp. for a period of 40 days; then to public. **Price**—5½ cents per share. **Proceeds**—For expenses incident to gas activities (and possibly uranium). **Office**—527 Ernest & Cranmer Bldg.,

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Denver, Colo. **Underwriter** — First Securities Corp., Philadelphia, Pa.

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.

★ **Federal Civilian Employees' Club, Washington, D. C.**
Jan. 18 (letter of notification) $250,000 of 25-year 6% debentures (in units of $100 or multiples thereof). **Proceeds**—For purchase of property and initial development. **Underwriter**—None. **Incorporated**—In Virginia.

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.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ **Futures, Inc., New York**
Jan. 11 (letter of notification) 94,000 shares of capital stock (par $1). **Price**—At net asset value. **Proceeds**—For investment in commodities and commodities futures. **Underwriter**—Futures Distributors, New York.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

Gem Uranium & Oil Co., Salt Lake City, Utah
Dec. 9 (letter of notification) 11,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For exploration and development of oil and uranium properties. **Office** — 414 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Utah Uranium Brokers, same city.

● **General Homes, Inc. (2/2)**
Dec. 15 filed 300,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For plant expansion, new equipment, inventory and working capital. **Office**—Huntington Station, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

★ **General Motors Corp., Detroit, Mich. (2/8)**
Jan. 20 filed 4,385,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 8 at the rate of one new share for each 20 shares held; rights to expire on March 7. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **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 America N. T. & S. A., San Francisco and Los Angeles, Calif. **Underwriter**—Morgan Stanley & Co., New York.

★ **G. M. Shares, Inc., Detroit, Mich.**
Jan. 20 filed 52,585 shares of class A stock (par $1), 11,138 shares of class B stock (par $1) and 790 shares of common stock (par $1) to be offered for subscription by holders of the respective shares at the rate of one new share for each 20 shares of stock held as of record Feb. 8. **Proceeds**—To purchase common stock of General Motors Corp. through the exercise of rights received from that company. At Dec. 31, 1954, G. M. Shares, Inc. owned 2,577,160 shares of General Motors common.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Telephone Co. of California (2/8)
Jan. 10 filed $12,000,000 of first mortgage bonds, series I, due Feb. 1, 1985. **Price**—To be supplied by amendment. **Proceeds**—To discharge bank loans and for property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White. Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 8 p.m. (PST) on Feb. 8.

● **General Telephone Co. of the Northwest (2/3)**
Jan. 12 filed 144,000 shares of 4.80% cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Pacific Northwest Co., Seattle, Wash.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Globe Metallurgical Corp., Beverly, Ohio
Jan. 18 filed 147,500 shares of common stock (par $5), of which 30,000 shares are to be offered to a group composed largely of stockholders of Globe Iron Co, the partent and 117,500 shares are to be offered to public. **Price** — $10 per share. **Proceeds** — For capital improvements and working capital. **Underwriter**—McDonald & Co., Cleveland, Ohio.

Green Mountain Uranium Corp. (2/1)
Nov. 30 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office**—618 Rood Ave., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Gulf States Utilities Co.
May 14, 1954 filed 160,800 shares of preferred stock (par $100). **Proceeds**—To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14, 1954 filed $24,000,00 first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter—**To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); 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.

★ **H. and S. Manufacturing Co., Wilmington, Del.**
Jan. 17 (letter of notification) 50,000 shares of 8% cumulative preferred stock (par $1) and 50,000 shares of class A common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price** — $3 per unit. **Proceeds**—For working capital, etc. **Office**—15 Brookside Drive, Richardson Park, Wilmington 4, Del. **Underwriter**—None.

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, being 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 non-convertible debentures for each common share held. The offering will expire on Feb. 14. **Price**—At 100% of principal amount. **Proceeds**—To prepay bank loan and for working capital. **Underwriter**—None.

★ **Howell-Rogin Studio, Inc.**
Jan. 11 (letter of notification) 500 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For equipment and working capital. **Office** — 756 Seventh Ave., New York 19, N. Y. **Underwriter**—None.

★ **Hycalog, Inc., Shreveport, La. (2/1)**
Jan. 6 (letter of notification) 50,000 shares of common stock (no par), of which 5,000 shares are to be first offered to employees and the remainder to public. **Price**—$4.60 per share; to public $5 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Keith Reed & Co., Dallas, Tex.

● **Imperial Minerals, Ltd. (Canada)**
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. **Offering** — Expected today (Jan. 27).

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.

Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

★ **Jarmon Properties & Oil Development Corp.**
Jan. 17 (letter of notification) 30,000 shares of captal stock. **Price**—At par ($10 per share). **Proceeds**—For further exploration and development. **Addres**—P. O. Box 1109, Wichita Falls, Tex. **Underwriter**—John A. Aicholtz & Associates, 505 Macon St., Fort Worth, Tex., and another.

★ **Jay-O, Inc., Paterson, N. J.**
Jan. 24 (letter of notification) 1,200 shares of common A voting stock (no par) and 4,800 shares of common B non-voting stock (no par) to be offered in units of one common A share and four common B shares. **Price**—$250 per unit. **Proceeds** — For merchandise purchases and working capital. **Office**—132 Market St., Paterson, N. J. **Business**—Distributor of jewelry. **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 up to 11 a.m. (EST) at 20 Exchange place, New York, N. Y.

★ **Kelley-Jo Oil Corp., Choctaw, Okla.**
Jan. 17 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For exploration and development. **Office**—122 North Broadway St., Choctaw, Okla. **Underwriter**—None.

Kemper Thomas Co., Cincinnati, Ohio
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **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.

★ **Lehman Corp., New York (2/9)**
Jan. 20 filed 420,623 shares of capital stock (par $1) to be offered for subscription by stockholders of record about Feb. 8 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Feb. 23. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—None.

★ **Levine (A. A.) Co., Inc., Bedford, Mass.**
Jan. 17 (letter of notification) 540 shares of class A comfon stock and 527 shares of class B common stock. **Price**—At par ($50 per share). **Proceeds**—To procure laboratory facilities and for working capital. **Office**—166 Page Road, Bedford, Mass. **Underwriter**—None.

★ **Libbey-Owens-Ford Glass Co., Toledo, Ohio**
Jan. 24 filed 19,322 shares of common stock (par $10) to be offered for sale to employees holding series J options granted pursuant to the company's Stock Option Plan. **Price**—$52.50 per share.

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.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

★ **Lucky Strike Oil & Land Co.**
Jan. 20 (letter of notification) 1,000,000 shares of class A comomn stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to oil activities. **Office**—1824 California St., Denver, Colo. **Underwriter**—None.

Lucky Strike Uranium Corp.
Jan. 4 (letter of notification) 4,300,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—38 South Main 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-Continent Securities, Inc., the same city.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For development expenses. Underwriter—Crerie & Co., Houston, Tex.

★ Massachusetts Investors Growth Stock Fund, Inc.
Jan. 24 filed 328,843 shares of capital stock. Price—At market. Proceeds—For investment.

★ Mayfair Shopping Center, Inc., Los Angeles, Cal.
Jan. 13 (letter of notification) 100,000 shares of class A (non-voting) common stock (par 48 cents) and 100,000 shares of class B (voting) common stock (par one cent) to be offered in units of one share of each class of stock. Price—50 cents per unit. Proceeds—To purchase property and fixtures. Underwriter—None. Jacqueline Rose, 10831 Wilshire Blvd., Los Angeles, Calif., is President.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. Proceeds—To acquire assets and business of H. & T. McCluskey & Sons, Inc. Office—527 Grand Avenue, New Haven, Conn. Underwriter—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

Merritt-Chapman & Scott Corp.
Dec. 21 filed 3,018,567 shares of common stock (par $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 (par $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.

★ Micro-Moisture Controls, Inc.
Jan. 13 (letter of notification) $250,000 of 6⅝% income convertible debentures (subordinated) due Feb. 1, 1965, to be offered initially to stockholders. Price—100% of par (in units of $100 or multiples thereof). Proceeds—For working capital, etc. Office—22 Jericho Turnpike, Mineola, N. Y. Underwriter—None.

● Mid-Continent Uranium Corp.
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. Offering—Expected today (Jan. 27).

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 (2/3)
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.

● Minneapolis Gas Co.
Dec. 30 filed 184,523 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 20 at rate of one new share for each eight shares held; rights to expire on Feb. 2. Price—$24 per share. 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 $8.50 per share). Proceeds—To repay bank loans and for construction program. Underwriter—Straus, Blosser & McDowell, Chicago, Ill.

● Missouri Utilities Co.
Dec. 20 filed 27,420 shares of common stock (par $1) being 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); rights to expire on Feb. 8. Price—$20.75 per share. Proceeds—For construction program. Underwriter—Edward D. Jones & Co., St. Louis, Mo.

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 (1/28)
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. Underwriters—Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart were awarded this issue on 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.

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.

● Nippising Mines Co. Ltd., Toronto, Canada
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. 26, 1955, on a share-for-share basis; rights will expire on Feb. 28. 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 Streit; all of Toronto, Canada.

Norfolk & Carolina Telephone & Telegraph Co.
Nov. 10 (letter of notification) 2,000 shares of common stock (par $100) to be offered for subscription by stockholders. Proceeds—To repay loan. Office—Elizabeth City, N. C. Underwriter—None.

★ Northwest Airlines, Inc., St. Paul, Minn.
Jan. 18 filed 37,850 shares of common stock (par $10) to be issued under options to certain officers and a former officer of the company. Prices—$14.37½ per share as to 7,850 shares; $12.12½ as to 20,000 shares; and $11.25 as to 10,000 shares, or a total of $467,844.

★ Nutmeg Mountain Quicksilver, Inc.
Jan. 17 (letter of notification) 800,000 shares of common stock. Price—Five cents per share. Proceeds—For mining expenses. Office—2005 S. E. Hawthorne Blvd., Portland, Ore. Underwriter—None.

★ Oliver Products, Inc. (N. Y.)
Jan. 12 (letter of notification) 150,000 shares of class A stock (par five cents). Price—$2 per share. Proceeds—For acquisition of Florida company and purchase of machinery and equipment; and for working capital. Business—Produces fishing reel. Office—280 Madison Ave., New York 16, N. Y. Underwriter—None.

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.

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.

★ Phaostron Co., South Pasadena, Calif.
Jan. 19 filed 90,000 shares of common stock (par $1), of which 50,000 shares are for the account of the company and 40,000 shares for account of selling stockholders. Price—$6 per share. Proceeds — To reduce bank loans and for working capital. Business—Manufacturer of electric panel meters, electric test instruments, precision resistors, aircraft and sensitive miniature relays, and special products. Underwriter—First California Co., San Francisco, Calif.

Philadelphia Suburban Water Co.
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.

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.

★ Professional Casualty Agency Co., Urbana, Ill.
Jan. 14 (letter of notification) 88,997 shares of capital stock (par $1). Price — $1.15 per share. Proceeds—For working capital, etc. Office—The Maples, Urbana, Ill. 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.

Resort Airlines, Inc., Miami, Fla.
Oct. 21 (letter of notification) 1,190,000 shares of common stock (par 10 cents) being offered to minority stockholders on the basis of one new share for each two shares held of record Oct. 26, 1954. Resort Airlines, Inc. (Del.), parent, has the right to purchase up to 84% of the offer. Price—20 cents per share. Proceeds—To reduce accounts payable and for working capital. Address—Box 242, International Airport, Miami, Fla. Underwriter—None.

Rolon Tire Chain Corp., Denver, Colo.
Oct. 27 (letter of notification) 60,000 shares of common stock. Price—$1 per share. Proceeds—For increased inventory, working capital, sales and production expenses, etc. Office—150 Tejon St., Denver, Colo. Underwriter—Peters, Writer & Christensen, Inc., same city.

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.

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★ **Salisbury Broadcasting Corp., Paxton, Mass.**
Jan. 20 (letter of notification) $150,000 of 5% notes and 6,000 shares of common stock (par $1) to be offered first to stockholders in units of $1,000 of notes and 40 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — Asnebumskit, Paxton, Mass. **Underwriter** — Kinsley & Adams, 6 Norwich St., Worcester, Mass.

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.

★ **Sans Souci Hotel, Inc., Las Vegas, Nev.**
Jan. 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For construction of additional wing to hotel. **Office**—3320 South Fifth St., Las Vegas, Nev. **Underwriter**—None.

● **Seven Up Bottling Co. of Los Angeles, Inc.**
Dec. 14 filed 19,767 shares of capital stock (no par) being offered for subscription by common stockholders of record Jan. 14, 1955 at rate of one new share for each four shares held; rights to expire on Jan. 27. **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.

★ **Silver Reef Uranium Co., Salt Lake City, Utah**
Jan. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—130 South 13th East, Salt Lake City, Utah. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

★ **Slagle (Jerry), Inc., Washington, D. C.**
Jan. 17 (letter of notification) 6,000 shares of class A common stock. **Price**—At par ($50 per share). **Proceeds**—For automobile financing activities. **Offices** — 217 Southern Bldg., Washington, D. C.; and 833 Pitt St., Alexandria, Va. **Underwriter**—None.

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.

★ **Southeastern Public Service Co. (2/8)**
Jan. 24 (letter of notification) 28,000 shares of common stock (par 10 cents) to be offered in exchange for Hamilton Gas Corp. capital stock (par $1) on the basis of 3½ Southeastern shares for each Hamilton share. This offer shall terminate when offer shall have been accepted by Hamilton stockholders owning not in excess of 8,000 shares of Hamilton stock. **Office**—70 Pine St., New York 5, N. Y. **Underwriter**—None.

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.

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.

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.

★ **Swift & Co., Chicago, Ill.**
Jan. 20 filed 86,800 shares of common stock (par $25) deliverable upon exercise of options issued to eligible officer and key employees of company and its wholly-owned subsidiaries under its Stock Option Plan.

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. **Offering**—Now being made.

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.

★ **Thatcher Glass Manufacturing Co., Inc.**
Jan. 17 (letter of notification) 2,500 shares of common stock (par $5). **Price**—At market (around $17.87½ per share). **Proceeds**—To Franklin B. Pollock, Chairman of the Board, who is the selling stockholder. **Underwriter**—None. Shares to be sold on the New York Stock Exchange.

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; Milton D. Blauner & Co. and Baruch Brothers & Co.

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.

★ **Tri-State Uranium Corp., Longmont, Colo.**
Jan. 19 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—234 Main St., Longmont, Colo. **Underwriter**—None.

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.

★ **Union Spring & Manufacturing Co. (N. J.)**
Jan. 7 (letter of notification) 115,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—To selling stockholders. **Office**—8th St. and 2nd Ave., New Kensington, Pa. **Underwriter**—Greenfield & Co., Inc., New York. **Offering**—Being made today (Jan. 27).

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 Enterprises, Inc., Denver, Colo.**
Jan. 20 (letter of notification) 1,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For mining expenses. **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.

★ **Vada Uranium Corp., Ely, Nev.**
Jan. 17 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For mining expenses. **Office**—280 Aultman St., Ely, Nev. **Underwriter**—Bristol Securities Co., Fall River, Mass.

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. Statement withdrawn.

★ **Western States Copper & Uranium Corp.**
Jan. 17 (letter of notification) 500,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For mining expenses. **Office** — 5905 Phinney Ave., Seattle, Wash. **Underwriter**—None.

★ **Winfield Mining Co., Moab, Utah.**
Jan. 20 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—M. L. C. Bldg., P. O. Box 648, Moab, Utah. **Underwriter**—Security Uranium Service, K. O. V. O. Bldg., Provo, Utah.

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 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.

★ **Atlantic Steel Co., Atlanta, Ga.**
Jan. 24 it was reported company plans to issue and sell 200,000 shares of common stock (par $5). **Proceeds**—For capital expenditures. **Underwriter**—Courts & Co., Atlanta, Ga.

Avis 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.

★ **Baltimore & Ohio RR.**
Jan. 19 company sought ICC exemption from competitive bidding of up to $345,000,000 of new securities. **Proceeds**—For refunding. **Underwriter**—Previous negotiated sales were handled by Kuhn, Loeb & Co., New York.

★ **Calumet & Hecla, Inc.**
Jan. 19 it was announced stockholders on Feb. 1 will vote on creating an authorized issue of 100,000 shares of cumulative preferred stock (no par), of which it is planned to offer publicly 50,000 shares. **Underwriter**—White, Weld & 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**
Jan. 25 stockholders were to 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). **Proceeds**—To increase capital and surplus. **Underwriter**—McDonald & Co., Cleveland, Ohio.

● **Central & South West Corp. (3/1)**
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). **Bids**—Expected on March 1. **Registration**—Planned for Feb. 2.

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, 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). Exemption from the competitive bidding rule was asked on Jan. 20.

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.

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 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.

★ **Giddings & Lewis Machines Tool Co.**
Jan. 26 it was announced stockholders will vote Feb. 15 on increasing authorized common stock (par $2) from 400,000 shares (360,000 shares outstanding) to 750,000 shares, in order to have additional shares which would be available for acquisition of any business, increased working capital, plant expansion or exchange of shares in other companies. **Underwriter** — Previous financing handled by Hornblower & Weeks and associates.

★ **Gulf Cities Gas Corp.**
Jan. 17, D. L. Alberty, Executive Vice-President, announced that the company will have another stock issue in the near future. **Proceeds**—For expansion. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York, handled previous financing.

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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.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1985. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly). **Bids**—Expected March 15.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans sale of 60,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co. Inc.; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **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 on a production basis on or about March 15. Plans for financing a substantial addition to the company's plant in Portland's Kenton district have been approved by the directors and construction will begin immediately. **Underwriter**—Kidder, Peabody & Co., New York, underwrote previous public financing.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par $100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

New York Telephone Co.
Jan. 17, Keith S. McHugh, President, announced that the company will have to raise more than $100,000,000 of new capital money to aid in carrying out its expansion and improvement program which will cost approximately $200,000,000. **Underwriter**—For and bonds, to be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

North Penn Gas Co.
Dec. 17 it was announced 420,000 shares of common stock (par $5) will soon be offered to public. **Price**—To be named later. **Proceeds**—To The Post Publishing Co., publisher of The Boston Post. **Underwriter**—Eastman, Dillon & Co., New York.

Northern Indiana Public Service Co.
Jan. 12, D. H. Mitchell, President, announced that the company plans to raise approximately $12,000,000 of new money (which may be done through sale of preferred and/or common stock). **Underwriters**—Probably Central Republic Co. (Inc.), Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane.

★ Pacific Gas & Electric Co.
Jan. 19 the directors authorized the sale of $50,000,000 first and refunding mortgage bonds. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Bids**—Expected early in March.

Pacific Northwest Pipe Line Corp.
Dec. 20, C. R. Williams, President, announced that it is planned to offer publicly $16,800,000 of 6% interim notes due May 1, 1956 (convertible into preferred stock at maturity) and 280,000 shares of common stock (par $1) in units of $60 principal amount of notes and 10 shares of stock. **Price**—$70 per unit. **Proceeds**—Together with other funds, to finance construction of a 1,400-mile natural gas pipeline between Ingancio, Colo., and Sumas, Wash., on the Canadian border. In addition, 1,659,200 shares of common stock would be offered for subscription by present stockholders who already own 700,000 shares. **Underwriter**—White, Weld & Co.; Kidder, Peabody & Co.; Dominion Securities Corp.; Union Securities Corp. **Offering** — Expected to be completed in first half of February, 1955.

Porter-Cable Machine Co., Syracuse, N. Y.
Jan. 7, De Alton J. Ridings, President, announced that the company is planning to issue a new block of common stock (no par value) to finance further expansion in the United States and Canada. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue and sell 100,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**—Expected in April or May, 1955.

• Rockland-Atlas National Bank, Boston
Jan. 25 stockholders of record Jan. 25 were given the right to subscribe for 37,500 additional shares of capital stock (par $10) on the basis of one new share for each 5 14/15 shares held; rights to expire on Feb. 9. **Price**—$32.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

• Sheraton Corp. of America (2/28-3/4)
Dec. 13 it was reported company may be planning sale of about $10,000,000 of debentures. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

• South Georgia Natural Gas Co. (2/16)
Jan. 18 it was reported company plans registration today (Jan. 27) of 150,000 shares of common stock. **Price**—About $6 per share. **Proceeds** — For new construction. **Underwriter**—Shields & Co., New York.

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.

Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue additional common stock early in 1955. **Underwriters**—Hornblower & Weeks, William R. Staats & Co. and First California Co.

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.

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 Electric Co. of Missouri
Jan. 24 it was reported company expects to sell about $30,000,000 30-year first mortgage bonds late in 1955. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $20,000,000 to $25,000,000 of first mortgage bonds in the Spring of 1955. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

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.

Our Reporter's Report

With the underwriting world now rather generally disposed to anticipate a long-term government bond as a part of the Treasury's forthcoming March 15 operation, the air is apparently clearing.

At any rate the corporate new issue market gave indication of being in a more receptive mood this week than it had been recently and, as a consequence the largest issue brought out in the period was absorbed with satisfying alacrity.

For more than a forthnight, with the Treasury market giving ground grudgingly but none-the-less steadily, sentiment had been disturbed and large scale investors were disposed to keep to the sidelines. The experience of Commonwealth Edison's big debenture offering mirrored the situation pretty well.

But this week along came the Consumers Power Co.'s $30,000,000 of new 35-year first mortgage bonds. The bidding showed clearly that competing banking groups were thinking very much alike as to price and coupon rate in this instance.

The successful group paid the issuer a price of 101.769 for the bonds as 3¼s, only 39 cents a bond more than the bid entered by the runner-up, 101.73. Reoffering was set at 102.325 for an indicated yield of 3.14%.

A number of larger out-of-town insurance companies came in for sizable blocks and banks, acting for pension funds, also displayed keen interest with the result that the issue moved out rapidly.

The Other Way Around

In the meantime, the banking group which took up Commonwealth Edison's $50,000,000 of 50-year debentures a forthnight ago decided to turn that issue loose to find its own level. The offering had proved decidedly slow in its appeal to buyers.

So early on Monday this week, sponsors decided to dissolve the syndicate and cut it loose. Subsequently the debentures which had been brought out at par for a 3⅛% coupon, dropped back to 98⅞ bid 98 offered.

General Motors' Stock

For the next few weeks, as usually is the case when such an enormous undertaking impends, the projected General Motors' common stock sale via "rights" doubtless will make itself felt marketwise.

Calculated to raise approximately $325,000,000 of new capital, the company will sign up with underwriters who are handling the deal on Feb. 7. Holders of record Feb. 8 are entitled to subscribe for one new share for each 20 held as of that date with the rights expiring March 7.

Considering the popularity of the stock, it is likely that members of registered exchanges who participate will find a fair portion of their capital tied up until delivery of the new shares is accomplished. This could shorten the sail of some firms who go in for general underwriting in the interval.

Rail Debentures Sold

Finis was written this week also to another of the late 1954 offerings, which, as expected, turned out to have called for something of a "long-haul" on the part of sponsoring underwriters.

The group which brought out Illinois Central Railroad's $18,000,000 of sinking fund debentures at mid-December was able to announce that the issue had been sold and the books closed.

Bought from the issuer as 3½s for a price of 99.14, the debentures were repriced at 100 for public offering to yield 3.50%. The road will use the proceeds on March 1, next, to retire its outstanding 6% convertible preferred stock.

Joins Leason Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Thomas Zimiewicz is now connected with Leason & Co., Inc., 39 South La Salle Street.

H. Hentz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George T. Golden has become connected with H. Hentz & Co., 120 South La Salle Street. Mr. Golden was previously with Stein Roe & Farnham.

Joins Henry F. Swift Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leland H. Delano is affiliated with Henry F. Swift & Co., 490 California Street, members of the San Francisco Stock Exchange.

Washington . . . And You

…nd-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower has greatly clarified to members of Congress and others in this city both the long-run budgetary outlook and the President's philosophy of the role of government in society, in his various messages to Congress of this month.

This clarification comes to the professional politicians, however, only by comparing what the President said this year with a year ago, AND by setting the language of these formal documents against performance by the President in 1954.

Last year was, in effect, the first "active" year of the President. That is because Mr. Eisenhower, when there was a vigorous conservative leadership in Congress, tended to postpone major decisions until 1954, by the device of delaying decisions and recommendations while policies were studied by special Commissions.

Furthermore, there is now pretty general agreement among both parties, and among the "liberal" and conservative wings of both parties, as to just where Mr. Eisenhower intends going. It is natural that conservative Republicans hesitate to say in public, however, that they see no hope for a balanced budget. It is equally natural that New Deal Democrats avoid blazoning publicly that the President has hi-jacked their principal stock in trade, the Welfare State. And the President himself leads his following in confusing, in public statements, his fiscal goals.

Military Cuts End

Key to what President Eisenhower referred to in his budget message one year ago as his "twin goals of a balanced budget and tax reductions" was the curtailment in military spending (foreign aid spending being not reduced substantially).

How vigorous was this policy was dramatically illustrated by the fact that between the January budget message of one year ago and the October revision, the estimated defense spending was diminished by $4 billion.

President Eisenhower now implicitly makes it clear that the era of curtailed "all-security" spending has come to an end. The adjustment of military procurement so as to eliminate accumulation of great piles of surpluses has been completed, and procurement will be on the rise. Mr. Eisenhower actually asks for $2.4 billion of higher new appropriations for the Defense Department. Continued gradual reduction in the number of men in uniform will be more than offset by the projected military manpower reserve program, and the greater pay and benefits being requested as incentives to keep men in service.

And Mr. Eisenhower projects for fiscal 1956 even a slight rise in actual foreign aid outpayments.

Hence this $40-billion segment of the budget ceases to be a realm in which further economy may be looked for. At another time the President implied that a stable level of military or security spending might have to endure for as long as 50 years.

Men like Treasury Secretary Humphrey, former Budget Director Dodge, and his successor, Roland Hughes, have excited praise for their valiant efforts to curtail nonsensical extravagance in the civilian activities of the government. Nevertheless, so overwhelming is security spending that when it stops going down, chances for overall curtailment in government spending are thin indeed.

Civilian Spending Rising

Furthermore, although the 1956 Budget Message artfully conceals the fact, civilian spending is on the rise. Although Mr. Eisenhower has backed a score or more of new welfare programs involving rising Federal outlays, by and large the President simply has evaded making provision for them in his budget.

As set up, the 1956 Budget Message appears to assume all or nearly all the "breaks" of politics and revenue will be on the favorable side. It might be noted in this connection that the 1955 Budget Message assumed a deficit of only $2.9 billion, and, despite the remarkable further curtailment after January of $4 billion in Defense Department spending, the prospective deficit for the current year is now revised upward to $4.5 billion.

This suggests that the "further cut" the President talked of in the 1956 Budget, in the size of the deficit, should be regarded with large reservations.

Ike Likes Strategems

Furthermore, the President is now displaying an unusual affection for strategems which conceal the government's true fiscal position.

The roads program is to be carried on outside the budget, although the spending will be Treasury and the borrowing on the substantive security of the United States through an U. S. corporation.

Mr. Eisenhower's housing bill takes the Federal National Mortgage Association borrowing outside the debt limit, and the Secretary of the Treasury wrote a letter intended to convey the idea, without so saying, of a Treasury guarantee.

Mr. Eisenhower also endorses in his Budget Message the new proliferating trend toward Federal guarantee of bank loans, such as is being used to finance soil conservation. In the case of such loans, the function of the bank is that of being a mere paying agent, the government through Farmers Home Administration approving, administering, and servicing the loan.

Finally, the President shows a hint that he may be flirting with the old trick of a "capital budget" by listing "Federal assets" among his expenditures, in one table, for 1956.

"What do you suppose it is Pumpernickel has on the boss?"

There is no complete information extant anywhere as to the total contingent liabilities of the government. Even so redoubtable a Senator as Harry F. Byrd has been unable to pull such a listing out. However, the government's contingent liabilities are believed to run from $200 billion to $300 billion, for insurance or guarantee of loans, and such things. To assume that these are all "assets" and in no respect liabilities, is to assume, as the President appears obviously to do, that national income will always rise, and there will develop no circumstances under which the government's guarantee will in the net cost anything to the Treasury.

Should a bank, like the Federal Government, ignore its liabilities whilst listing its assets, it would face an ouster of its directors from the superintendent of banks. Should a corporation reveal only its plus signs, it would be hit both by the state corporations commissioner and the SEC.

Broad Ike Program

President Eisenhower's Budget and Economic messages are full of resounding quotations about (1) the necessity for preserving a sound dollar and avoiding the fleecing of people by inflation; (2) the objective that the government shouldn't do for the people what they can do for themselves; and (3) that the Federal Government should not encroach on the functions of the states.

At the same time and figuratively in the same breath, the President lists scores of additional welfare and spending objectives, and (while not clearly explaining it) the aforementioned plan of spending outside the budget. Some of the President's programs ultimately would entail vast expenditures, such as for schools, roads, public health, and supplementary Federal pension payments.

That the President can at one and the same time face apparently to the Right whilst dealing from the Left, is a phenomenon peculiar to massive government. It takes almost a professional observer to match what is said in one document against what is said in another. That the President, whilst talking budget balancing and a sound dollar, means to push the welfare programs, Congress belatedly learned last June when the President, in a mammoth TV show, figuratively beat Congress over the head for not passing some of such programs he proposed last year, and later got action thereon.

Under massive government, all or enough of what the President intends, is laid on the table for all to see, but there is not sufficient time for many people to reconcile, as it were, assets with liabilities.

Conservative Republicans dejectedly report that Eisenhower is still popular, that widows and orphans think their savings are being protected; taxpayers that they will get a break. Meanwhile, the promises of further government benefits without apparent cost—in a still seemingly lower budget — have warmed the hopes of all.

So Eisenhower has probably registered success in that unofficial but real function of a politician—which is to fool most of the people most of the time, they point out.

See 1955 Outlook

Congressional observers think they can see some of the outlines of the outlook for 1955's session, and a little beyond.

(1) Only a small part of the President's welfare program can in any case pass, for the President has proposed enough business to keep Congress busy for many years.

(2) Whatever passes will be determined entirely by the Democratic leadership in what they think is their party's best interests, for conservative Republicans are too disheartened to impose a tough barrier to the expanding Welfare State and Mr. Eisenhower has avoided riling the southern Democrats.

(3) Nevertheless, some potentially expensive long-range welfare programs will pass.

(4) Their immediate cost will be small. The Eisenhower approach is to use the steel-plated shoe to get the foot in the door. He is characteristically content with an enabling act and a small initial expenditure. Democrats have a motive of their own for holding down immediate spending under new programs, because they hope to capture the Administration in 1957 and handle the disbursement.

(5) About the only chance for a balanced-budget in 1956 will be an economy boiling with inflation, boosting national income and corporation profits.

(6) After 1956's election is over, the era of large, uncontrolled deficits will come, and with it a fiscal irresponsibility that may make the French National Assembly look tame.

(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.)

Crowell, Weedon Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Olin D. Albright has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

With Francis I. du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Lotis B. Hawkins is now with Francis I. du Pont & Co., 677 South Figueroa Street.